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NEUBERGER BERMAN

Japan Proxy Voting Guidelines 2022

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ABOUT NEUBERGER BERMAN

Founded in 1939, Neuberger Berman is a private, 100% independent, employee-owned investment manager. From offices in 34 cities worldwide, the firm manages a range of strategies—including equity, fixed income, quantitative and multi-asset class, private equity and hedge funds—on behalf of institutions, advisors and individual investors globally. With more than 500 investment professionals and over 2,000 employees in total, Neuberger Berman has built a diverse team of individuals united in their commitment to delivering compelling investment results for our clients over the long term. That commitment includes active consideration of environmental, social and governance factors. Our culture has afforded us enviable retention rates among our senior investment staff and has earned us a citation from *Pensions & Investments* as a Best Place to Work in Money Management for six consecutive years.

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OBJECTIVE

Neuberger Berman Group LLC ("Neuberger Berman Group" and collectively with its affiliates "Neuberger Berman" or the "firm") believes that engagement is a dialogue between investors and companies focused on positively influencing corporate governance behaviors to drive long-term, sustainable returns. We have codified our approach in our Governance and Engagement Principles. One important way in which we exercise engagement is through voting proxies on behalf of our advisory clients for whom we have voting authority. We do this in order to fulfill our fiduciary responsibility to protect our clients' best interests and as an important component of our approach to creating shareholder value.

The below statements serve as a guide to our voting approach in Japan and are representative of our general views on these matters. We reserve case-by-case judgment in all instances where we believe a different vote serves the economic best interests of our clients.

In addition we recognize that some of our investments, including but not limited to those listed outside major stock exchanges, mutual funds, exchange-traded funds, closed-end funds and special purpose acquisition companies, do not operate in markets where it would be appropriate to apply the full breadth of our guidelines. In those instances, we will vote based on our assessment of best practices that protect shareholder value.

RISK OVERSIGHT & BOARD RESPONSIBILITIES

We expect boards in both the ordinary course of business and during special sessions to review and plan for relevant and material risk factors for the long-term sustainability of the business. We recognize that companies have diverse stakeholders that present many perspectives; we expect that given its oversight responsibility, the board remains open-minded in its evaluation of these issues. We identify continuing education, board evaluations, succession planning, shareholder and stakeholder engagement, and the adoption of best practices as indicators of oversight quality.

We expect, at minimum, to see disclosure on the roles and responsibilities of the board including key committees, comprehensive descriptions of the background and skills of board members. We also believe the board should identify and appropriately address financially material risks to the company's business fundamentals and to its long-term sustainable growth, including but not limited to environmental, social and corporate governance (ESG) issues.

We expect companies to have robust anti-corruption practices and may vote against members of the appropriate board committee where we find poor oversight of matters related to compliance with sanctions or interactions with foreign governments.

KEY CRITERIA

At a minimum, we expect companies to meet the following set of criteria and we may withhold support on relevant proposals where companies fail to meet our expectations.

Capital Management:

- We expect companies to have an average Return on Equity (ROE) of the past five fiscal years that is greater than 5% or exceeds this threshold in the last fiscal year.
- We generally consider net cash (cash and cash equivalents plus marketable securities minus interest bearing debt) to be excessive if it is greater than 30% of total assets.
- We expect companies to be transparent in their use of shareholders' capital and consider the disclosure of a mid-term business plan backed by a sound financial management strategy to be crucial to assess the firm's sustainability over the mid to long term.

Director Independence:

We consider factors that would compromise independence of independent directors and auditors as:

- Having served as a senior executive of the company's audit firm, lenders, law firm or similar services in the last five years.
- Material personal relationships with shareholders who own over 10% of the outstanding equity.
- Personal relationships with entities to which the firm made material payments.
- Instances of interlocking directorships (including CEOs serving on each other's boards).
- Served on the board for more than 10 years.
- Other unique situations that may make us doubt the individual's independence and judgment.

Director Qualifications:

We consider factors that would have a material impact on an independent director and auditor's ability to serve his/her duties on the board as:

- Specific concerns about the individual or company, such as criminal wrongdoing or breach of fiduciary responsibilities.
- Serves on the boards of more than four publicly listed companies as either an outside director or auditor, including the issuer company.
- Possesses key skills and experience that are crucial to effectively monitor management, including but not limited to company management, corporate finance and sustainability.

Controversies:

We consider controversies as activities that violate fiduciary duties to shareholders and/or activities that are in violation of local laws such as:

- Anti-trust and anti-corruption rules
- Financial and accounting rules
- Product quality and inspection rules
- Environment (e.g., biodiversity) and social responsibility (e.g., labor) rules

Cross-Shareholdings:

- No more than 5% of total assets

Board Attendance Rates:

- Greater than or equal to 75% of annual board meetings

ELECTION OF DIRECTORS

We believe a board of directors ("board") should be comprised primarily of qualified, independent, diverse directors with relevant experience. These factors, along with periodic board and committee refreshment, will facilitate driving a company's performance, creating shareholder value while protecting and enhancing shareholders' interests.

We evaluate the composition of the board to ensure there are objective and meaningful discussions among directors in an effective manner and shareholders are represented by individuals who are well positioned to assess and understand both traditional and abstract business risks, have a history of operating in complex environments, subscribe to the highest level of ethical standards and hold others to it, and are able to present themselves as a credible voice of not only shareholders, but also stakeholders such as clients, employees and communities, among others. We believe these qualities to be vital to the challenging, deliberative discourse that we expect boards of our portfolio companies to possess.

Generally, we support management nominees; however, there are instances when we may withhold votes from or vote against the management nominee(s), such as:

- Company has an oversized board of more than 15 directors and does not provide a valid explanation, in which case vote AGAINST the Representative Director(s).[1]
- Company has been involved in activities that are in breach of our controversy criteria and the Company has not taken adequate counter measures to prevent recurrence, in which case vote AGAINST the Representative Director(s), director(s) and statutory auditors responsible.
- Company does not meet the ROE requirement and has not taken adequate counter-measures to improve ROE, in which case vote AGAINST the Representative Director(s) and director(s) responsible (i.e. CFO, director responsible for underperforming division). We will follow the same course of action for companies that do not meet the cross-shareholding criteria and does not provide a valid explanation.
- Company with a market capitalization is greater than or equal to 200 billion yen at the time of the record of holder date and does not have a female director and does not provide a valid explanation, in which case vote AGAINST the Representative Director(s).
- Company continues to maintain anti-takeover defense measures (e.g., a "poison pill"), in which case vote AGAINST the Representative Director(s).
- The individual's board attendance does not meet the criteria and the company does not provide a valid explanation, in which case vote AGAINST the director(s) in question.
- For independent candidates, if the individual does not meet the independence criteria and the company does not provide a valid explanation, vote AGAINST the director responsible.

ELECTION OF AUDITORS

Generally we support management nominees; however, there are instances when we may withhold votes from or vote AGAINST the management nominee(s), such as:

- Company has been involved in activities that breach our controversy criteria and the company has failed to provide a valid explanation, in which case we may vote AGAINST the statutory auditors involved. We will also closely examine the statutory auditor's track record at other companies to see if there is a precedent of poor performance and/or mismanagement that has harmed the interests of minority shareholders.
- Company's audit board is less than majority independent and the company does not provide a valid explanation, in which case we may vote AGAINST the necessary number of candidates to meet the requirement. We will also vote AGAINST any insider serving as the chair of the audit board.
- The individual's board attendance does not meet the criteria and the company does not provide a valid explanation, in which case, vote AGAINST the auditor responsible.
- For independent auditors, if the individual fails to meet our independence criteria and the company fails to provide a valid explanation, we will vote AGAINST the auditor(s) in question.

ACCOUNTING AUDITOR RATIFICATIONS

We generally vote FOR management's nomination of an accounting auditor unless:

- Any recent restatements or late filings by the company and the accounting auditor bears responsibility.
- Company has aggressive accounting policies.
- Company has poor disclosure or a lack of transparency in financial statements.
- A conflict of interest exists between the interests of the accounting auditor and those of shareholders.
- The company is changing accounting auditors as a result of a disagreement between the company and the auditor on a matter of accounting principles or practices.

BOARD COMPOSITION

Under the Japanese Companies Act, we believe companies should choose one of the three allowed board structures that best suits the company's development stage and is in the best interest of all shareholders. For each structure, we will consider on a case-by-case basis the appropriate level of independence and qualification of directors and auditors based on the below guideline.

Two-tier board with statutory audit board (Kansayaku Secchi Kaisha):

- Board of Directors should have at least two independent directors and the combined independence of the board of directors and statutory auditors should be at least one-third.
- For companies with a controlling owner, the combined board of directors and statutory auditors should be at least majority independent or have a special independent committee to oversee conflict-of-interest issues.
- Board of Statutory Auditors should be at least majority independent and chaired by an independent member.
- We may vote AGAINST certain inside directors, including the Representative Director(s) and/or internal auditors or affiliates, to satisfy the independence requirement unless the company provides a valid explanation.
- We expect companies to establish at least majority independent compensation and nominations committees led by independent members to oversee the board's decision-making process regarding management compensation and nominations.

One-tier board with one committee or company with audit & supervising committee (Kansatouiinkai Secchi Kaisha):

- Board should have at least two independent directors and be at least one-third independent.
- For companies with a controlling owner, the Board should be at least majority independent or have a special independent committee to oversee conflict-of-interest issues.
- Audit committee should be at least majority independent and chaired by an independent director.
- We may vote AGAINST certain inside directors, including the Representative Director(s) and/or internal auditors or affiliates, to satisfy the independence requirement unless the company provides a valid explanation.
- We expect companies to establish at least majority independent compensation and nominations committees led by independent members to oversee the board's decision-making process regarding management compensation and nominations.

One-tier board with three committees or company (Shimeiiinkai tou Secchi Kaisha):

- Board should have at least two independent directors and be at least one-third independent.
- For companies with a controlling owner, the Board should be at least majority independent or have a special independent committee to oversee conflict-of-interest issues.
- All three committees should be at least majority independent and chaired by an independent director.
- We may vote AGAINST certain inside directors, including the Representative Director(s) and/or internal auditors or affiliates, to satisfy the independence requirement unless the company provides a valid explanation.
- We expect companies to establish at least majority independent compensation and nominations committees led by independent members to oversee the board's decision-making process regarding management compensation and nominations.

Boardroom Diversity:

We strongly believe that board diversity is key to promote effective boardroom discussions on the company's sustainable long-term growth. Key traits of a diverse boardroom include gender, nationality and a wide range of relevant skill sets and experience.

For gender diversity, we will vote AGAINST the Representative Director(s) for those companies with a market capitalization that is greater than or equal to 200 billion yen (at the record of holder date) that have no female directors on the board and does not provide a valid explanation. We are conscious of the fact that companies have faced challenges appointing female directors with appropriate experience and skill sets to the board, and that this is an acute problem among smaller to mid-size companies. Hence, we will take a phased approach over the next several years to requiring female directors on the board for companies with a market capitalization of less than 200 billion yen to give enough time to find a suitable candidate. Ultimately, however, we expect Japanese companies to bring their boardroom gender diversity in line with global best practices.

For diversity of skill set, we ask that companies provide expanded context for how the board is constituted by using a board skills matrix. The matrix should illustrate the specific skills, capabilities and expertise that will allow the board to meet both existing and future challenges to achieve the company's vision and the board's long-term objectives. While we do not support the notion of a one-issue director, we ask that companies identify who is well positioned to lead on top strategy, risk and ESG areas for the company. We will closely scrutinize board representation awarded to third parties and investors with board influence that is not proportional to economic interest. These instances, along with contested elections and other special situations, will be evaluated on a case-by-case basis.

CAPITAL ALLOCATION FOR LONG-TERM VALUE CREATION

Our voting on capital issues is informed by our belief that companies should allocate capital to maximize long-term risk-adjusted shareholder value. We believe that companies should affect an economic returns-based capital allocation system. Companies should maintain an efficient capital structure that minimizes the risk-adjusted cost of capital, avoids excessive leverage or excessive cash buildup, and that allows for the return of excess capital to shareholders. Companies should also enact a process whereby they regularly explore divestitures/spin-offs of non-core assets and business units to enhance value. Additionally, boards should provide transparent information on the oversight of capital deployment choices, including identifying the appropriate responsible committee, and be able to discuss their methodology.

We expect large mergers, acquisitions, reorganizations or similar actions to be subject to a shareholder vote. We often support value-driven M&A strategies and will evaluate all proposals on this matter on a case-by-case basis.

We will take into consideration proposals regarding profit allocation and dividends within the context of the company's financial conditions and business performance.

We believe companies, in alignment with the Corporate Governance Code, should disclose their policy on cross-shareholding, including a policy on the reduction of these relationships, and policies on voting of those shares that prevent conflicts of interest. Further we expect disclosure to evidence annual assessments of the decision to maintain any holdings in the context of alternative uses of capital on the development of organic growth and the company's capital return policies. We support the reduction of cross-shareholding of companies. If the size of the reported amount exceeds 5% of total assets, we will consider voting AGAINST the Representative Director(s) unless the company provides a valid explanation.

We will closely scrutinize any substantial increase in the number of authorized shares and how that may impact shareholder value and rights. As a result, we expect the company to give a clear explanation on its rationale to do so. We will generally not support proposals to adopt unlimited capital authorization.

On share repurchasing, we generally vote FOR share repurchase programs unless the company plans to use the shares as part of a takeover defense measure.

On donations of the company's shares to charitable giving and foundations, we will generally vote FOR the proposal unless the voting rights of the allotted shares are not delegated to a third party that is independent from the issuer and the foundation, and are exercised by the delegate's initiative.

EXECUTIVE COMPENSATION

We expect each company to design compensation policies that are appropriate to its situation and that will attract and retain skilled executives who will be incentivized to increase their company's long-term shareholder value. We expect compensation committees to design, adopt and clearly articulate a strong link between executive compensation and performance, and to make relevant disclosures available in the annual securities report (*Yukahoken Hokokusho*). Hence, we will generally support proposals requesting improved transparency on this front.

In our evaluation of compensation plans, we seek to understand how the metrics selected are related to the medium- to long-term business strategy articulated by executives. Performance incentives should be tied to challenging targets with disclosure around target-setting in relation to prior high-water marks. We expect boards to be able to discuss the potential long-term impacts of the chosen metrics, such as their impact on investments in R&D and human capital, or the ability to effectively deploy capital in the future. We additionally expect a robust discussion on the selection of the appropriate peer set, and how individual companies in that set are relevant to both the business and the compensation of the executives themselves.

Performance periods should be sufficiently long to ensure executives do not manage to too short of a time horizon, with at least a three-year performance period appropriate for most long-term incentive plan metrics. We do not believe long-term incentive plans (LTIPs) should have annual components, whether vesting or awards, we scrutinize plans that annually reload awards to create outcomes that become disengaged from the returns seen by shareholders.

We are particularly sensitive to outsized awards as a result of committee discretion, where absolute returns were negative, use of metrics susceptible to 'gaming', and/or where a payout previously occurred for the attainment of the same metric. We also closely scrutinize the quantum and timing of the disposition of shares by executive officers in the context of any repurchase activity at the company. We believe it is imperative for management and the board to maintain a significant equity ownership in the company to ensure alignment with shareholders' interests.

Due to the diverse requirements of companies in which we invest, we typically determine whether to support an executive compensation proposal after a case-by-case assessment, considering among other things, industry, size, performance, financial condition and historic pay practices. Where we identify insufficient alignment with the interests of our clients or insufficient disclosure to perform an analysis, we may vote against the compensation plan.

RETIREMENT ALLOWANCE

In general, we will vote AGAINST the introduction of retirement allowances. However, we are conscious of Japan's unique traditions around lifetime employment and related compensation schemes, and will vote FOR the payment of existing schemes unless:

- Recipients include independent directors and auditors.
- Details including individual payment amount are not disclosed.
- Company has been involved in an accounting fraud and/or has restated its financials due to negligence, fraud and/or has repeatedly failed to submit financial reports in a timely manner and the company has failed to provide a valid explanation.

EQUITY-BASED COMPENSATION PLAN PROPOSALS

We generally support the adoption of equity-based compensation plans because they often facilitate the alignment of management's interests with shareholders. We also take a close look at the cost of a plan and its qualitative metrics. The expense of any equity plan is considered in conjunction with a company's operating metrics to determine whether the cost is excessive. We analyze certain qualitative metrics of the plan, including awards' performance metrics and targets, and whether the plan provides for repricing. We will likely vote AGAINST plans that are excessively dilutive, costly and provide for repricing, or allow increases in shares available under the plan without shareholder approval.

OPTION EXCHANGES, REPRICING, BACKDATING

We typically are opposed to repricing plans, exchange programs and plans with evergreen provisions. We expect to vote AGAINST plans with repricing and exchange provisions; however, there may be circumstances in which a repricing provision or exchange provision is approved, such as a steep decline, not just in a company's value, but also the industry or macroeconomic environment. The repricing plan or exchange program may help the company retain employees in a precarious environment. We find backdating options and related actions unacceptable and will not support them.

DIRECTOR COMPENSATION PLANS

We believe nonemployee directors should receive appropriate compensation that may consist of cash and equity. We recognize that compensating directors with equity awards facilitates the directors' alignment with shareholders, for which we are wholly supportive. The equity awards for directors should only reflect compensation, not be performance-based, so that directors do not engage in risk-taking. We generally will vote AGAINST granting retirement benefits to nonemployee directors.

EMPLOYEE STOCK PURCHASE PLANS

Employee Stock Purchase Plans (ESPP) provide employees with ownership in the company, which strengthens the alignment with shareholders. We view these plans as being beneficial to companies and their shareholders because they typically are available to a broad employee group and the annual purchases are limited by statute. We will support most ESPPs unless the employee base to whom the plan is offered is unduly limited ((e.g., only to senior executives).

SHAREHOLDER RIGHTS

We generally support significant shareholder representation and the protection of minority rights. We would also vote favorably for shareholder proposals that establish or improve provisions that protect minority shareholder interests, particularly around the ability to litigate and to be afforded the ability to transparently engage in dialogue with the company, both in the context of the annual meeting and outside it.

ANTI-TAKEOVER PROVISIONS & SHAREHOLDER RIGHTS PLANS ("POISON PILLS")

We generally do not support the adoption of anti-takeover provisions, including shareholder rights plans. In cases of unilateral adoption by the board, we will evaluate these proposals on a case-by-case basis in order to determine whether the action was in the best interest of shareholders and appropriately proportional to the circumstances. If we deem the action to be detrimental to shareholder interests, we will generally vote AGAINST the Representative Director(s), members of the governance committee and/or the lead independent director. Where the plan itself is subject to a vote, we will additionally evaluate whether there are tax-related benefits (net-operating-loss pills), the protection of which may be in the economic interest of our clients.

SHARE REPURCHASING

We generally vote FOR share repurchase programs unless the Company plans to use the shares as part of a takeover defense measure.

AMENDMENTS TO ARTICLES OF INCORPORATION

We evaluate proposed amendments to a company's articles of incorporation on a case-by-case basis.

DONATIONS TO CHARITABLE GIVING, FOUNDATIONS

We generally vote FOR donations of the Company's shares to charitable giving and foundations unless:

- The voting rights of the allotted shares are not delegated to a third party that is independent from the issuer and the foundation, and are exercised by the delegate's initiative.

FINANCIALLY MATERIAL ENVIRONMENTAL AND SOCIAL RISKS

We believe that companies have a variety of stakeholders and encourage engagement with those parties that may positively or negatively impact the stability, performance and sustainability of the business. While we believe that regulators and legislators are best positioned to address market-level social concerns, we recognize the value of leadership in those areas that improve the company's reputation and its ability to be seen as a responsible participant in the broad economy and the communities in which it operates. Where we identify issues that we believe can significantly harm the value of our clients' investments, we will pursue a course of action, including engagement, or the support of a shareholder proposal, among others, that most constructively mitigates these risks.

We believe that all companies must be able to identify financially material environment and social risks to their business. We will generally support shareholder proposals asking for increased disclosure where our assessment finds that existing materials are significantly lagging behind recognized frameworks necessary for investors to assess these risks. We expect companies to establish a basic policy on addressing sustainability issues based on internationally accepted frameworks like the Task Force on Climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB), which includes the Sustainability Accounting Standards Board (SASB). We also support the work of the Transition Pathways Initiative and encourage boards to reference and utilize its Management Quality score as a resource to strengthen its own practices and management of climate issues. Companies can look to those frameworks as a reference of leading best practices.

Specific to climate-related risk, we expect companies to:

- Establish board oversight of climate risk
- Disclose key climate-related metrics such as Scope 1 and 2 greenhouse gas (GHG) emissions and material Scope 3 GHG emissions
- Establish GHG emissions reduction targets certified by a credible third party such as the Science Based Targets Initiative
- Produce reporting in alignment with the recommendations of the TCFD

We expect directors to be familiar with these recommendations through exercises such as a materiality analysis and be able to discuss how they relate to the risk assessment for their business. Starting in 2022, Neuberger Berman may hold the chair of the board or lead independent director accountable if we determine a company is not adequately managing climate-related risks. We believe topics related to human capital and supply chain sustainability are among the most significant risks and opportunities for companies. On human capital management, we expect boards to disclose and be able to discuss efforts to make the companies inclusive, attractive and high-retention environments. We identify this as a vital component in attracting and retaining talent for the long-term sustainable success of the companies we invest in. We support inclusive and diverse working environments, and will generally support shareholder proposals seeking to establish comprehensive equal opportunity and anti-discrimination provisions, and efforts to study and report on any discrepancies in compensation based on gender. We strongly encourage companies to establish an action plan to address workforce gender diversity based on the Act on Promotion of Female Participation and Career advancement in the Workplace, which went into effect in 2019. On supply chain management, we expect companies to monitor and address material risks, such as workplace safety and product quality and integrity, across its suppliers as well responsible sourcing.

While our primary analysis focuses on material topics, we recognize that due to changes such as rising supply chain complexity, shifting consumer trends and regulatory changes, among many others, companies should continue to be aware of salient issues that may become more important over time. Where we find significant failings by the board in its oversight of these issues, we may withhold support.

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