# Wells Fargo Asset Management Principles for Responsible Institutional Investors (Japan Stewardship Code Statement)

UPDATED SEPTEMBER 2020

Wells Fargo Asset Management (WFAM) has built its philosophy, policies, and processes around delivering on client and community expectations in a responsible and sustainable way. As active owners in the companies in which we invest, we regard stewardship as integral to our investment process. It enables us to have a voice and exercise ownership rights to improve disclosures and transparency and affect corporate activities, policies, and behaviors that impact attractive, long-term, risk-adjusted returns for our clients.

WFAM is a trade name used by the asset management businesses of Wells Fargo & Company. It includes but is not limited to; Wells Fargo Asset Management (International), Ltd.; Wells Fargo Asset Management (International), LLC[1]; Galliard Capital Management, Inc.; Wells Capital Management Inc.; Wells Fargo Asset Management Luxembourg S.A.; Wells Fargo Funds Distributor, LLC; and Wells Fargo Funds Management, LLC.

WFAM declares that it accepts the Principles for Responsible Institutional Investors ("Japan's Stewardship Code[2]"). Stewardship responsibilities refers to the responsibilities of institutional investors to enhance the medium- to long-term investment return for their clients and beneficiaries 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. The Japan Stewardship Code encourages institutional investors to enhance the medium- to long–term return of investee companies through proper monitoring and constructive company engagement.

Our application of the Japan Stewardship Code is a global effort and applies broadly across asset classes when deemed appropriate and achievable.

The principles are as follows:

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

As fiduciaries, we are committed to effective stewardship of the assets we manage on behalf of our clients. To us, good stewardship reflects responsible, active ownership and it includes both engaging with investee companies and voting proxies in a manner that we believe will maximize the long-term value of our investments.

Stewardship enables us to have a voice and exercise our ownership rights towards two outcomes:

- Improving corporate disclosures and transparency to benefit investment decision-making

1 Authorised and regulated by the UK Financial Conduct Authority

2 Second Revision, dated March 24, 2020.

- Drive improvement in corporate operating, financial, and sustainability performance to maximize long-term, risk-adjusted returns for our clients and provide value to other stakeholders more broadly.

We believe the two pillars of our stewardship platform—engagement and proxy voting—should have a strong connection, and therefore, investment firms should manage the two activities harmoniously. WFAM supports sound corporate governance principles in our proxy voting and engagement activities. In terms of environmental, social, and governance (ESG) issues, we focus on the materiality of the issues, by utilizing the Sustainability Accounting Standards Board (SASB) materiality framework, and focusing our engagement efforts on the most important issues for investors in global companies across 79 industries. We are proud of our close, multi-year support and partnership with the SASB, and we are proud of how we can feature their market-leading work as a cornerstone of our stewardship program.

We view proxy voting as a significant opportunity to advocate for strong corporate governance and in turn generate long-term value. WFAM has developed five broad governance principles that underpin how we generally vote on proxy issues.

1. Boards should have strong, independent leadership
2. Boards should adopt structures that enhance their effectiveness
3. Companies should strive to maximize shareholder rights and representation
4. Boards are accountable to shareholders and should be responsive to shareholders
5. Boards should oversee company management's formulation and communication of long-term corporate strategy:
    - Addressing the sustainability of their business model and operations over the long-term, and;
    - Linking it to the proposition of shareholder and broader stakeholder value.

The WFAM Proxy Policy and Procedures are publicly disclosed on the WFAM website here.

At WFAM, we believe engaging with investee companies is a key part of our commitment to active ownership and we have imbedded our firm-wide stewardship team into WFAM's investment function. Our motivation for engagement is to maximize the long-term value of our investments. We also believe it deepens our knowledge of our investee companies in which we allocate capital or—where appropriate—to take action to protect our invested capital. We recognize that there are many influences on equity and fixed income instruments' value, and we attempt to identify and monitor issues with the most material impact to investors. Common issues that warrant engagement include:

- Corporate governance issues
- Business ethics
- Climate change
- Waste and environmental Impact
- Data security
- Privacy Issues
- Social media content governance
- Cybersecurity
- Human capital
- Modern slavery in supply chains
- Drug pricing
- Opioid litigation

WFAM's stewardship team monitors our investment teams' holdings to identify companies where material ESG issues may arise, and to engage with companies in which:

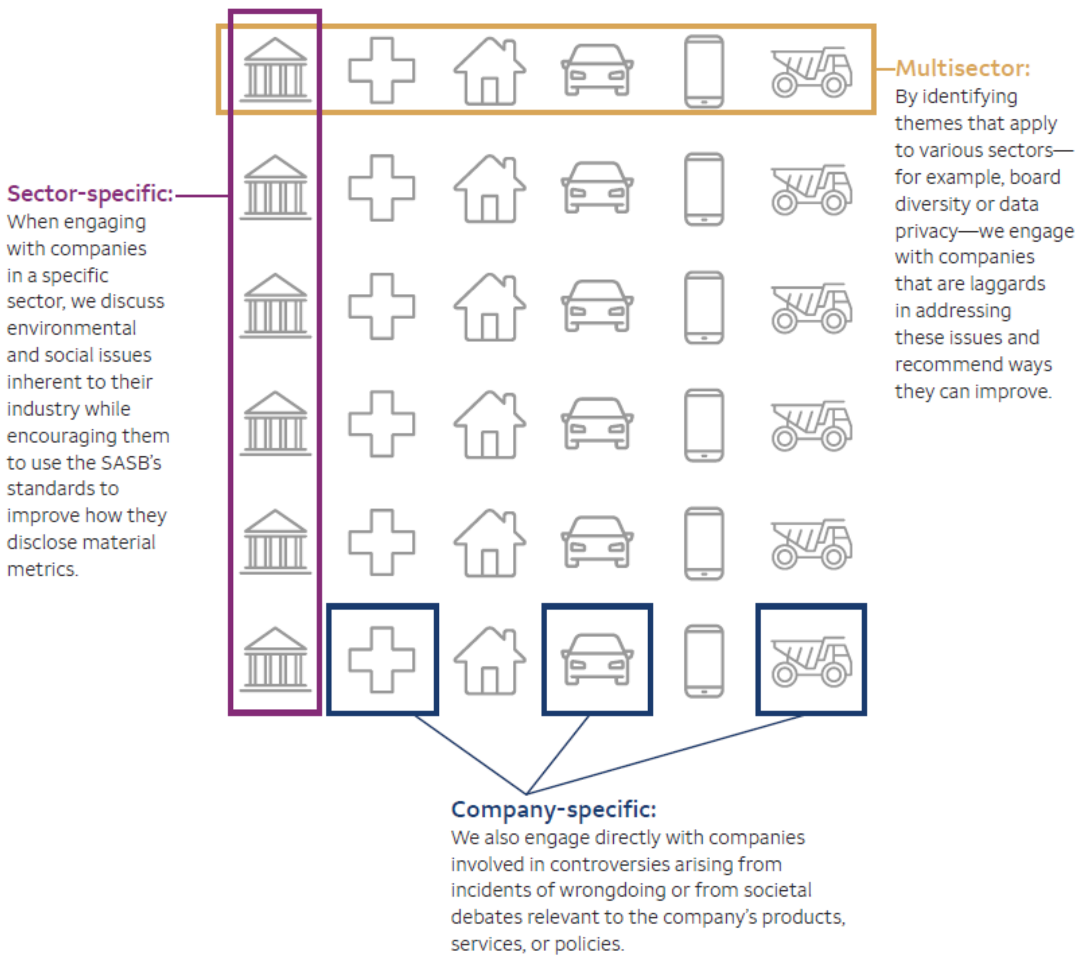
1. We have substantial holdings
2. We own a significant own a significant portion of the debt or equity of the company relative to its enterprise value
3. And/or in which the holding is significant to a specific WFAM investment strategy or team

Importantly, WFAM's engagement approach involves fundamental equity and fixed income analysts working alongside our stewardship team, to leverage our investment teams' deep fundamental research and perspectives. We believe our inclusive approach is a key differentiator of how we engage. Our approach spans all of WFAM's 29 investment teams, with a focus on bringing together our fundamental equity and fixed-income investment professionals in a cross-asset class and cross-regional structure. This structure enhances our perspective and provides a unified WFAM team bringing to bear the scale of our assets under management invested. In turn, this advantage enables WFAM to have enhanced access to companies' senior management and board members.

**Collaborating in a multifaceted engagement framework**

We've designed our engagement framework to balance the following approaches:

- **Sector-specific engagements**: Engage with multiple companies within a sector on material issues as defined by the SASB.
- **Multi-sector engagements**: Engage with companies across sectors on thematic issues that are material and where the companies are laggards.
- **Company-specific engagements**: Engage with companies where controversies arise involving incidents of malfeasance, regulatory or legislative developments, or from societal debates relevant to the company.




We describe WFAM's process for identifying and prioritizing engagements in more detail in the WFAM Engagement Policy, which you can find here.

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

We always seek to place the interests of our clients first and to identify and manage any conflicts of interest, including those that arise from proxy voting or engagement. Wells Fargo Asset Management acts as a fiduciary with respect to its asset management activities and therefore we must act in the best interest of our clients and address conflicts that arise.

WFAM is bound by Wells Fargo's visions and values and has adopted a Code of Ethics Policy, which is supplementary and complements the 'Wells Fargo & Company Code of Ethics and Business Conduct'. The Policy applies to all WFAM employees and requires WFAM to implement appropriate processes and procedures to avoid, mitigate or appropriately resolve conflicts of interest. It is pursuant to Rule 204A-1 under the Advisers Act in the U.S. and Markets in Financial Instruments Directive in Europe and is designed to ensure that we meet our fiduciary obligations. The Policy governs employee personal trading activities and provides guidance with respect to potential conflicts of interest, insider trading, and the use of material non-public information. Additional detail for each of WFAM's SEC registered advisors can be found in their SEC Form ADV Part 2A filing.

Our policies and procedures for managing conflicts of interest in relation to corporate governance issues are fully contained in the WFAM Proxy Voting Policy. WFAM may have a conflict of interest regarding a proxy to be voted upon if, for example, WFAM or its affiliates (such as a subadvisor or principal underwriter) have other relationships with the issuer of the proxy. Conflicts of interest are identified and managed through a strict and objective application of our voting policy and procedures. However, when the WFAM Proxy Committee becomes aware of a conflict of interest (as defined in the WFAM Proxy Voting Policy), it takes additional steps to mitigate the conflict, such as: instructing our proxy administrator and advisor, Institutional Share Services Inc. (ISS) to vote in accordance with its recommendation to its clients, engaging an independent fiduciary who will direct the vote, or consulting with Legal and Compliance and/or external counsel for guidance on resolving the conflict of interest.

**Principle 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.**

As a large active investment manager with a commitment to deep fundamental research, we have extensive processes for monitoring investee companies: as part of our investment teams' fundamental research processes, through our independent portfolio risk management team (Investment Analytics), and through our engagement platform by the Stewardship team.

**Fundamental Investment teams**

The investment approaches applied by WFAM portfolio management teams are based upon rigorous, independent fundamental research. Maintaining in-depth knowledge of our investee companies and engaging directly with company management on a range of issues has always been a core part of each of our teams' investment processes. The majority of our company engagement is the result of direct contact with company management, both in our offices and on-site, including contacts with company suppliers, customers, competitors (where appropriate) and regulators. The quality and effectiveness of management is a key factor in making an investment decision, and spending time with the management of a company enables our investment teams to evaluate these characteristics.

Our investment teams' rigorous fundamental bottom-up research processes include an in-depth analysis of the industry within which the company operates, the company's competitive positioning, and an assessment of the factors that are current points of contention in the marketplace. This analysis typically includes meeting with company management teams to gain access and engage in conversations analyzing the company's financial statements including the balance sheet, cash flow statement and income statement to test and confirm the fundamental assessment.

**Senior Investment Leadership and Investment Analytics**

We have elevated ESG risk oversight to be an important role of senior investment leadership and ESG risk review is a component of our longstanding risk review meetings. On a regular basis, significant product specific benchmark-relative ESG exposures as well as the firm's most significant exposures to securities with poor overall ESG scores are reviewed with the Office of the CIO[3.] This ESG review process is also conducted on a monthly basis with each of our investment teams on their strategies, which leads to a constructive dialogue on the ESG exposures, risks, and dynamics of ESG issues over time.

Using third party ESG data, the Investment Analytics team supplements the independent investment teams' fundamental research with a number of ex-ante and ex-post tools and reports based on a proprietary flagging system that highlights the most significant ESG risks at both the security and portfolio levels. Additionally, an ESG alert system is in place to notify investment teams of developing ESG-related issues that may have a large impact on specific companies or industries.

The ESG resources provided by Investment Analytics are intended to act as a catalyst to drive additional research and/or company engagement. As such, the responsibility for ESG integration and monitoring is a partnership between the Investment Analytics team, each of our independent investment teams, and the dedicated ESG team.

**Stewardship team**

Our Stewardship team also monitors our aggregate firm holdings and uncovers financially material issues. Investee companies are prioritized for engagement by impact potential (systemic importance, aggregate exposure, and portfolio-level exposure) with a balance on domicile and relative performance. As mentioned previously, the Stewardship team endeavors to be collaborative and partner with our investment teams to tap strong fundamental research while bringing the ESG expertise of the Stewardship Team to bear as well.

**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.**

As a long-term investor, WFAM takes a pragmatic and patient approach to our engagement framework in an effort to build mutual understanding that can drive effective results with issuers in which we invest. Through collaborative interaction with our portfolio management teams, who have deep knowledge and relationships with investee management, our Stewardship team assesses each engagement opportunity on its individual merit.

As a large, active, fundamental investment manager, we have the benefit of using a "carrot and the stick" approach, when it comes to assessing investee companies' commitments and WFAM's recourse options. As long-term investors, we take a pragmatic and patient approach to our engagement framework, in an effort to build mutual understandings, which we believe can drive effective results with the issuers in which we invest. Engagement outcomes may require multiple interactions over time, and we develop milestone expectations that WFAM establishes with individual commitments that our investee companies pledge to us.

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2 The Office of the Chief Investment Officer provides oversight for all investment activities at WFAM, including risk management oversight. It is comprised of senior investment leadership, including: the CEO of WFAM, the WFAM Chief Equity Officer, the WFAM Head of Multi-Asset Solutions, and the WFAM Co-heads of Fixed Income. The function of the Office of the CIO is to oversee risk mitigation actions and to provide credible challenges to portfolio management teams to ensure portfolio positions are well understood and consistent with the investment team's stated process.

Should we conclude that an investee company has failed to meet their commitments in a reasonable period, or if the company has other performance or material issues, our initial course of action would be to communicate our concerns to company management and provide our expectations for improvement. Ultimately, our progress on stewardship efforts will affect our fundamental assessment of these companies and, in turn, our willingness to maintain, reduce, or exit our investment positions.

**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.**

Proxy voting is a key component of our Stewardship Platform and our firm has developed policies and procedures to ensure that proxies are voted in the best interests of clients. As stated in Principle 1 above, our WFAM Proxy Voting Policy and Procedures are published on our public website. We review our proxy policy at least annually to consider enhancements in light of industry best practices and corporate governance topics in the spotlight. Our policy incorporates our Top of House Views, governance and committee structure and responsibilities, utilization of proxy advisors, and commitment to voting activity and transparency. In June 2020, WFAM published our first Stewardship Activity Report (here) for the year 2019 and we are committed to updating our activity statistics every six months and publish a thorough report on a calendar year frequency.

To clarify and communicate our corporate governance expectations of investee companies, WFAM created our WFAM Governance Principles which complement our WFAM Proxy Policy and Procedures as follows:

***Wells Fargo Asset Management's Governance Principles***

**Boards should have strong, independent leadership**

- Independent leadership of the board is necessary to oversee a company's strategy, assess management's performance, and provide a voice independent from management that is accountable directly to shareholders and other stakeholders.
- A majority of directors on the board should be independent. We believe that the issue of separation of CEO and chairperson is company dependent and should be assessed based on a company's own circumstances.
- If we deem a combined CEO/chairperson structure is beneficial for the company, we would seek a credible independent lead director with clearly defined responsibilities to ensure effective and constructive leadership.
- Boards should establish committees to which they delegate certain tasks to fulfill their oversight responsibilities. At a minimum, the audit, compensation and nominating committees should be fully independent

**Boards should adopt structures that enhance their effectiveness**

- Boards should be composed of directors having a mix of direct industry expertise and skills relevant to the company's current and future strategy.
- A well-composed board should also embody multiple dimensions of diversity in order to create a constructive debate of competing perspectives and opinions in the boardroom.
- Diversity should consider personal factors such as gender, ethnicity, and age as well as professional factors such as area of expertise, industry experience, and geographic location and experiences.
- We believe companies should have at least one female director on the board.
- The responsibilities of a public company director are complex and demanding. We believe directors should sit on no more than four public company boards and CEO should sit on no more than one other, outside public company board.

- Directors should aim to attend all board meetings and we will generally vote against director with poor attendance (defined as attending less than 75% of combined board meetings and applicable key committee meetings).
- Boards should disclose mechanisms to ensure there is appropriate board refreshment.

**Companies should strive to maximize shareholder rights and representation**

- Companies should adopt a one-share, one-vote standard and avoid adopting share structures that create unequal voting rights among their shareholders.
- We expect boards of companies with dual or multiple class share structures to review these structures and we will encourage them to establish a mechanism to end or phase out controlling structures.
- Directors should be elected by majority vote and a simple majority-voting standard should be required to pass proposals.
- Where there is a substantial or dominant shareholder, supermajority voting may be protective of public shareholder interests and we may support supermajority requirements in those situations.
- We believe long-term shareholders should be allowed to participate in decision making through direct director nomination, proxy access, calling a special meeting or acting by written consent.

**Boards are accountable to shareholders and should be responsive to shareholders**

- Directors should be elected annually to increase their accountability to shareholders.
- On classified boards, we may choose to vote against or withhold votes from the available slate of directors when there is not a voting mechanism to immediately address concerns of a specific director that is not on the slate.
- Anti-takeover measures adopted by companies can reduce board accountability and can prevent shareholders from realizing maximum value for their shares. If a board adopts an anti-takeover measure, directors should explain to shareholders why adopting these measures are in the best long-term interest of the company.
- Shareholders expect responsive boards to work for their benefit and in the best interest of the company.
- Boards should seek to understand the reasons for and respond to significant shareholder opposition to management proposals.
- Boards should respond to a shareholder proposal that receives significant shareholder support by implementing the proposed change(s) or by providing an explanation to shareholders why the actions they have taken or not taken are in the best long-term interests of the company.
- The appropriate independent directors should be available to engage in dialogue with shareholders on matters of significance, in order to understand shareholders' views.
- We may oppose the re-election of directors when they have persistently failed to respond to feedback from their shareholders.

**Boards should oversee company management's formulation and communication of long-term corporate strategy, addressing the sustainability of their business model and operations over the long-term and linking it to the proposition of shareholder and broader stakeholder value.**

- Companies should clearly communicate their long-term strategy and how it links to economic value creation for shareholders and other stakeholders.
- To reinforce this, the board or its compensation committee should link long-term performance goals that underpin the company's long-term strategy into the management incentive plans and ensure quantifiable, long-term performance-based incentives serve as majority drivers of incentive awards.
- The emphasis should be on the long-term and seek to mitigate short-term pressures that can lead to an undue focus on short-term profits at the expense of strategic investments needed for long-term growth and value creation.
- All extraordinary pay decisions for the named executive officers should be explained to shareholders.

- Boards should consider establishing a sustainability committee (or amend the charter of an existing committee) to establish clear accountability for the identification and management of environmental and social risks that are material to long-term shareholder and stakeholder (e.g. workers, families and communities) value.

Other key features of our proxy process relate to integrating ESG issues into the proxy process and utilizing a set of importance ratings issued by our proxy advisor to filter issues into the WFAM Proxy Governance Committee for review, debate and decisioning. The importance ratings include the following topics: director contests, significant transactions (such as mergers, acquisitions, reorganizations, restructurings, spinoffs and sale/purchase of company assets), capitalization proposals, and antitakeover defenses.

**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.**

In June 2020, WFAM published our first Stewardship Activity Report (here) for the year 2019. We are committed to updating our stewardship activity statistics every six months and publish a thorough report on a calendar year frequency.

**Principle 7: To contribute positively to the sustainable growth of investee companies, institutional investors should have in-depth knowledge of the investee companies and their business environment and 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 commitment to active investing and deep fundamental research means that stewardship is an integral part of our investment process. We build and foster relationships with management and the board of the companies we invest in or are considering as investments. As long-term investors, we look not only at the attractive features we see in a company today but also at how we can engage over time to help drive continual improvements in the company's operating, financial, and sustainability performance. We ask tough questions and listen closely to the answers. We hold leaders accountable for their promises and praise them for smart, value-generating decisions. This is, and always has been, a key part of our due diligence processes.

In the past few years, WFAM has deepened our commitment to ESG/Sustainability investing on three levels:

- More vended ESG Research is integrated our teams' investment process. The teams are attentive to ESG information in their investment process and assesses its saliency to the investment thesis and portfolio positioning
- The investment teams are supported by a relatively new eight member ESG team, which have an average of 17 years of industry experience and more than eight years of ESG expertise. Part of the remit of the ESG team is to advance the ESG knowledge and expertise of our investment professionals throughout the firm.
- Our Investment Analytics team provides each investment team with dedicated analysis of the integration of ESG issues and builds out our ESG reporting capabilities.

Stewardship is essential to the long-term value of our investments. Therefore, we've elevated it into a firm-wide platform to focus on material ESG issues as a complement the strong fundamental research of our investment teams. We define "material ESG issues" as those ESG opportunities and risks that are most likely to affect a company's financial condition (e.g., the balance sheet), operating performance (e.g.

the income statement) or risk profile (e.g., market value, cost of capital). In 2020, we strengthened this connectivity between our investment teams by embedding Stewardship into our investment function.

We value participation in ESG and stewardship industry initiatives as a way to participate and contribute our ESG expertise to evolve industry best practices and thought leadership. We have developed close partnerships with leading industry associations, disclosures and standards bodies, and non-profit organizations that are at the forefront of ESG and stewardship developments.

We are a signatory to the Principles for Responsible Investment[4] (PRI), where we have committed to implementing the six Principles around the integration of ESG. Beyond the commitment to integrating ESG and publicly reporting on our progress, we are actively contributing to the work of the PRI as a whole to help investment professionals across the industry increase their sophistication to ESG. This has included our membership in the PRI Fixed Income Advisory Committee, as well as sponsoring two PRI events in San Francisco that brought together investment professionals to discuss and learn from the latest industry trends. We are seeking to become more active in PRI Collaborations.

We are members of the Ceres Investor group, a sustainability nonprofit organization working to advance sustainability across the global economy. Ceres connects institutional investors and provides opportunities to advance investment practices, corporate engagement strategies, and policy solutions. The collaborative nature of this network allows members to engage on key ESG issues in an effort to improve industry practices and further global sustainability.

We are also closely involved with the Sustainability Accounting Standards Board (SASB), an organization dedicated to supporting the disclosure of material sustainability information across sectors in a decision-useful way. We are members of the Standards Board (accountable for the due process, outcomes, and ratification of the SASB standards themselves), a founding and current member of the Investor Advisory Group (comprised of leading asset owners and asset managers who are committed to improving the quality and comparability of sustainability-related disclosure to investors) and a member of the SASB Alliance (comprised of organizations and individuals that support the need to develop and explore best practices to integrate sustainability into existing processes). Furthermore, we have contributed the expertise of our investment professionals across the development of the standards themselves.

Our investment team members have participated actively as experts on many key industry ESG initiatives. This includes joining the Advisory Council to the Executive Committee of the Green Bond Principles (GBP) and Social Bond Principles (SBP). We also serve on the Principles for Responsible Investing's (PRI) Fixed Income Advisory Committee.

We have actively supported our parent company, Wells Fargo & Co. (WFC), to progress its corporate responsibility initiatives, including the significant milestone of WFC endorsing the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in November 2019.

We are also members or signatories to:

- The Principles for Responsible Institutional Investors (Japan's Stewardship Code) and the UK Stewardship Code, frameworks to promote the value and sustainable growth of companies through active ownership and engagement activities.
- Climate Action 100+, an investor initiative that ensures the world's largest corporate greenhouse gas emitters take necessary action on climate change. Along with more than 370 investors with more than $35 trillion in assets collectively under management, WFAM is engaging companies on

3 Wells Fargo Asset Management (WFAM) is a trade name used by the asset management businesses of Wells Fargo & Company. WFAM includes WellsCap and Galliard Capital Management, both registered investment advisers that are PRI signatories in their own right.

improving governance, curbing emissions, and strengthening climate-related financial disclosures. The companies include 100 "systemically important emitters," which account for two-thirds of annual global industrial emissions. WFAM was the first U.S. bank-owned asset manager to join the CA100+.

- CDP (formerly known as the Carbon Disclosure Project), an organization that runs the global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts (signatory through Wells Fargo & Company)

Also, we are actively reviewing other country stewardship codes with an intention of expanding our commitment to become a signatory to the major stewardship code frameworks around the world.

**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.**

WFAM has retained a third-party proxy advisor, Institutional Shareholder Services Inc. (“ISS”), to assist in the implementation of certain proxy voting-related functions including: 1.) Providing research on proxy matters 2.) Providing technology to facilitate the sharing of research and discussions related to proxy votes 3.) Vote proxies in accordance with WFAM’s guidelines 4.) Handle administrative and reporting items 5.) Maintain records of proxy statements received in connection with proxy votes and provide copies/analyses upon request. Except in instances where clients have retained voting authority, WFAM retains the responsibility for proxy voting decisions.

In addition to ISS’s proxy research, the Stewardship Team utilizes the third-party ESG research vendors to enhance perspective on ESG matters. This includes subscribing to MSCI, Sustainalytics, HIP Investors, OwlShares, Bloomberg ESG, and S&P Trucost.