

This is a marketing communication
For Professional Investors Only

GLOBAL
EQUITY

Quarterly ESG
Review

Q2

2023

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OUR COMMITMENTS

Q2 2023

Purpose led Future Quality Companies:

- A focus on companies creating stakeholder value
- High and sustainable cash-flow returns delivered by management teams we trust
- We believe that those targeting solutions for today's problems are likely to be among the long-term winners

Engagement:

- ESG ratings are imperfect – engagement helps us understand why
- ESG issues are aligned with our long-term investment horizon
- We can help companies address their apparent weaknesses

ESG Characteristics Promoted:

- Carbon intensity of the portfolio which is substantially lower relative to benchmark
- Zero violations of the UN Global Compact
- Zero 'very severe' controversies on environment, human rights, customers, labour rights or governance (OECD guidelines)
- Zero controversial weapons
- Zero tobacco

ESG Integration:

- ESG helps us find Future Quality companies
- We undertake ESG research directly and do not delegate ESG decisions to other teams
- ESG factors are analysed is at every stage of our investment

Commitments & Resource:

- We invest for the future low carbon world
- We avoid controversies and UN Global compact violations
- Nikko AM's ESG resource helps us attain best practice
- Where appropriate ensure investment policy meets European Supervisory Authority's Article 8 Sustainable Financial Disclosure Regulations

Important Sources & Links:

- [ESG White Paper](#)
- [Future Quality White Paper](#)
- [Sustainability report 2023](#)
- [Submission to the UK Stewardship Code](#)
- Upon request: PRI; Article 8 SFDR; UN Global Compact

Portfolio has a lower GHG intensity and is not exposed to destructive companies

Lower GHG Intensity

Fund has lower GHG Intensity compared to the benchmark

60.1

Fund GHG Intensity
(T CO2E/\$M Sales)

142.3

Benchmark's GHG Intensity
(T CO2E/\$M Sales)

Social safeguard

Fund exposure to companies flagged for certain frequently used social safeguard screens



UN Global Compact violations

0.0%



NAM Research 'Very severe' controversies

0.0%



Tobacco

0.0%



Controversial weapons

0.0%

ESG ATTRIBUTES

Portfolio Positioning

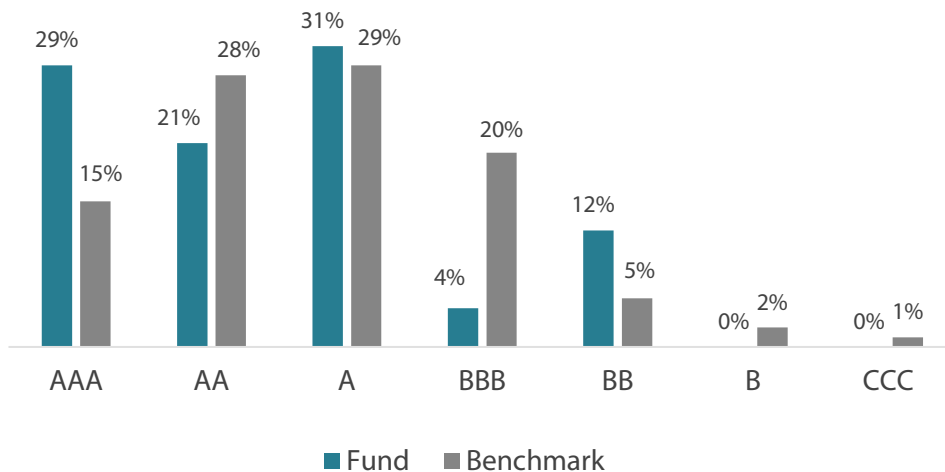
GLOBAL EQUITY PORTFOLIO

Highest ESG Rated Stocks

Stock	Sector	Portfolio Weight (%)	ESG Rating
Microsoft Corporation	Information Technology	7.13	AAA
KBR, Inc.	Industrials	3.06	AAA
Amadeus IT Group SA Class A	Consumer Discretionary	2.86	AAA
Worley Limited	Industrials	2.65	AAA
Taiwan Semiconductor Manufacturing Co., Ltd.	Information Technology	2.64	AAA
Diageo plc	Consumer Staples	2.56	AAA
Coca-Cola Company	Consumer Staples	2.46	AAA
Sony Group Corporation	Consumer Discretionary	2.19	AAA
Schneider Electric SE	Industrials	2.15	AAA
HOYA CORPORATION	Health Care	1.79	AAA

Lowest ESG Rated Stocks

Stock	Sector	Portfolio Weight (%)	ESG Rating
Haleon PLC	Consumer Staples	2.89	BB
Netflix, Inc.	Communication Services	2.46	BB
PT Bank Mandiri (Persero) Tbk	Financials	1.99	BB
Masimo Corporation	Health Care	1.81	BB
O'Reilly Automotive, Inc.	Consumer Discretionary	1.62	BB
Koninklijke Philips N.V.	Health Care	1.31	BB
Tenet Healthcare Corporation	Health Care	2.13	BBB
Palomar Holdings, Inc.	Financials	1.80	BBB
Linde plc	Materials	3.08	A
Compass Group PLC	Consumer Discretionary	3.04	A



- Sometimes ESG ratings only tell part of the story and often a historical one.
- Not every company is perfect and an improving ESG journey can create substantial value.
- We engage with the companies that have been flagged by our Future Quality assessment to help them on a journey of improvement

Source: MSCI ESG Research, June 2023; Data is for a representative account of the Nikko AM Global Equity Strategy
 Benchmark is the MSCI ACWI Total Return Net Index
 Data supplied as per the MSCI definitions

COMPANY ENGAGEMENTS

Company Description: AdaptHealth Corp. provides home medical equipment. The Company sells and leases mobility and oxygen equipment, wheelchairs, walkers, sleep therapy supplies, and hospital beds. AdaptHealth serves the hospitals, sleep labs, skilled nursing facilities, and clinics.

Issue: ISS recommended withholding support for 3 Directors at the 2022 AGM based on weakness of the company's internal controls and the boards failure to remove the classified structure which adversely impacts shareholder rights.

Objectives: We felt that while the company's strategic vision was strong there was still work to do in terms of Governance. We engaged to better understand if the financial controls issue was a function of a rapid change in business and we were also keen to see a commitment to ending the classified board arrangement.

Approach to Engagement: We have met with management often over the last year: June 2022 – Investor Relations; November 2022 – CFO & Investor Relations; March 2023 – CFO and May 2023 – Chairman. Proxy Voting - we voted to withhold support for the 3 abovementioned directors at the 2022 AGM and withheld support for the Chairman at 2023 AGM.

Detail of outcomes : Initial discussions with AdaptHealth highlighted some disconnect between strategic vision and financial reality. The company outlined plans for process improvements relating to weaknesses identified by KMPG, we encouraged them to continue to engage with shareholders regarding progress. The company's Q3 update saw results that were good on sales but underperformed margins. When we met management, they communicated they were confident in their execution going forwards. Again, we encouraged improved communication with shareholders. Q4 results however led us to believe management were failing to deliver the promised improvements. They scaled up investments but lost sight of the cost (which led to them reducing guidance). We met with the CFO and felt that the company was not improving fast enough. Q1 again saw messy results with more questions being raised around governance / management accountability (after the company fired the CEO but retained other, more culpable senior management). Unfortunately meetings with the CFO & then the Chairman did little to reassure.

Next steps: Although the company remains very well placed strategically, we have become increasingly concerned about their ability to deliver on this position, with management having consistently over promised on improved financial performance. Although the CEO has paid for this with his job, this will create additional uncertainty & other senior management have also underperformed. As a result, our Management Quality pillar has broken and we have exited the stock.

Company	Date of engagement	Level of engagement (Senior Management / Chair or Board / Investor Relations / Roadshow)	Issue and Outcome
Abbott Labs	26/07/2022	Investor Relations	<p>We engaged with Abbott for a third time shortly after the company announced it had restarted production at its Michigan facility. The purpose of this engagement was to evaluate the progress Abbott had made, since entering a consent decree with the FDA, to maintain new product safety standards and restart production effectively. We were encouraged to hear that production successfully restarted in early July and product would reach consumers within approximately six weeks. The company has been consulting with industry experts to implement the latest technological advancements in the food manufacturing process, increasing finished product testing, implementing auto-sampling technology, increasing sampling of non-production areas from two to three times, and enhancing electronic records to provide real-time data on each batch. This led us to believe that Abbott had taken the product recall seriously and was taking steps to prevent a similar issue from reoccurring in the future.</p> <p>We believe it is important to continue engaging with Abbott on the infant formula product recall. Whilst we have established that the product recall is not a material risk to our investment thesis, we need to monitor Abbott's ability to maintain the new product safety and quality standards. If an event like this were to happen again, it could damage the company's reputation and challenge our conviction in the stock. For this reason, ongoing engagement is in the best interests of our clients.</p>
	15/11/2022	Investor Relations	<p>A routine call with IR following Q3 results. Abbott believes that the infant formula issue is largely behind them now. The company stated that safety standards had improved product quality but stressed that these were enhancements, not new policies. Production of infant formula for metabolic deficiencies recommended in July and hit shelves in September. Production of the core infant formula brand, Similac, recommenced production in Q3 and hit shelves in Q4 2022. Abbott has fully recovered its market share in the supplemental nutrition program for women, infants and children (WIC) and has regained 50% of the share it lost in non-WIC. Now, the focus is on regaining the remaining share losses in non-WIC, which IR believes is achievable in 2023.</p>
Koninklijke Philips	26/08/2022	Investor Relations	<p>We meet with management of our investee companies on a regular basis, this was a routine meeting with IR. During the meeting it was discussed that there is little new information to add on the product recall. Philips have replied to all the FDA's queries and will submit the final piece of testing data by end of 2022. We will continue to engage once there is an update from the FDA.</p>

ENGAGEMENT SUMMARY

ESG Engagements Rolling 12 Months

Company	Date of engagement	Level of engagement (Senior Management / Chair or Board / Investor Relations / Roadshow)	Issue and Outcome
Koninklijke Philips	24/02/2023	Investor Relations	This was a positive call with IR, to date over 5m CPAP units have been produced. The production of replacement units will complete by Q1 while the shipping of the recall units will complete by H1. Philips believe that patients and doctors wouldn't have registered for a recall and sought a replacement device if they didn't want or trust the product. We are still awaiting testing results in H1 but the company have been working on addressing FDA's issues for more than a year already, spending €250m in the impacted US plants and processes.
Carlisle	28/06/2022	Head of Sustainability	We are pleased to see that Carlisle has progressed in terms of ESG; science-based targets are to be adopted, 2030 scope 1 and 2 emission targets are to be introduced (70% reduction) along with 2050 targets (including scope 3). New developments are needed to reach net zero and Carlisle are partnering with universities and technology leaders to develop what's required. Bio based product development, likely through carbon sequestration, is also a possibility while end of life circularity is also being discussed.
	03/04/2023	Investor Relations, Head of Sustainability	A routine call with Carlisle. We discussed the fact MSCI have downgraded their rating, this is due to Carlisle moving sub sectors and into building products. We highlighted that they should continue with the good work and that the lower rating reflects the scale of work being done by their competitors.
Hexagon	11/05/2022	Investor Relations, Head of Sustainability	In 2021 we reached out to Hexagon's Head of Sustainability to discuss their sourcing of controversial materials. We have more recently reached out again with a number of questions to gauge the company's progress in this area. We are awaiting a reply from Hexagon.
	15/07/2022	Sustainability Programme Manager	An update from Hexagon regarding questions raised in May. We are pleased to see that even through covid restrictions Hexagon carried out 24% of audits and are on track to their target of 100% of direct suppliers audited by 2023. Based on audits to date Hexagon have seen the level of non-conformances per supplier audit remain stable.
	17/04/2023	Sustainability Report Published	The report provides an update on supplier audits, company had previously indicated a target of auditing all suppliers in risk countries regarding supply chains by 2023 (75 in total). At the end of 2022 the number of risk suppliers had reduced to 56 and 11 of those audits were completed. Hexagon stand by their goal of auditing all by the end 2023.

ENGAGEMENT SUMMARY

ESG Engagements Rolling 12 Months

Company	Date of engagement	Level of engagement (Senior Management / Chair or Board / Investor Relations / Roadshow)	Issue and Outcome
Masimo	10/11/2022	Investor Relations	A regular IR meeting where we were pleased to see the CEO taking on board recent activist concerns. Masimo will guide on the investment level of the Freedom Watch at the capital markets day in December.
	23/12/2023	Investor Relations	This was a positive meeting, IR provided numerous, reasonable proxies to judge the success or failure of the upcoming new product launches and confirmed that guidance was couched in very conservative terms. Success in new areas such as health watches, baby monitors and hearing, where they have strong branding and good route to market, should be enough to see their Healthcare business grow strongly in the foreseeable.
	26/05/2023	Investor Relations	A regular IR meeting where we received an update on the ongoing dispute between activists and management. There are signs that the company are addressing the need for change, although slowly. We believe the Sound United deal will support growth and cashflows longer than consensus suggests.
	22/06/2023	Investor Relations	A meeting with IR regarding the upcoming proxy vote. After speaking to the company we feel that the board requires more independence/oversight of the CEO. We therefore support the increase in board size from 5 to 7 with the election of Michelle Brennan and Quentin Koffey. Masimo remains a great company – with tremendous track record for delivering innovation. Greater oversight of management will just make this innovation delivered in a more cost-effective fashion, which will likely benefit shareholders (through better financial performance and better Governance).
Adapt Health	26/05/2023	Chairman	A satisfactory meeting with the Chairman however questions remain regarding accountability within senior management after 3 earnings downgrades in quick succession. The company is very well positioned strategically and much of it is performing well (ex diabetes) but it is struggling to manage its complexity following a string of acquisitions from 2019-21. With our Future Quality pillar of Governance under question we decided to exit the position.

Company	Date of engagement	Level of engagement (Senior Management / Chair or Board / Investor Relations / Roadshow)	Issue and Outcome
Tenet Healthcare	14/09/2022	Investor Relations	We engaged with Tenet Investor Relations following the discovery of a severe labour controversy flagged by MSCI. The controversy related specifically to a nurse union strike at Tenet’s St Vincent hospital in MA. Whilst we recognised that the strike had been resolved in January 2022, and therefore was not deemed to be ongoing, we wanted to establish whether this strike was a one-off or if it was symptomatic of a broader cultural and governance issue at Tenet. We set up an engagement with Head of Investor Relations, William McDowell, to get some initial thoughts on the strike in question. However, given McDowell had only been with Tenet since 31st March 2022, we felt it would be useful to follow up with the company’s Chief Financial Officer, Daniel Cancelmi, who had been with Tenet for 28 years. Given the CFO’s long tenure, we felt he would be able to speak to his direct experience in the strike negotiations as well as the evolution of Tenet’s culture over time.
	28/09/2022	CFO	We engaged with Tenet’s CFO to discuss the St Vincent strike and labour relations at the company more broadly. The CFO informed us that 2 years prior to the strike, the nursing unions issued a state-wide ballot in MA, calling for higher staff-to-patient ratios. This motion was defeated by a majority because MA residents believed that the economic impact would be too onerous. The unions were unsatisfied with this result and targeted Tenet two years later, on the same topic. Tenet took a hard-line stance on the issue because the company believed that there was no scientific evidence to suggest that changing the staff-to-patient ratio in-line with union demands would improve patient outcomes. It sounds to us like the union took the issue too far and Tenet had reasonable grounds for objecting to it. Note that Tenet has successfully negotiated 50 labour contracts since the St Vincent case, indicating that this incident was somewhat of an anomaly for the company. Furthermore, strike action is not a Tenet-specific issue; structural nurse staffing shortages across the US healthcare system are resulting in nursing strikes for many of Tenet’s peers as well. Despite this, we want to continue to monitor union relations and negotiations at Tenet closely to ensure that the high-profile, long-duration St Vincent incident was indeed an anomaly.

Company	Date of engagement	Level of engagement (Senior Management / Chair or Board / Investor Relations / Roadshow)	Issue and Outcome
Tenet Healthcare	30/11/2022	CFO	A follow-up call with IR to understand why labour trends at Tenet differed from peers during Q3 and to assess Tenet's approach to managing labour over the long term. The CFO provided visibility on why Tenet saw an uptick in contract labour in Q3 whilst peers saw the opposite. Tenet started from a lower base of contract labour relative to peers and Covid resulted in 10% of staff being in quarantine at one stage in Q3, forcing Tenet to increase contract labour to meet patient demand. It became clear to us on the call that Tenet management is committed to running the business for the long term, and is not just trying to hit short-term targets. The CFO told us that running a tight labour base, and managing Covid spikes when they arise rather than being overstaffed for 12 months of the year, is key to protecting margins. We agree that prioritising margins over short-term volumes is the right thing to do for the long-term health of the business. Additionally, the CFO told us that Tenet is investing in high quality facilities and equipment, which we understand are key to attracting and retaining the top tier of physicians and nurses over the long term.
Worley Limited	10/10/2022	Chairman, NED, IR	We reached out to Worley to discuss remuneration ahead of their AGM. The base salary for the CEO has been increased by 14% to AUD 1.9m and will be linked to USD, where he now spends most of his time. This fixed component compares favourably against similarly sized Australian and US peers - just above median for the latter group - but in total comp, remains low as the variable component and equity portion are low in comparison. Discussed the framework for the total remuneration package, the ESG weighting has increased to 20% with each target needing to be met if the total comp was to be achieved. Financial targets within the STI have been tightened and the DEP/LTI appear to have sensible targets such as 14% gross margin improvement in the sustainability work. This meeting gave us the conviction to vote in favour of items relating to compensation at the AGM.

Company	Date of engagement	Level of engagement (Senior Management / Chair or Board / Investor Relations / Roadshow)	Issue and Outcome
Chart Industries	13/12/2022	Investor Relations	<p>We meet with Chart Industries following the announcement they are to buy Howden Group.</p> <p>The shares have come off for 3 reasons:</p> <ol style="list-style-type: none"> 1. There was no indication a deal was forthcoming; 2. The preferred stock element has uncertainty surrounding it and may end up in a capital raise; 3. The price paid, though reasonable post sizeable synergies, is historically high for a capital goods company. <p>This was a rather unsatisfactory meeting mainly due to change over of IR at the point of this deal. Further details about financing options, synergies were forthcoming, some of which are to be followed up again by email. We got some comfort that the synergies appear to be in hand and the stock is probably over sold. Our next steps are to have an industry expert call to support the commercial sense of the deal and possible cost synergies. We also have a follow up meeting arranged with Chart Industries' CEO in January.</p>
	11&12/01/2023	Howden CEO, Chart CEO, Chart IR	<p>A pre-arranged meeting with Chart CEO and IR which also lead to the opportunity to meet both companies CEOs in Glasgow the following day.</p> <p>The initial meeting disclosed that there was significant competition for Howden meaning the seller (KPS) had the upper hand and the time scale was compressed. However, the business is well known by the Chart management team. Howden had very much gone through the same transformation as Chart itself and the two traded together on projects. The financing option, however, was poorly judged and managed.</p> <p>The second meeting gave comfort around the strategic fit and some additional comfort around the delivery of synergies. Howden looks like a great business which is further along its digital transformation and aftermarket push, the businesses are very complimentary. The operations manager at Howden is staying on and will drive the integration and synergies.</p>

Company	Date of engagement	Level of engagement (Senior Management / Chair or Board / Investor Relations / Roadshow)	Issue and Outcome
Chart Industries	13/01/2023	Chart Board, IR	Following the 2 management meetings, we reached out to Chart's board with a formal letter via IR. The purpose of the communication was for further clarification on the technical reasons for not being able to raise equity and any further lessons gained over the last few months. We have received a verbal update and await a formal reply.
	15/06/2023	Chart Board, IR	A follow up email asking Chart's board for a formal reply to our request above.
Haleon	12/01/2023	Investor Relations	<p>MSCI flags a severe controversy at Haleon related to lawsuits over alleged serious kidney injuries from the use of proton pump inhibitor (PPI) medications. We raised this controversy with the company.</p> <p>IR informed us that this case is quite different to the Zantac litigation in that Nexium and Prevacid (the products in question) are still being sold on the market and have not been withdrawn by the FDA. Haleon is a defendant in this PPI case that has been ongoing since 2017 and therefore the judge is pushing for a resolution.</p> <p>Haleon are expecting an update on the litigation in the next few months. In light of this information, we will continue to engage with the company when they are able to share further updates.</p>
	02/03/2023	Q4 2022 results	At Q4 results, Haleon disclosed that it has settled the vast majority of PPI cases in Feb 2023. Full terms were not disclosed but it was reported within the overall other operating income and not deemed to be financially material. It is difficult to establish whether there was any safety risk associated with PPI medication given that 1) kidney disease is multifactorial and therefore difficult to find the cause, and 2) the FDA never recalled the products. Taking the settlement and safety considerations into account, it is difficult to argue that this issue is 'severe.' Therefore, we will downgrade the controversy to 'non-material' and continue to monitor on this basis.

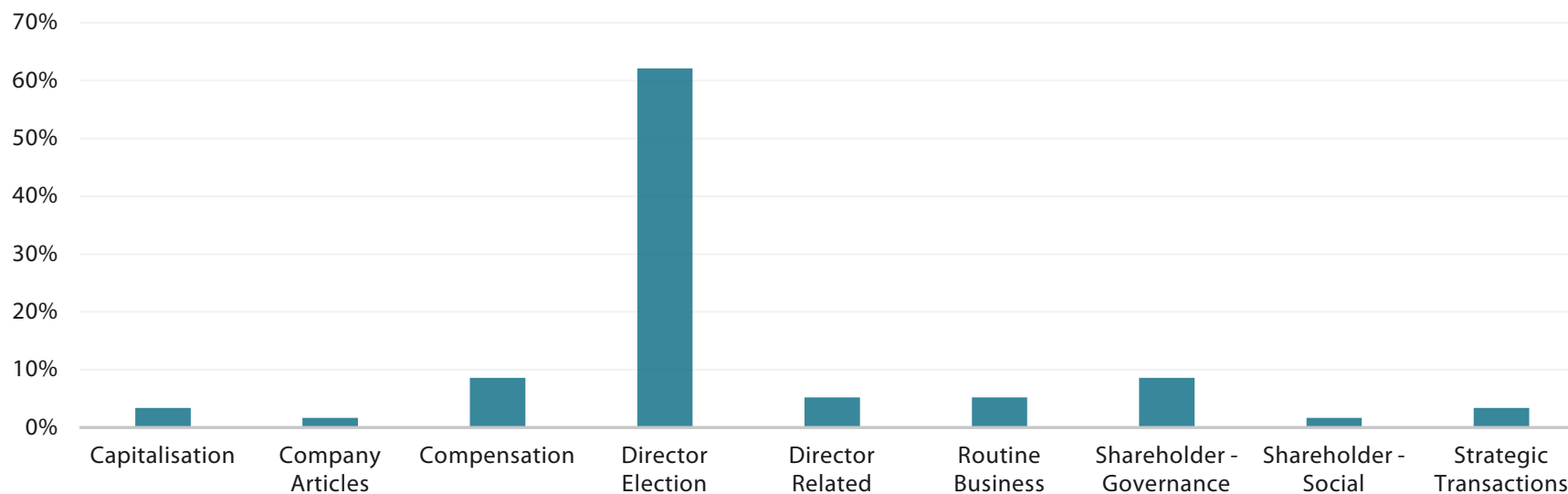
PROXY VOTING AND MEETINGS

As part of our fiduciary duty as an asset manager and a responsible investor we regularly engage with companies, developing and enhancing our understanding of corporate value by analysing corporate governance issues on a case-by-case basis and exercising our voting rights in order to maximise shareholder value.

Global Equity Strategy - Breakdown of Voting

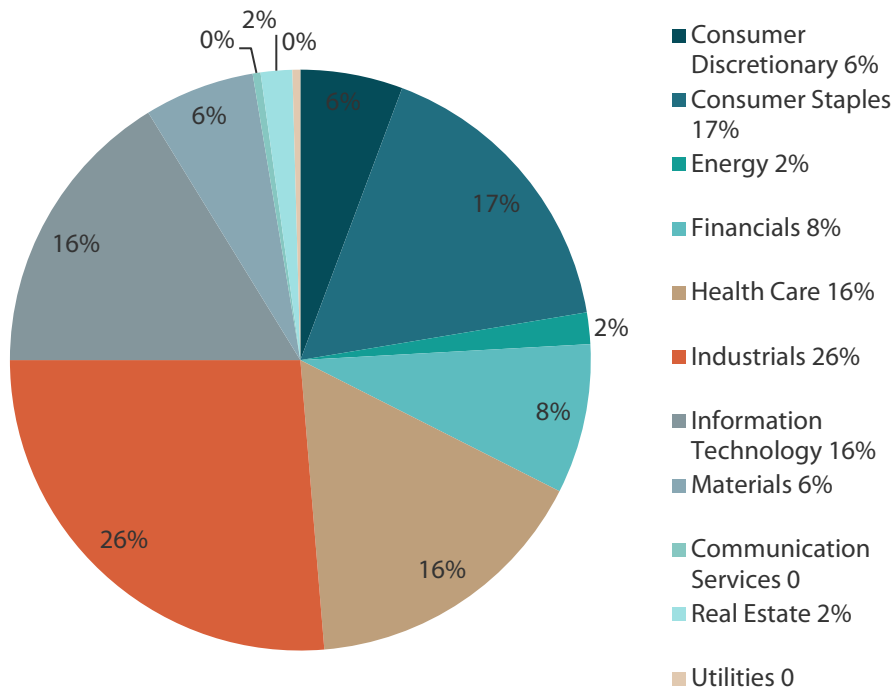
Period	Number of Meetings	Number of Items Voted	Votes Against Management Recommendations		Votes For Management Recommendations	
			Number	Percentage	Number	Percentage
Q3 2022	5	45	3	6.7%	42	93.3%
Q4 2022	6	70	1	1.4%	69	98.6%
Q1 2023	11	160	12	7.5%	148	92.5%
Q2 2023	54	851	42	4.9%	809	95.1%
Rolling 12 Months	76	1126	58	5.2%	1068	94.8%

Breakdown of Votes Against Management

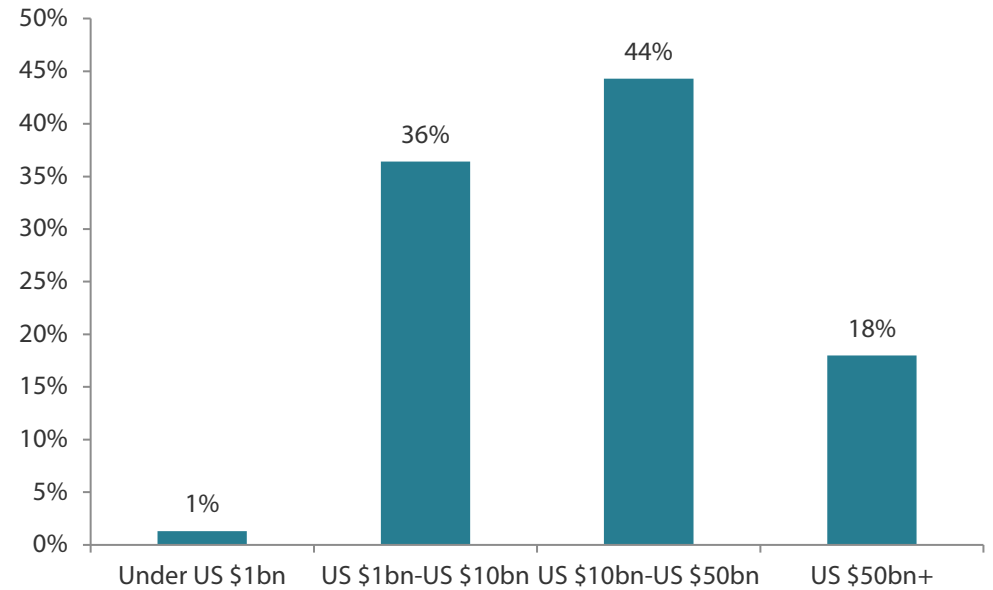


Company engagement and voting activity go hand in hand with long term investing. In conducting our engagements, we understand that there are various factors that play into the corporate governance framework of a country and the macroeconomic conditions and political climate of which that company resides in. To help mitigate risk, the team collaborates with other Nikko AM investment teams for better insights and more informed views.

Meetings by Sector



Meetings by Market Cap



NIKKO AM RESOURCE & COMMITMENTS

ESG Steering Committee

Global Head of Investment
 Global ESG Champion
 Head of Fund Management*

Equity/ Fixed Income Strategies

Global Equity
 Asian Equity
 Japanese Equity
 New Zealand Equity
 Global Fixed Income
 Asian Fixed Income
 Japanese Fixed Income
 New Zealand Fixed Income

COOI-International
 Head of Investment Support & Planning **

Commitments



Video supporting UN SDGs



UK Japan

Stewardship Code Signatories



PRI A+ rated - one of Asia's top Signatory since 2007



Carbon Neutral Organisation



Initiatives & Resources




- ESG steering committee
- ESG specialist resource [AOG Team]
- Climate Action 100+ member, TCFD Investor Agenda - 1st Asia-based asset manager that supports all four areas
- Full voting disclosure
- Regular Sustainability Report issuance
- Nikko AM Sustainability Programme

Source: Principles of Responsible Investment, UN Sustainable Development goals, *Equity and Fixed Income, **No voting rights, all other members hold voting rights, Investor Agenda please refer to URL: <https://theinvestoragenda.org/>, Nikko AM UN SDG video: <https://www.17sustainabledevelopmentgoals.org/sustainability-as-a-calling/>

Emerging markets risk – the risk arising from political and institutional factors which make investments in emerging markets less liquid and subject to potential difficulties in dealing, settlement, accounting and custody.

Currency risk – this exists when the strategy invests in assets denominated in a different currency. A devaluation of the asset's currency relative to the currency of the Sub-Fund will lead to a reduction in the value of the strategy.

Operational risk – due to issues such as natural disasters, technical problems and fraud.

Liquidity risk – investments that could have a lower level of liquidity due to (extreme) market conditions or issuer-specific factors and or large redemptions of shareholders. Liquidity risk is the risk that a position in the portfolio cannot be sold, liquidated or closed at limited cost in an adequately short time frame as required to meet liabilities of the Strategy.

Sustainability risk – The risk arising from any environmental, social or governance events or conditions that, were they to occur, could cause material negative impact on the value of the investment.

Specific sustainability risk can vary for each product and asset class, and include but are not limited to: Transition Risk, Physical Risk, Social Risk and Governance Risk.

If you intend to invest in the UCITS Fund, please refer to the Fund Prospectus in order to identify whether the Sub-Fund will manage sustainability factors within the meaning of the SFD Regulation (EU) 2019/2088: an article 6 (limited to analysing sustainability risk as part of its risk management process), an article 8 (which also promotes certain environmental and social characteristics) or article 9 (which has sustainable investment as its primary objective).

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