ADHERENCE TO THE PRINCIPLES OF THE JAPAN STEWARDSHIP CODE

September 2020

This document sets out the approach by William Blair Investment Management, LLC and William Blair International, Ltd (collectively “William Blair”) to responsible ownership with regard to the guidelines set out in the Japan Stewardship Revision Code (the “Code”) published by the Financial Services Agency (FSA) in March 2020.

William Blair delivers active investment management to private clients, institutions, and intermediaries. As well as management within funds, William Blair uses active asset allocation in managed portfolios to meet clients' diverse needs. Our funds and strategies cover a broad range of asset classes. We have a duty to act in the best interests of our clients and to seek to protect and enhance the economic value of our clients’ investments.

PRINCIPLE 1

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

At William Blair, we consider corporate governance to be one of many considerations that inform our investment decisions—inextricably linked with our fundamental assessment of the quality of corporate management and financial statements. As part of our research process, we evaluate the governance of potential investee companies, with a key focus on shareholder value creation, transparency, oversight, and accounting policies. To assist us in this evaluation, we have formally integrated environmental, social, and governance (ESG) research into our process in a systematic fashion. The team complements its proprietary research with third-party vendors’ data, which is integrated into our centralized research platform and our formal company recommendation reports. Analysts document what they believe to be material issues in the recommendation reports, and therefore seek appropriate disclosures as a matter of course. If we believe disclosures are inadequate, we address our concerns with management and communicate our expectations for improvement.

We are not an activist investor. However, corporate governance and the treatment of minority investors are of significant importance to us. If we are not satisfied that a company has shareholder interests foremost in its thinking regarding its capital allocation and business practice decisions, then we would not invest in this company.

We hold regular meetings with the management of our portfolio companies to discuss issues including strategy, performance, and business practices, and have specifically engaged with several of them on issues related to corporate governance, such as controversial stock option plans and stock issuance proposals. For the most part, our engagement with companies is completed privately since we believe this allows us to be more open and frank, achieving the greatest impact.

Our guiding principle as an organization is always to seek to act in the best long-term interests of, and seek value for, our clients. In line with this principle, we will decide, on a case-by-case basis, whether our clients’ interests are best served by engaging with companies or by the sale of the shares of underperforming companies.

William Blair aims to vote all proxies on behalf of clients who delegate to us voting authority. We have adopted and implemented specific voting guidelines designed to ensure that votes are cast consistent with our clients' best interests.

Upon a client's request, William Blair will make available a record of proxy votes cast on its behalf. Our proxy voting policy, guidelines, and historical activity are available to the public on our mutual fund and SICAV websites.

Our Active Ownership Policy, which details our engagement and voting responsibilities, is also publicly available on our website.

PRINCIPLE 2

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

William Blair is an independent, employee-owned partnership providing investment management and investment banking services. Conflicts, actual or potential, that arise when engaging with investee companies and any subsequent voting activity are managed within an objective framework to protect client interests. Our conflict-of-interest policies apply across our various business areas and all employees are expected to adhere to them.

Where William Blair itself has a conflict of interest with the fund, the client, or the company being voted on, we will follow the voting recommendations of a third party (which will be the supplier of our proxy voting processing and research service). Generally, a conflict of interest may exist between business areas within William Blair, or its employees and clients, or between clients themselves.

Examples of conflicts of interest related to stewardship include (but are not limited to):

- where we are voting rights over securities that another area of the business may have a client relationship with;
- where we are voting rights over placing shares or new issues on which our corporate finance team has acted as advisor; and
- where we are prevented from exercising voting rights over shares that are on our banned or restricted list sometimes due to our engagement activities.

Separation of processes and management between Investment Management and our corporate finance division helps ensure we manage and mitigate conflicts by taking reasonable steps to avoid conflicts, implementing appropriate policies and procedures, maintaining information barriers, providing training to employees, and treating confidential information appropriately.

A copy of the William Blair Code of Business Conduct is available from the head of compliance upon request. The William Blair International, Ltd. Conflicts of Interest Policy is available on our website.

PRINCIPLE 3

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

We believe ongoing monitoring is critical to ensure investee companies continue to meet our investment criteria and fundamentals are not eroded. Research analysts are responsible for monitoring companies in their coverage through evaluation of written reports, discussions with external analysts, and direct company contact. We also employ in-house quantitative models to evaluate and monitor individual company fundamentals, looking for signs of risk or weaknesses, such as extended valuations and deteriorating earnings.

We attempt to visit companies at least annually, and often see management teams more frequently at industry meetings and conferences. These contacts allow us to engage with investee companies on strategic, operational, and ESG matters. From a governance perspective, our areas of focus include transparency, shareholder value creation, oversight and ownership, remuneration, and accounting policies. The relevance of all these issues varies by company.

After meeting with an investee company, the analyst will discuss the key outcomes with the team and will document the meeting and topics of engagement in our proprietary research management system, Summit. ESG research is also systematically integrated into Summit so that our analysts can seamlessly refer to and monitor ESG company factors. More broadly, Summit centralizes all William Blair intellectual capital and integrates data from external vendors and plays a key role in helping analysts monitor investee companies.

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.

Engagement and continued dialogue with investee companies is an important part of our investment process. As discussed in principle 1, corporate governance and management quality are a key focus prior to investing in a company, and as a result, the need for intervention to enhance shareholder value is considerably limited. Yet there are instances where we may decide to engage on a particular issue, such as concerns over the board structure, sustainability of future earnings, etc. Such decisions are made on a case-by-case basis by our investment professionals and would depend on the materiality of the issues, responsiveness exhibited by the company to past communication, and our assessment of whether such engagement is in the best interests of our clients. Engagement activities may include meeting with the company board or non-executive directors, completing proxy voting, or on a rare occasion, participating in stakeholder dialogues.

Engagement always creates the risk of becoming an insider or receiving material nonpublic information, which may preclude us from dealing in the shares of the company concerned. If any material nonpublic information was to be received in the course of such meetings, our legal and compliance group would be consulted, wall-crossing procedures applied, and trading blocked. Hence, it is the interest of our portfolio teams to consider the effectiveness of engagement before doing so.

We are not an activist investor because we believe quiet, behind-the-scenes dialogue is usually a more effective and constructive approach to solving problems, avoiding the risk of damage to shareholder value caused by polarized public positions. In line with our low profile, we generally do not issue statements or campaign publicly on issues.

More generally, if we have serious concerns regarding a company's governance and management quality, we will not hesitate to sell the shares rather than intervene as we believe it is in the best financial interests of our clients. The appropriate course of action is ultimately at the discretion of our investment professionals.

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 sustainable growth of investee companies.

William Blair considers proxy voting an important part of its investment process, and therefore seeks to vote all proxies on behalf of clients, in the best interest of clients, in accounts for which it has proxy voting authority.

Our full proxy voting policy, which details our voting guidelines, is available on our mutual fund and SICAV websites. We endeavor to accurately vote according to our guidelines in a timely manner.

We engage Institutional Shareholder Services ("ISS"), a specialist independent corporate governance service provider. ISS's independent analysis draws on global best practices. Pursuant to our policies, we vote in accordance with ISS recommendations unless our investment professionals determine the recommendation is not consistent with our clients' best interests.

In such cases, the investment professional's recommendation is reviewed by our proxy voting committee, which determines whether to accept or reject the recommendation. Voting process and decisions are under William Blair's control. Regarding separate accounts, there is an option to independently manage the voting process.

For issues not covered by voting guidelines or voted on a case-by-case basis, the proxy administrator will consult the proxy committee, which will review the issues and vote each proxy based on information from the company, our internal analysts, and third-party research in the best interests of clients as shareholders. The proxy committee consists of representatives from our investment management teams, including senior management, portfolio managers, analysts, and operations personnel, and a compliance department representative.

We vote at all meetings of Japan-listed companies in which our clients hold shares. Outside Japan, there are occasions when we choose not to vote, usually because we wish to retain the right to sell our shares in countries with share-blocking (the prohibition of the sale of voted shares until the date of the relevant shareholder meeting).

We are committed to providing full disclosure of voting activity to our clients, so we produce detailed proxy voting reports available to all clients for whom we have the authority to vote upon request. These reports detail shareholder meetings held during the period in respect of securities held by our client and how the votes have been cast. We also disclose voting activity for our funds on our mutual fund and SICAV websites.

We do not currently engage in any stock lending programs.

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.

We attach considerable importance to ensuring that we are accountable to our clients and that they are kept informed of the types of activities we undertake and related developments. William Blair periodically reports on proxy voting decisions to clients on request, unless such information is deemed confidential and disclosure to our clients would not be in their best interests. We keep a record on voting activity and explanations as to the reasons for voting against management. We publish relevant summary voting information on our mutual fund and SICAV websites.

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 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.

Rigorous company research is a hallmark of our investment process. Our research analysts are responsible for monitoring companies in their coverage through evaluation of written reports, discussions with external analysts, and direct company contact. We also employ in-house quantitative models that we use to evaluate and monitor individual company fundamentals, looking for signs of risk or weaknesses such as extended valuations and deteriorating earnings.

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PRINCIPLE 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.

As stated in our adherence to Principle 5, William Blair has retained a third-party proxy advisor, Institutional Shareholder Services Inc. (“ISS”), to assist in certain proxy voting-related functions, including providing research on proxy matters and voting proxies in accordance with our voting guidelines. In addition to ISS’s proxy research, we utilize third-party research to enhance our perspectives on ESG matters and support our stewardship responsibilities.