Responsible Investment Report 2022

We create economic and social value through the asset management business

This is the philosophy of Nomura Asset Managemnt

ABOUT NOMURA ASSET MANAGEMENT

About photos in this report : Photos for this report were taken with the room doors open and adequate ventilation, and the size of the photography crews was limited to avoid over-crowding


PROXY VOTING
For
Against
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ESG INTEGRATION
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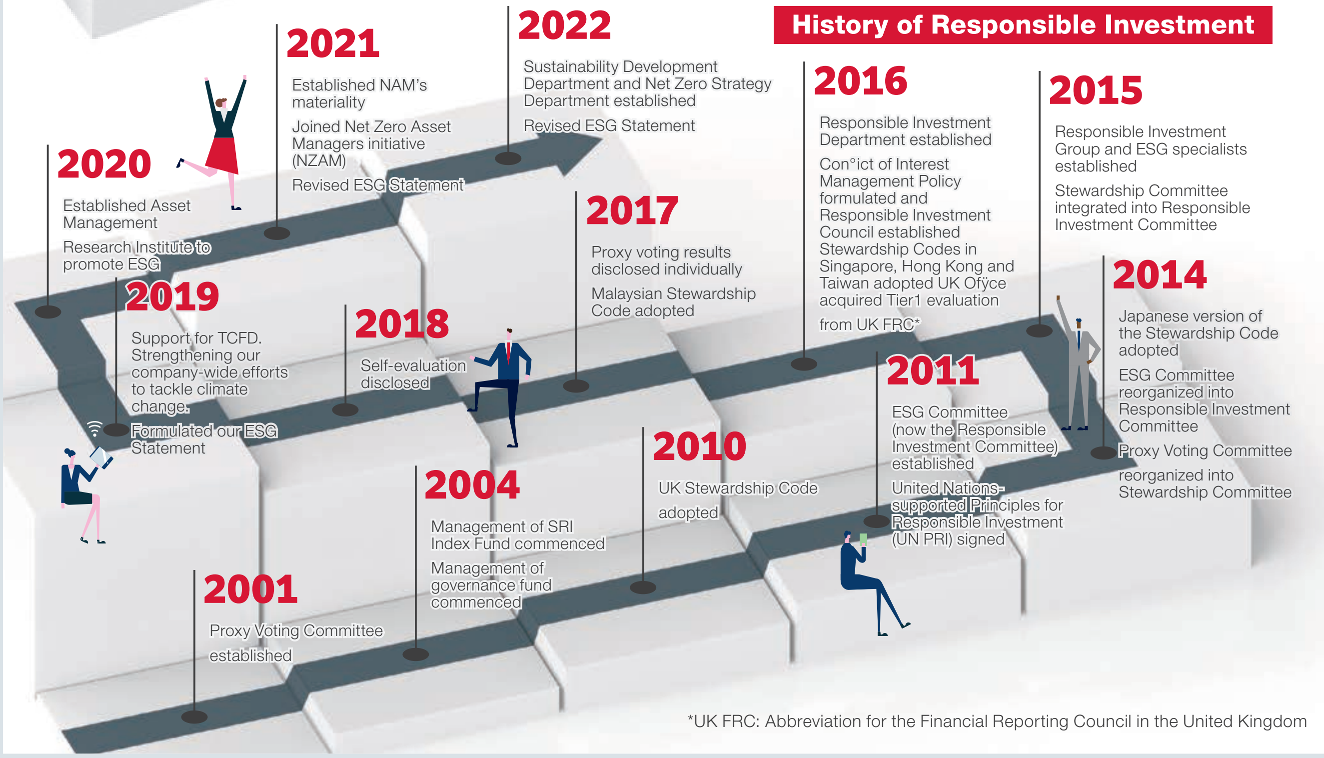
Our Strengths in Responsible Investment

Long-term commitment to responsible investment

Our company's first strength is our long history of engaging in responsible investment. The roots of the current Responsible Investment Committee lie in the Proxy Voting Committee established in 2001. Subsequently, the ESG Committee was established in 2011. The ESG Committee became the Responsible Investment Committee as part of a reorganization and an integration from 2014 to 2015. Based on many discussions over the years, and always remaining conscious of our mandate from clients, we have fostered a culture that is supportive of responsible investment, respects diverse opinions from a large number of professionals, and values lively discussion.



*UK FRC: Abbreviation for the Financial Reporting Council in the United Kingdom

Systematic and Continuous ESG-related Initiatives

Our company's second strength is our systematic and ongoing efforts for ESG-related issues anticipating the needs and changes of the times. Examples of our efforts include the establishment of the Responsible Investment Committee as the highest decision-making body for responsible investment and the Responsible Investment Council which supervises the Committee, the establishment of policies including the ESG Statement, engagement and proxy voting in order to realize desirable management, as well as providing information to stakeholders through disclosure materials such as the Responsible Investment Report and the TCFD Report. We are also enhancing ESG from an organizational perspective. For example, we established the Sustainability Development Department in order to advance business operations with an emphasis on sustainability, while we created the Net Zero Strategy Department to bolster our efforts to address climate change.

Organizational Structure for Responsible Investment

Main activities

- **Dialogue with portfolio companies** (engagement)
- **Proxy Voting**
- **Integration into investment decisions** (ESG integration)
- **Collaborative/ public activities**

Global Approach and Diversity

Our company's third strength is our global and highly-diverse investment and research framework. Based on our global platform for responsible investment, we have built an ESG investment and research framework made up of portfolio managers, corporate analysts and country specialists who manage ESG products in our overseas ofÿces. Our team includes a large number of portfolio managers, ESG investment managers, corporate analysts, credit analysts and ESG specialists working in one of the largest active management institutions in Japan, all of whom are committed to applying their analytical abilities and insights to responsible investment.

Inclusive Discussions based on a Strong Organizational Platform

Our company's fourth strength is our emphasis on having "exhaustive discussions" that incorporate diverse opinions under a strong organizational platform.
The Responsible Investment Council was established as a body to oversee discussions by the Responsible Investment Committee in real time. It manages con°icts of interest with highly-independent outside directors and outside experts accounting for a majority of its members. In addition, the Responsible Investment Committee comprises members possessing abundant investment and research experience. The Committee held a total of 19 meetings in 2022. During discussions by the Committee about agenda proposals and ESG themes, matters can often be complicated. Members of the Responsible Investment Council also sit in on Committee meetings and actively participate in discussions without limiting themselves to only monitoring con°icts of interest.

Responsible Investment Committee Meetings January – December 2021

Responsible Investment Committee

19 times

Regular	4 times
Ad hoc	15 times

Responsible Investment Council

8 times

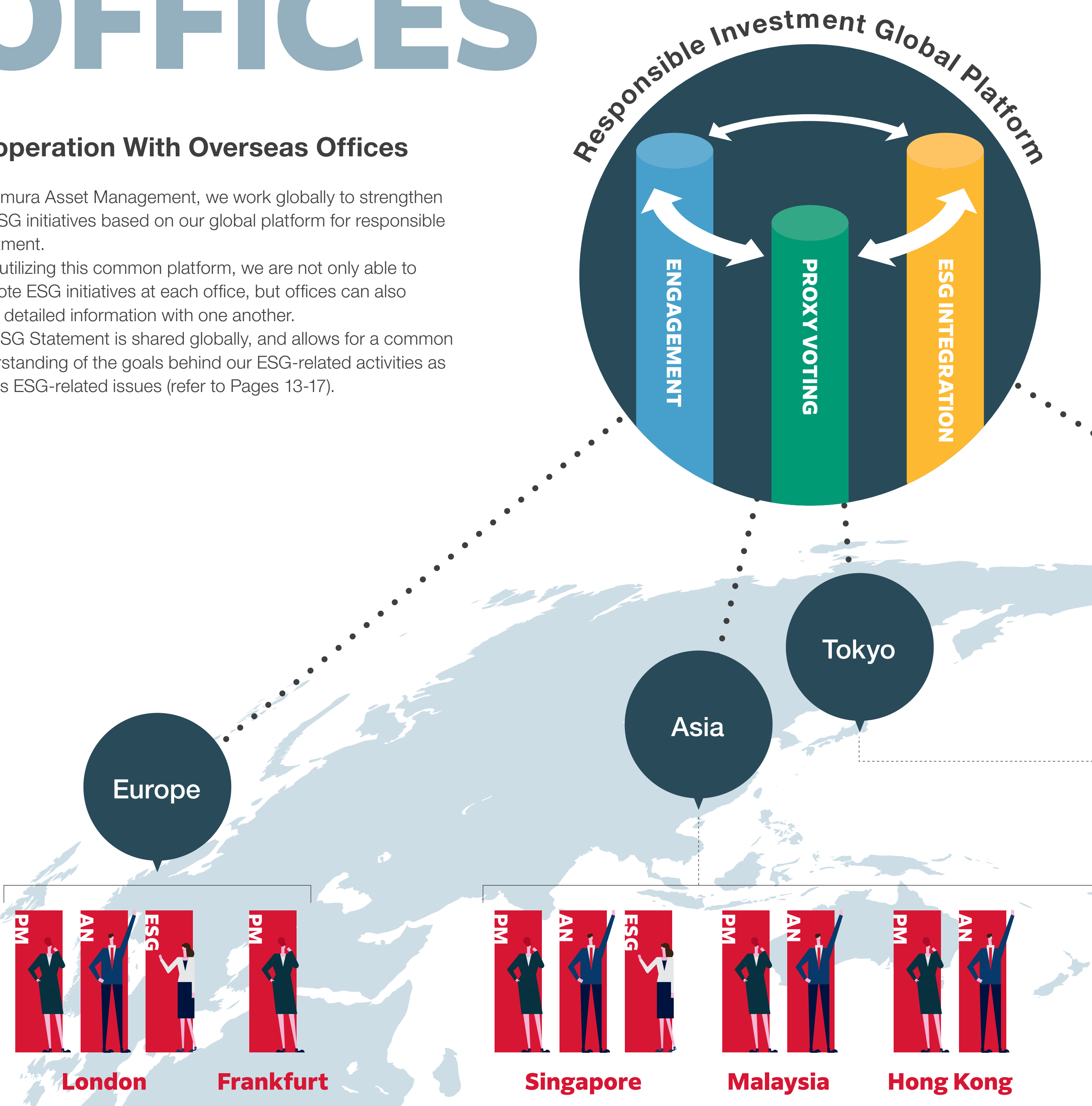
Regular	4 times
Ad hoc	4 times

COOPERATION OVERSEAS OFFICES

Cooperation With Overseas Offices

At Nomura Asset Management, we work globally to strengthen our ESG initiatives based on our global platform for responsible investment.

By utilizing this common platform, we are not only able to promote ESG initiatives at each office, but offices can also share detailed information with one another.
Our ESG Statement is shared globally, and allows for a common understanding of the goals behind our ESG-related activities as well as ESG-related issues (refer to Pages 13-17).



PM Portfolio Manager
AN Research professional (company analyst, credit analyst) Quant analyst(quant analyst, financial engineer)
ESG ESG specialist, ESG investment manager, Engagement manager

WITH OUR

ENGAGEMENT

We engage in constructive dialogue with companies about important ÿnancial and non-ÿnancial risks and opportunities in accordance with our basic policy for engagement (refer to Pages 57-68). Speciÿcally, our ESG specialists, ESG investment manager, engagement managers, company analysts and country specialists based in Japan and overseas ofÿces collaborate to engage with portfolio companies.

We monitor the details of the engagement of managers in each country with target companies using common milestone management tools, which allows information to be easily shared among our ofÿces. With respect to climate change, which is one of our key engagement themes, we urge portfolio companies to receive SBT approval, and by monitoring the status of these efforts on a global level we are able to check how much progress companies are making. Furthermore, ESG ofÿcers in overseas ofÿces can now easily hold discussions with our ESG specialists in Tokyo about engagement details. (Refer to Pages 69-74)

PROXY VOTING

For proxy voting (excluding Japanese equities), we generally decide to vote in favor of or opposition to an issue in accordance with our Global Basic Policy on Proxy Voting. However, if the portfolio managers and analysts possessing a deep understanding of local conditions determine it to be necessary, we may, upon deliberation, make a decision that differs from the basic policy on proxy voting. The ÿnal decision is then shared with all ofÿces, and proxy voting is then carried out uniformly on a global basis (refer to Page 77).

ESG INTEGRATION

In terms of integration, climate change analysis tools are used to evaluate the climate change risks and opportunities for portfolio companies and for each fund (refer to Pages 29-39), and in addition to sharing our ESG scores among all ofÿces, ESG data from external sources and other data are incorporated and used to make investment decisions. The details of engagement with companies whose stocks our funds hold are shared with portfolio managers and utilized in discussions about whether to continue holding the stocks in question (refer to Pages 87-88).

Nomura Asset Management Stewardship Code Signing Status

UK*	Dec. 2010
JAPAN	May 2014
HONG KONG	Sep. 2016
SINGAPORE	Sep. 2016
TAIWAN	Dec. 2016
MALAYSIA	Apr. 2017

* In March 2022, Nomura Asset Management UK was approved by the Financial Reporting Council (FRC) as a signatory to the UK Stewardship Code 2020.

While the global turmoil caused by the pandemic's onset in 2020 is in the process of abating, we face prolonged turmoil of a different form due to Russia's invasion of Ukraine.

In recent years, we have become more aware of various social issues facing society, including those many daily life issues triggered by the pandemic, regional or country-based issues, and those on a global scale. Moreover, in addition to our awareness, we also realize that immediate action is required to address these issues.

For example, during the pandemic, issues related to the distribution of vaccines to medium- and low-income nations became a point of focus. We are involved in an initiative related to the distribution of medicines that conducts ongoing engagement with investee companies, and we have observed a certain level of success in improving vaccine distribution to these countries. This once again highlighted the importance of engagement with investee companies.

However, the sharp rise in energy prices caused by the emergence of geopolitical risks has called attention to issues like what to do about our dependence on fossil fuels and how to build a sustainable society.

I believe we face the question of how to reduce our high level of dependence on fossil fuels over the medium- to long-term. It is clear that we must further advance the transition to renewable energy in order to address severe climate change caused by greenhouse gas emissions.

Going forward, we expect a wide range of stakeholders will advance efforts to reduce this long-term dependence on fossil fuels.

As a responsible investor, we are working to address the global issue of climate change, both through investment in transition bonds*[1] (bonds that finance the construction of new renewable energy facilities), as well as via engagement (constructive dialogue) with investee companies, which includes encouraging them to obtain approval from the SBT*[2] Initiative to achieve a net-zero goal. Our goal is to realize both social and economic value through our asset management business.

In order to realize this value, a proper understanding of ESG-related regulations is critical. Europe is the global leader in terms of sustainability-related regulations. In order to offer the best ESG products to our clients, we must keep a close watch on global ESG regulatory trends and be aligned with those levels.

In addition to having an investment office in the UK, as a Japanese asset management firm we are also certified

CEO Message

Striving to be an asset management firm that makes the world a better place.

Hiroyasu Koike
President & CEO
Nomura Asset Management Co., Ltd.

My message to everyone

As a responsible investor, we work to solve social issues facing the world, countries and regions

We will realize both social and economic value through the asset management business.

We aim to realize a sustainable and prosperous society through the investment chain (virtuous cycle of investment).

by FRC*3 under the UK Stewardship Code. On top of this, our UK office manages impact funds, and offers them to customers in both Europe and Japan as ESG products. We are able to provide ESG products compliant with rigorous standards by sharing the knowledge aligned with global standards within the company.

Meanwhile, as a responsible investor, in addition to issues on a global scale, we must also take action to solve social issues set forth in the SDGs that are closely linked to our daily lives, including health and human rights issues. The core idea to solving these social issues is the investment chain (virtuous cycle of investment). As an asset management firm, we aim to realize a sustainable and prosperous society by connecting investors and companies through investment. Companies that generate economic profits are fully capable of contributing to a sustainable and prosperous society.

This is the core of our investment chain philosophy.

Creating a virtuous cycle of sustainable investment is necessary in order to solve various social issues. In order to support this virtuous cycle, engagement (constructive dialogue) between asset management firms and investee companies is essential. Based on this kind of dialogue, we want to help companies realize what we view as desirable management and enhance their corporate value, as well as encourage them to undertake ESG/SDG-related initiatives.

When Nomura Group was founded more than 90 years ago, one of the founding principles was "To enrich the nation through the securities business." This principle is proof of Nomura's unwavering commitment to realize a more prosperous society, and it is present in Nomura Asset Management's efforts to solve social issues and thereby realize a sustainable society.

Amid dramatic changes in the situations of our customers and other stakeholders and in approaches to social issues, Nomura Asset Management itself will endeavor to embrace change, provide the best ESG products, enhance corporate value and build a sustainable society, not only as a responsible institutional investor, but as an asset management firm that strives to contribute to the world.

*1 Bonds that support a company's effort to achieve its decarbonization goals
*2 Greenhouse gas (GHG) emission reduction targets with a scientific basis
*3 Financial Reporting Council: The UK body that regulates auditors, accountants and actuaries, and sets the UK's Stewardship Code

INVESTMENT CHAIN & MATERIALITY

Realizing a desirable society through the investment chain

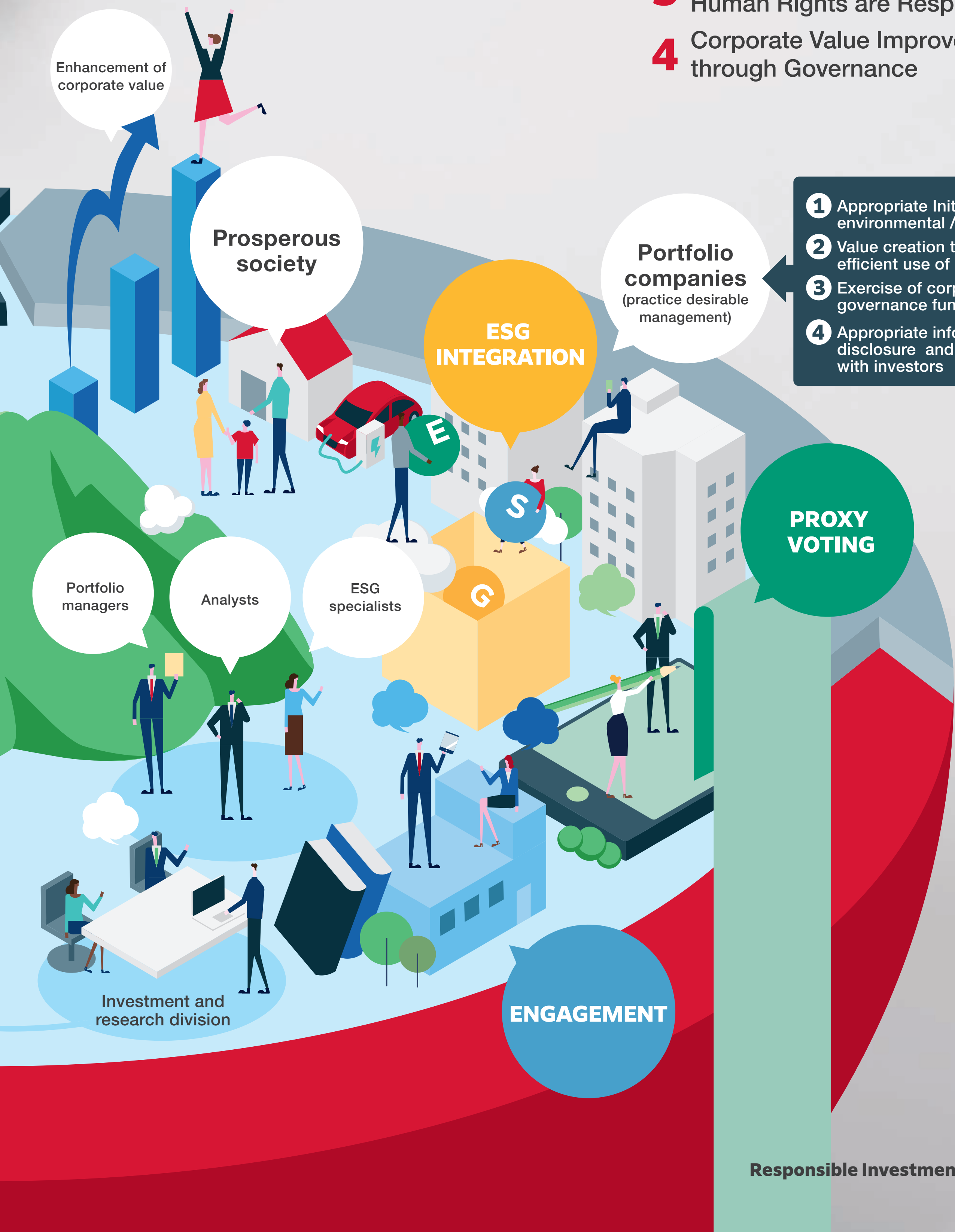
NAM's vision for society

-Excerpt from Nomura Asset Management's ESG Statement-

We seek to realize a sustainable, prosperous society in which the rich natural environment is preserved, diverse human capital is utilized, economic development is driven by technological innovation, human rights are respected, and well-being is promoted. It is a society in which ESG issues are addressed and the SDGs are achieved.

4 GOALS

1. Strengthening the Investment Chain
2. Realizing a Healthy Global Environment
3. Realization of a Society in which Human Rights are Respected
4. Corporate Value Improvement through Governance



1. Appropriate Initiatives on environmental /social issues
2. Value creation through efficient use of capital
3. Exercise of corporate governance functions
4. Appropriate information disclosure and dialogue with investors

Key issues (materiality) targeting the realization of the investment chain

Nomura Asset Management announced its materiality in the Responsible Investment Report 2020. After engaging in deep internal discussions aimed at solving our materiality and based on advice from the Sustainability Advisory Board, in 2022 we established and announced KPI, and further promoted business operations with an emphasis on sustainability as an asset management firm. We will continue to ascertain our progress and accelerate our efforts aimed at achieving our goals, as we strive to realize a sustainable and prosperous society.

Materiality selection process

STEP 1
List creation

In order to realize the virtuous cycle of investment (investment chain) that we are targeting, we make a list of the issues we feel we should focus on based on the environment surrounding our company as well as our business activities.

STEP 2
Analysis

We determine candidate issues for materiality through hearings with internal departments, while considering the degree of impact on our business activities and the amount of impact on society.

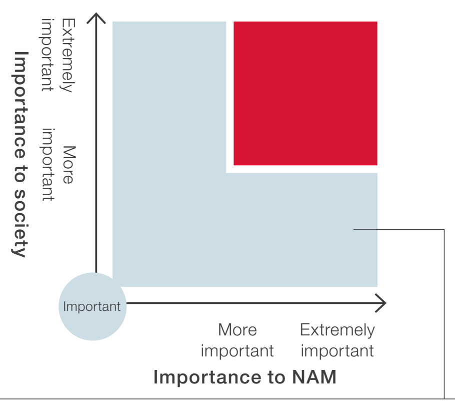
STEP 3
Selection

In light of Nomura Group's Management Vision and our corporate principles, we select topics for materiality after repeated internal discussions on the importance and impact of candidate issues and the efforts to solve them.

STEP 4
Decision/announcement

We decide and announce our materiality following a suitability check by the Executive Management Committee. We review and adjust our materiality, as necessary, based on changes in the environment, progress in our businesses, reports to the Board of Directors, and advice from the Sustainability Advisory Board.

Materiality map



Reducing the impact of demographic change Closing the wealth gap	Handling of natural disasters Handling of conflicts and political instability

Materiality

	Goal	Materiality
Solving social problems through investment	1 Strengthening the Investment Chain	Provision of excellent products and services that help clients build wealth
		Promotion of responsible investment
Sustainability as a company		Enhancement of investment capabilities and client convenience through digitalization
		Promotion of financial and economics education
		Support for regional revitalization
	2 Realizing a Healthy Global Environment	Achieving a decarbonized society
		Preservation of Natural Capital
	3 Realization of a Society in Which Human Rights are Respected	Promotion of DEI&B (Diversity Equity Inclusion & Belonging)
		Creating environments where employees can work with well-being
	4 Corporate Value Improvement through Governance	Sufficient display of corporate governance functions
		Enhancement of internal control systems

Objectives		Key initiatives
We will respond to clients' various asset management needs, and provide excellent investment performance		■ In addition to traditional assets, expand investment in areas such as ESG and alternative investments, and further improve asset allocation capabilities
		■ Development and provision of products and services for customers at various life stages
Through stewardship activities, we will continue to support portfolio companies' corporate value enhancement and social value creation		■ Enhancement of ESG integration to incorporate non-financial information into the investment process ■ Proactive promotion of ESG engagement based on ESG perspectives and important topics
Realizing a healthy global environment	Targeting the shift to a sustainable decarbonized society, we will use engagement and other means to encourage portfolio companies to combat climate change.	■ Enhancement of the level of investment with respect to climate change risks and opportunities
		■ Use of engagement with portfolio companies to have them incorporate climate change initiatives into their management strategies
	We will demand that portfolio companies have management strategies that take the sustainability of natural capital into account.	■ Use of engagement with portfolio companies to have them incorporate initiatives aimed at the coexistence of natural capital and their business into their management strategies
Realization of a society in which human rights are respected	We will promote DEI&B in portfolio companies, in order to continuously create added value by allowing diverse human resources to display their abilities and individuality	■ Promotion of diversity and inclusion through engagement with portfolio companies ■ Establishment and management of Japan Empowering Women Select Index ETF
	Our portfolio companies will improve productivity and create high value-added services by creating a high-quality work environment	■ Developing and managing investment strategies that focus on the performance of companies that are good places to work ■ Realization of decent work through engagement with portfolio companies
Corporate Value Improvement through Governance	We will promote the thorough functioning of corporate governance in order for portfolio companies to achieve their established corporate philosophies and management targets	■ Engagement with portfolio companies with the aim of enhancing corporate governance ■ Disciplined proxy voting in accordance with the proxy voting guidelines
We will utilize cutting-edge technologies to the maximum extent possible and provide clients with even more investment opportunities and added value		■ Enhancement of UI/UX for digital content and utilization of DX to cultivate new business domains
		■ Development of investment methods utilizing AI, alternative data, and other means
In order to familiarize potential customers with investment trusts, we will promote financial and economic education and work to expand the investor base		■ Enhancement of education/training that will lead to the promotion of wealth-building
We will work with regional financial institutions to create a strong movement for regional revitalization originating from regional financial institutions		■ Partner with regional financial institutions to launch donation schemes utilizing the corporate version of the hometown tax system ■ Holding ESG forums with regional financial institutions to discuss regional revitalization and consider ESG
Strive to achieve carbon neutrality with the aim of transitioning to a sustainable, decarbonized society		■ Reduction of Nomura Asset Management's CO_2 emissions, with the aim of achieving carbon neutrality
Advance efforts to conserve natural capital		■ Utilization of environmentally-friendly and socially-friendly products
We will promote DEI&B within Nomura Asset Management, in order to continuously create added value by allowing diverse human resources to display their abilities and individuality		■ Introduction of job-grade personnel system ■ Development and appointment of diverse professional human resources ■ Support for balancing work and childcare/nursing care ■ Continuous implementation of training and workshops to raise awareness of DEI&B
We will aim to realize high productivity and create high value-added services by developing a work environment that promotes employee well-being.		■ Correction of long working hours ■ Strengthen communication with management to promote flexible work styles and increase employee engagement (willingness to contribute to the company) ■ Education targeting improvements in health literacy ■ Understanding employees' health status and conduct mental health checks ■ Implementation of measures to prevent communicable diseases
We will promote the sufficient functioning of corporate governance in order to achieve our corporate philosophies and management targets.		■ Adoption of a monitoring model as a Company with Audit & Supervisory Committees ■ Appointments of independent outside directors possessing expertise in specialized fields ■ Creation of various committees
We will work to strengthen and enhance our internal control systems and conflict of interest management framework in order to protect our clients' assets and earn their unwavering trust		■ Construction of an internal control system based on three lines of defense ■ Monitoring of market risk, credit risk, operational risk, etc., by various committees ■ Enhancement of the conduct risk management system
		■ Construction of a robust crisis management system
		■ Strengthening the conflict of interest management system ■ Creation of the Fund Management Council and the Responsible Investment Council, and appointment of independent outside experts as members of both councils ■ Ensure independence of decision-making and personnel in investing and research

ESG STATEMENT

In both December 2021 and December 2022 we revised our ESG Statement which we originally formulated in March 2019. These revisions were made because the global economy and the circumstances surrounding ESG have been changing faster than expected, and due to the fact that we felt it was necessary to properly re°ect our stance concerning stakeholder engagement and other matters into our ESG Statement.

Nomura Asset Management seeks to realize a sustainable, prosperous society in which the rich natural environment is preserved, human capital possessing diverse values are utilized, economic development is driven by technological innovation, human rights are respected, and well-being is promoted. It is a society in which ESG issues are addressed and the SDGs are achieved. In addition, we recognize that efforts to solve ESG issues in order to realize this kind of society are important for supporting a virtuous cycle in the investment chain. We believe that a critical factor for both sustainable corporate value improvement and higher investment returns is for a company to appropriately manage risks related to ESG issues, view solutions to ESG issues as new business opportunities, and properly incorporate them into management strategies. Furthermore, as a responsible investor, we encourage our portfolio companies to practice what we view as desirable management, while we ourselves will also continue to operate with a focus on ESG.

ENVIRONMENT

Climate Change

The Paris Agreement, which was concluded in 2015, stipulates that efforts shall be made to limit the increase in the global average temperature to 1.5℃ since before the Industrial Revolution based on scientiÿc evidence. To achieve this goal, it is necessary to reach net zero global greenhouse gas emissions by 2050. We believe that companies must address climate change issues from the perspective of both risk management and the pursuit of business opportunities in order to achieve sustainable improvement of corporate value.

CDP

Signature Timing: June 2015 N
Signature Timing: November 2021

Established in 2000. This is a global project in which institutional investors around the world encourage companies to disclose their strategies to combat climate change as well as their speciÿc greenhouse gas emissions. Current areas of focus include climate change, water and forests.

TCFD

(Task Force on Climate - Related Financial Disclosures)

Signature Timing: March 2019

A private-sector led task force launched in December 2015 by the Financial Stability Board (FSB) that encourages enhanced information disclosure related to climate change.

High Priority ESG issues

While the importance of each ESG issue differs depending on the specific characteristics of the business in question, we identify the following 6 issues as common ESG issues that are particularly important across many businesses.

- Climate Change
- Human Rights
- Value Creation to Realize Well-Being Within Society
- Natural Capital
- Diversity Equity Inclusion & Belonging (DEI&B)
- Corporate governance

Core ESG Initiatives

Principles for Responsible Investment PRI
Signature Timing March 2011

PRI (Principles for Responsible Investment) are a set of principles formulated in April 2006 that require investors to incorporate ESG into actual investment analysis and decision-making processes.

Ⓝ Signed as Nomura Group

Climate Action 100+

Signature Timing: December 2019

An investor initiative in which institutional investors collaborate (group engagement) to encourage the world's largest corporate greenhouse gas emitters to disclose information related to climate change and respond accordingly.

PCAF
(Partnership for Carbon Accounting Financials)

Signature Timing:g: August 2021
Signature Timing:March 2022 Ⓝ

An international initiative established in the Netherlands in 2015 to create a standard method for measuring and disclosing greenhouse gas emissions. The PCAF Japan Coalition was established in November 2021, and Nomura Asset Management has been a member since its establishment.

NZAM
(Net Zero Asset Managers initiative)

Signature Timing: August 2021

A global initiative established in December 2020 comprising asset managers which aim for net-zero emissions of greenhouse gases (GHGs) from portfolio companies by 2050,in line with the goals of the Paris Agreement.

Natural Capital

Companies beneÿt from biodiversity through the utilization of forests, water sources, and other natural capital in their business activities. We believe that companies must exercise proper risk management in relation to activities that could negatively impact natural capital and biodiversity, as well as pursue business opportunities that solve social issues, such as the preservation of natural capital and biodiversity.

FAIRR
(Farm Animal Investment Risk and Return)

Signature Timing: June 2019

A livestock industry-related institutional investor initiative launched in 2015 by Jeremy Coller, the founder of Coller Capital (U.K.). The initiative educates people about livestock industry risks, including the impact on the environment, as well as food safety (antibiotics) issues.

Human Rights

Corporate business activities involve a large number of people including employees and local residents, which is even broader when the supply chain is considered. Companies are expected to exercise proper risk management to ensure that their activities do not infringe upon human rights. We believe that companies must exercise human rights due diligence and other forms of proper human rights risk management in order to achieve sustainable improvement of corporate value.

UNGC

(The United Nations Global Compact)

Signature Timing: June 2015 N

Non-binding action principles advocated by then UN Secretary-General, Koÿ Annan, at the Davos Forum in 1999. It encourages businesses and groups worldwide to take actions in the areas of human rights, labor, the environment and preventing corruption.

Diversity Equity Inclusion & Belonging (DEI&B)

In order to realize sustainable improvement in corporate value, we believe that it is necessary for companies' human capital to be comprised of people with diverse values without regard to factors such as gender, nationality, race or age, and for companies to create a corporate culture that provides equal opportunities to employees and that welcomes diversity and inclusion. In addition, we feel that it is critical for companies to foster a sense of unity under which senior management and employees share a sense of purpose to sustainably improve corporate value.

30% Club Japan

(Investor Group)

Signature Timing: December 2019

A group of asset owners and asset managers that engages in constructive dialogue with the boards of directors and senior management of portfolio companies, with the aim of highlighting the importance of gender diversity within senior management and realizing such gender diversity.

Women in ETFs

Signature Timing: April 2022

"Women in ETFs" advocates for the goal of bringing together people from the ETF industry around the world to actively promote equality, diversity and inclusiveness. Its mission is to develop and sponsor human resources, recognize women's achievements in the ETF industry, and advance and grow the ETF community.

Well-Being

Well-being refers to a state in which all people can seek happiness and live healthy lives. Well-being in society is realized by solving social issues in a variety of ÿelds. Speciÿc examples include health and safety, education and intelligence, and regional revitalization. In our view, the development and provision of products and services that contribute to addressing these social issues represent important business opportunities for companies, and could lead to sustainable improvement of corporate value.

Access to Medicine Index

(Access to Medicine Foundation)

Signature Timing: July 2019

Founded in 2003 by Dutch entrepreneur Wim Leereveld. The organization encourages the pharmaceutical industry to do more to help low- and middle-income countries who have limited access to medicine. Signatories support the foundation's index.

Access to Nutrition Initiative

Signature Timing: May 2021

Founded in 2013 by Dutch businesswoman Inge Kauer. Using proprietary analytical tools, the Initiative evaluates the level of response by the food and beverage industry to the two global nutritional issues of overnutrition and undernutrition, and urges the food and beverage industry to improve the dietary habits of adults and children around the world.

Corporate governance

Corporate governance is a structure for transparent, fair, timely and decisive decision-making by companies. From this perspective, the board of directors is responsible for the supervision of management, while nominations, compensation, and audits are the means to ensure the board fulfills its role. We believe that companies must strengthen corporate governance so that their management can properly manage various risks including the ESG issues mentioned above, while pursuing business opportunities to achieve sustainable improvement of corporate value.

ICGN

(The International Corporate Governance Network)

Signature Timing: December 2018

Established in 1995 to promote effective corporate governance standards and foster responsible investment to advance efficient markets and sustainable economies worldwide.

ACGA

(The Asian Corporate Governance Association)

Signature Timing: December 2018

Established in 1999 to engage in research and provide corporate support and education related to corporate governance in order to promote corporate governance in Asia.

JSI

(Japan Stewardship Initiative)

Signature Timing: November 2019

Aims to identify practical issues between asset owners and asset managers and to support efficient transmission of information aimed at advancing and deepening stewardship activities.

Other ESG Related Initiatives

GRESB

Signature Timing: March 2021

Measures the environmental, social, and governance (ESG) of individual companies and investment funds in the real estate sector. GRESB was launched in 2009, mainly by European pension funds, as a source of information to use when selecting investments and during dialogue with portfolio companies and investment funds.

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Principles for Financial Action for the 21st Century

Signature Timing: January 2012

Formulated in October 2011 based on a proposal by the Ministry of the Environment's Central Environmental Council as action guidelines for financial institutions that wish to fulfill their responsibilities and roles as required for the formation of a sustainable society.

Environment Programme –Finance Initiative UNEP FI

Signature Timing: January 2019 N

UNEP FI is a partnership established between the United Nations Environment Program (UNEP) and financial institutions worldwide.
Since its establishment in 1992, UNEP FI has been cooperating with financial institutions and regulatory authorities to promote a shift to a financial system that integrates economic development with ESG considerations.

Our Activities

Stewardship Activities

Through our activities, including proxy voting and constructive dialogue (engagement), we encourage the management of portfolio companies to manage risks and pursue business opportunities that are associated with ESG issues and also to disclose information in accordance with relevant global initiatives.

Business Opportunities

We place particular focus on the realization of well-being within society when viewing business opportunities associated with ESG issues. We encourage portfolio companies to properly incorporate the realization of well-being within society into their management strategies and to quantify outcomes and disclose them along with the relevant targets.

Investment Decisions

We assess our portfolio companies' initiatives to address ESG issues based on our own standards from the perspectives of both risks and opportunities and incorporate the results in our investment decisions. If we assess a company's initiatives as insufficient, or if we determine that the issues cannot be solved through engagement, it may result in divestment or exclusion from our investment universe.

Monitoring

We conduct monitoring based on global initiatives, including the Task Force on Climate-related Financial Disclosures (TCFD), in order to ascertain the status of ESG issues in our investment portfolio. Specifically, we monitor greenhouse gas emissions and other factors.

Our Business Activities

We recognize that business activities that take into account social value creation are important elements for realizing a sustainable and prosperous society. We strive to contribute to asset formation by offering investment products and services that help to address ESG issues and through efforts to expand the investment base through measures such as financial education. (For details, please refer to Pages 11-12.)

Initiatives

We participate in international initiatives and actively embrace accepted standards and norms. Through these initiatives, we conduct engagement jointly with other institutional investors and share best practices by actively cooperating with a wide range of stakeholders.

Governance and Disclosure to Promote ESG

At Nomura Asset Management, important decisions on management execution including this Statement are made by the Executive Management Committee, which consists of senior executives, to whom the proper authority has been delegated by the board of directors. We have established the Investment Policy Committee and the Responsible Investment Committee as the highest decision-making bodies in investment decisions and responsible investment to address ESG issues within a proactive framework. We have also established the Conflict of Interest Management Policy as well as a Responsible Investment Council and a Fund Business Operation Council, which have oversight for our responsible investment activities and products to ensure their appropriateness and validity. In addition, in order to properly fulfill our accountability, we will actively work on information disclosure regarding the above-mentioned "our activities".

Results of the 2021 PRI Assessment
With respect to our responsible investment efforts in January – December 2020, under the new assessment methodology we obtained the highest score of “Five Stars” for a total of six modules, including our overall policy and five (5) out of 10 direct modules.

Nomura Asset Management Co., Ltd. (NAM), the core company within the Investment Management Division of Nomura Group, received the highest rating of “Five Stars” in six Modules in the 2021 Principles for Responsible Investment assessment. This assessment involved NAM’s initiatives in 2020 spanning a total of 15 modules.

The Principles for Responsible Investment (PRI) were formulated in 2006 to encourage the incorporation of environmental, social, and governance (ESG) factors into the actual investment analyses and decision-making processes of investors. NAM became a PRI signatory in March 2011. The PRI secretariat assesses the implementation status of responsible investment on a five-star scale for each module based on reports that PRI signatories submit. NAM received the highest rating of “Five Stars” in Investment & Stewardship Policy, three modules for Direct Listed Equity, and two modules for Direct Fixed Income. The scores for each of these modules also greatly exceeded the respective median values.

2021 PRI Assessment results

				Module score	Module median	Star score	AUM coverage
Investment & Stewardship Policy				94	60	★★★★★	
Direct	Listed equity	Active quantitative	incorporation	100	65	★★★★★	<10%
Direct	Listed equity	Active fundamental	incorporation	100	71	★★★★★	<10%
Direct	Listed equity	Passive	incorporation	90	35	★★★★★	>=10 and <=50%
Direct	Listed equity	Active quantitative	voting	89	61	★★★★☆	<10%
Direct	Listed equity	Active fundamental	voting	89	54	★★★★☆	>=10 and <=50%
Direct	Listed equity	Investment trusts	voting	89	60	★★★★☆	<10%
Direct	Listed equity	Passive	voting	89	57	★★★★☆	>=10 and <=50%
Direct	Fixed income	SSA	-	92	50	★★★★★	>=10 and <=50%
Direct	Fixed income	Corporate	-	91	62	★★★★★	<10%
Direct	Hedge funds	Long/short credit	-	0	29	★☆☆☆☆	<10%
Indirect	Listed equity	Passive	-	67	57	★★★★☆	<10%
Indirect	Listed equity	Active	-	74	67	★★★★☆	<10%
Indirect	Fixed income	Passive	-	68	43	★★★★☆	<10%
Indirect	Fixed income	Active	-	75	57	★★★★☆	<10%

*In the PRI Assessment Report, Nomura Asset Management was assessed on a total of 15 modules. Please refer to the reports listed below for more information on all assessments, including indirect modules.

[Reference materials (English only)]

PRI Assessment Report 2021 https://www.nomura-am.co.jp/news/Assessment_Report_2021.pdf
PRI Public Transparency Report 2021 https://www.nomura-am.co.jp/news/Public_Transparency_Report_2021.pdf

Basic Policy For RESPONSIBLE INVESTMENT

BASIC POLICY FOR RESPONSIBLE INVESTMENT

On November 1, 2022, the Responsible Investment Committee revised items related to “1. Proper Efforts on Environmental and Social Issues” and “3. Adequate Performance of Corporate Governance Function” within the “Basic Policy for Responsible Investment.”The basic policy for responsible investment defines our concept and specific approaches to responsible investment, and includes details regarding the "appropriate management practices" expected of investee companies and the engagement and voting rights to achieve this.

Reference http://www.nomura-am.co.jp/special/esg/responsibility_investment/basicpolicy.html

BASIC POLICY FOR RESPONSIBLE INVESTMENT Concrete Actions

1 Understanding Investee Companies

2 Approach to Investee Companies

3 Reflection in investment decisions

4 Control Conflicts of Interests

5 Collaboration and Outside Activities

6 Information Disclosure and Accountability

7 Organization and Actions

In order for investee companies to enhance corporate value and achieve sustainable growth, stipulate the

"Ideal Form of Business Management of Investee Companies" *

and encourage investee companies to realize it. Stipulate **"Basic Principles of Engagement"** and **"Global Proxy Voting Policy"** and give encouragement to investee companies from a fair and consistent posture. Reflect the status of engagement in proxy voting.

Basic Principles of Engagement/ Global Proxy Voting Policy
https://global.nomura-am.co.jp/responsibility-investment/pdf/basic_policy.pdf

*Ideal Form of Business Management of Investee Companies P.21~22

Basic Policy For

RESPONSIBLE INVESTMENT

Ideal Form of Business Management of Investee Companies

1

Proper Efforts on Environmental and Social Issues

We believe that making proper efforts on global environmental and social issues from the perspectives of risk management and the pursuit of business opportunities will lead to increase in corporate value and sustainable growth. We also see such efforts as a prerequisite for a company to be accepted as a member of the society. Examples of issues that we consider particularly important and efforts that portfolio companies need to make are shown on the right.

1 Basic Policy

- Establishment of a basic policy regarding the company’s efforts on ESG issues
- establishment of a system to promote and oversee those efforts

2 Key issues (materiality):

- Identiÿcation of key issues by the management,
- responses to and disclosure of risks that are identiÿed as key issues (e.g., data security, product liability, etc., as well as those listed in 3 through 7),
- disclosure of business opportunities that are identiÿed as key issues;

3 Climate change:

- Veriÿcation of business portfolio and promotion of technological innovation to respond to the climate change issue,
- information disclosure based on the ÿnal report published by the Task Force on Climate-related Financial Disclosures (TCFD), which is consistent with the Paris Agreement,
- setting of a net zero target for medium- to long-term greenhouse gas (GHG) emissions,
- approval of or commitment to science based targets (SBTs)
- measurement of ghg emissions and absorption including Scope3 under the international standards for the accounting and reporting of ghg emissions
- and introduction of internal carbon pricing;

4 Natural capital:

- Development of measures and goals for prevention of deforestation, marine pollution, or air pollution,
- sustainable use of water resources, timber, or marine products,
- reduction of waste, and promotion of recycling;

5 Human rights:

- Development of a policy on human rights at investee companies that is consistent with international norms,
- human rights due diligence or audits including supply chain,
- corrective action and relief mechanism
- and disclosure of due diligence results;

6 Diversity and inclusion:

- Setting a medium- to long-term target for the percentage of women among board members, senior executives, or managers,
- a personnel system to prevent employees from leaving employment due to a life event, creation of a corporate culture that embraces diversity and inclusion,
- strategy to bring out the best of human resources with diverse values

7 Well-being:

- A management plan (including R&D and marketing strategies) that turns the resolution of social issues, such as health and safety, education and intelligence, and regional revitalization, into business opportunities
- measurement and disclosure of progress toward the resolution of social issues,and
- personnel systems and employee engagement to realize well-being in the company

8 **Cooperation with stakeholders, such as participation in initiatives that are related to the issues listed above.**

2

Value Creation through Capital Efficiency

NAM believes that in order for investee companies to enhance corporate value and achieve sustainable growth, it is necessary for investees to create value that exceeds the cost of capital over the medium to long term by utilizing capital efficiently under proper risk management and constructing a business portfolio that has a high growth potential and is efficient. To this end, we consider that the following efforts are particularly important:

1. To formulate a growth strategy and an investment plan to create value that exceeds the cost of capital and to conduct proper progress management;
2. To verify the business portfolio against the growth strategy and replace businesses in the portfolio as necessary;
3. To sell assets that do not contribute to the creation of value that exceeds the cost of capital and, in particular, to reduce cross-shareholdings;
4. To implement group governance to enable the optimal allocation of management resources, etc.;
   If there is a listed company within the group, to regularly verify the reasonableness of maintaining a listed company within the group; to properly manage the conflict of interest with general shareholders; and to support the listed company's efforts to strengthen corporate governance;
5. To properly manage the risks associated with businesses, etc.;
6. To implement a capital structure and shareholder returns that reflect 1 through 5 above; and
7. To properly disclose information about 1 through 6 above.

3

Adequate Performance of Corporate Governance Function

We believe that it is necessary for a company to have sufficiently functioning corporate governance as a prerequisite for value creation through the efficient utilization of capital and proper efforts on environmental and social issues. We believe that the appropriate corporate governance format to realize this is as shown on the right.

1. The board consists of an adequate number of qualified and diverse members who have the ability and experience to supervise the execution of management and any conflict of interest with the management, controlling shareholder, or any other parties on behalf of shareholders and functions effectively.
2. The audit committee, audit and supervisory committee or the board of auditors consists of qualified members who are capable of auditing directors' operations on behalf of shareholders and functions effectively.
3. Committees relating to nomination and compensation have been established, each of which consists of qualified and independent members and adequately fulfills the necessary roles and responsibilities in 4 and 5 below.
4. Standards and processes to determine whether the replacement of senior executives is required have been established, and a succession plan in case of such replacement has been formulated.
5. Compensation of senior executives is appropriate as their incentive and commitment for value creation through the efficient utilization of capital and proper efforts on environmental and social issues.
6. The board makes appropriate judgment in the best interest of minority shareholders on any transaction involving a conflict of interest or fight for control of the company.
   In our view, as anti-takeover measures limit the rights of shareholders to buy and sell shares freely, they are unnecessary unless there is a risk that such a transaction or fight will significantly impair corporate value and the common interest of shareholders.
7. Corporate governance systems are in place to ensure sufficient internal control in terms of compliance and internal auditing.
8. Comply with laws and regulations, and properly respond to the Corporate Governance Code

4

Adequate information disclosure and a dialogue with investors

NAM believes that companies need to uphold their accountability through timely and proper public disclosure of the matters stated in 1. through 3. above in order for us to precisely grasp the state of investee companies and that they also need to engage in dialogues actively with investors to properly reflect investors' opinions in their business management.
If the companies are found to have engaged in any activity that is materially harmful to corporate value, we will request sufficient disclosure and explanations on investigations of cause, clarification of where responsibility lies, and the formulation and dissemination of effective recurrence countermeasures.

Corporate Governance

Towards Realizing a Monitoring Board

About Corporate Governance

"Corporate governance" means a structure for transparent, fair, timely and decisive decision-making by companies, with due attention to the needs and perspectives of shareholders and also customers, employees and local communities.

(From Japan's Corporate Governance Code)

The Corporate Governance (CG) Code defined CG as above and was launched in June 2015. At the time, many companies struggled to secure two independent outside directors, but today the majority of companies have more than one-third independent outside directors, and it is not uncommon for companies to have a majority of independent outside directors. In addition, more than 80% of companies did not have nomination and compensation committees, but today more than 80% of companies do. Since the CG Code defines CG as a "mechanism for decision-making", the bolstering of these systems is an outcome of the CG Code. If the system (mechanism) is a formal requirement, the requirement for effectiveness is "transparency, fairness, promptness, and decisiveness." For decision-making to be transparent, it is necessary to clarify who is responsible for decision-making. Specifically, it is a requirement that the management (especially chairperson and president), who are the decision makers, fulfill their accountability at the board of directors meetings and take responsibility for outcomes. In addition, in order to be fair, it is a requirement that decision-making contribute to improvement in corporate value. If these requirements are met and authority is appropriately delegated to the management team (centered on chairperson and president), swift and decisive decision-making will be possible.

As shown in the figure below, such decision-making can be organized along a PDCA cycle. While it is important for the management team to have the PDCA cycle function autonomously, especially at the "Check" stage, independent outside directors play a central role, adding an element of heteronomous management supervision, which contributes to transparency and fairness. Traditionally, in Japan, a management board that emphasizes "Do" has been the mainstream, but we believe they should shift to being a monitoring board with "Check" as the main role. The CG Code stipulates that the roles and responsibilities of independent outside directors include "Monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management," so these can be said to be in alignment. Concerning a monitoring board, the delegation of authority tends to attract attention, but it should be understood as a mechanism that makes the PDCA function as a series of processes centered on "Check."

P Plan → **D** Do → **C** Check → **A** Act

P – Plan: Senior management is accountable at the board of directors meetings for management strategy and other matters, and discussions take place so that the content contributes to the enhancement of corporate value. (→transparency, fairness)

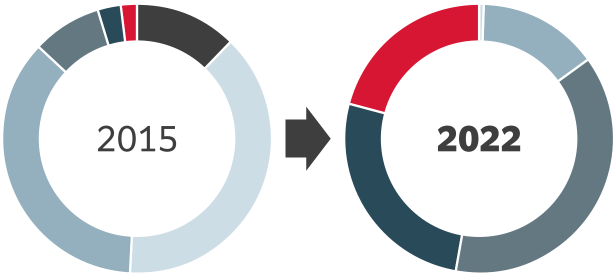
D – Do: Delegate authority to senior management for decision-making aligned with the management strategy, etc. The board of directors ascertains the situation based on reports received from senior management, and discusses the need for "Act." (→timely, decisive)

C – Check: Evaluate the outcomes of decision-making, and reflect in the nominations of senior management (= whether to keep in office or replace) and compensation (→transparency, fairness)

A – Act: Provide feedback to senior management on the evaluation results and revise the management strategy, etc. (→timely, decisive)

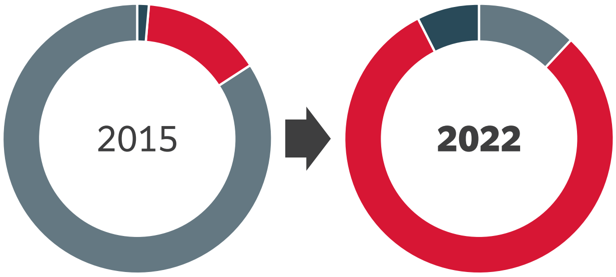
Japanese companies' boards of directors have undergone changes since the enactment of the CG Code

Number of independent outside directors



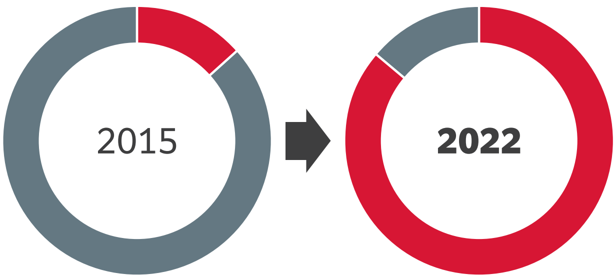
	0	1	2	3	4	5+people
2015	12.3%	38.6%	36.3%	8.2%	2.8%	1.8%
2022	0.1%	0.7%	14.4%	37.8%	26.3%	20.7%

Ratio of independent outside directors



	Majority	One-third	Other
2015	1.5%	14.6%	83.9%
2022	12.1%	80.4%	7.5%

Status of Nomination and Compensation Committees



	Either has been established	Neither have been established
2015	13.4%	86.3%
2022	86.6%	13.7%

(Source) Prepared by Nomura Asset Management based on data from the Japan Association of Corporate Directors.
(Note) Covers companies listed on the Tokyo Stock Exchange First Section or the Tokyo Stock Exchange Prime Market.

Nomura Asset Management supports the transition to a monitoring board

Management board

Main roles and responsibilities	Member composition
Management decision-making	Centered on inside directors (management team)

Advisory board

Main roles and responsibilities	Member composition
Management decision-making, advice to management team	Centered on inside directors (management team), but there are also a minority of outside directors

Monitoring board

Main roles and responsibilities	Member composition
Supervision of management team	Centered on outside directors

We expect companies to transit to this

Nomura Asset Management's initiatives

Proxy Voting

Boards of directors structures have been getting stronger, but not strong enough to be considered a monitoring board.
Through proxy voting standards, we support a transition to a monitoring board.

Handling of proxy voting standards

If a board satisÿes all the below requirements, we determine it to be a monitoring board (we consider approximately 120 constituent companies in the TOPIX index to have a monitoring board)

Monitoring board requirements *1

1 A majority of the directors are outside directors

2 Has nomination committee and compensation committee with outside directors comprising a majority

3 Nomination and compensation committee chairpersons are outside directors

4 The ratio of women directors is at least 10%

5 The company has not introduced a takeover defense plan

6 The company does not hold strategic shareholdings in excess
(for financial institutions: less than 25% of net assets; for non-financial companies: less than 10% of invested capital)

7 If the company is a company with a board of corporate auditors, director's term in office is one year

8 If there are controlling shareholders, the chair of the board of directors is an outside director

*1 We view the above requirements as the bare minimum for being a monitoring board.

If we determine the company to have a monitoring board

We will respect the board of directors' supervisory function.

- We will ease standards related to executive compensation
(becomes easier to vote in favor of proposals).
Payment of compensation increases/bonuses when business performance is struggling
Stock compensation to outside directors, etc. not linked to business performance
- We will ease business performance standards*2 related to director appointments (same as above).

If not determined to be a monitoring board

- We will not oppose on the reasoning that the company's board does not fall under the category of a monitoring board.
- We will ease standards for executiver remuneration and retirement bonus for directors and auditors, if efforts to bring the structure closer to a monitoring board (establishment of remuneration governance, etc.) are observed.

*2 Standard to vote in opposition of re-appointment of chairperson and president, etc. who have been in the position for the most recent three or more consecutive ÿscal years, if return on equity (ROE) has been in question and efforts for management improvement have not been demonstrated.

In order to support effective transitions

The effectiveness of the supervisory function is what is important, and through proxy voting and engagement we urge companies to increase effectiveness. So as not to end up encouraging merely perfunctory transitions, our proxy voting standards include the following.

- **Show the requirements for determining whether or not a board falls under the category of a monitoring board**
- **If the board does fall under the category of a monitoring board, we will ease the requirements for voting in favor of company proposals related to business performance standards and some standards related to executive compensation.**
- **We will not oppose company proposals on the reasoning that the company's board does not fall under the category of a monitoring board.**
- **Even if the board does not fall under the category of a monitoring board, we will ease the requirements for voting in favor of company proposals related to executive compensation for companies establishing compensation governance as an initiative aimed at transitioning to a monitoring board.**
- **If outside directors failed to fully fulfill their expected roles, we will vote against the re-election of outside directors**

Nomura Asset Management's initiatives

Engagement

What is important for a monitoring board is the supervision of management, especially chairperson and president, who are the top management, but there are some cases where it is not functioning in the desired manner. We are working to have companies realize a desirable monitoring board.

Desirable monitoring board and undesirable monitoring board

Desirable

Independent outside director → Supervision (nomination/compensation) → **Chairperson and President** → **Management decision-making** → **Management's PDCA cycle functions**

- **Debate with management team about management strategy, etc. (management team is accountable)**
- **Evaluate management team based on management strategy, etc., and reflect in nominations and compensation. Also, provide feedback on evaluation details to management team.**

  Nomination: Establish standards and process for periodically determining the necessity for replacing members of senior management, formulate a successor plan to prepare for such replacements.

  Compensation: Management team incentives/commitments aimed at enhancing corporate value
- **Provide advice to management team as needed during the supervision process.**

Undesirable ❶ = Advisory board

Independent outside director → Advice / Supervision does not function → **Chairperson, CEO, executive officer** → **Management decision-making** → **Biased advice**

Undesirable ❷ = Cannot break away from a management board

Independent outside director + Chairperson+ President → **Management decision-making**

Independent outside director + Chairperson+ President → Supervision → **Executive officer, department head** → **Management decision-making**

Independent outside directors participate in decision-making → Supervision of chairperson and president does not function

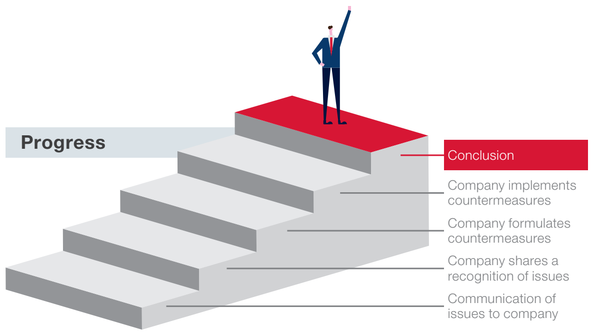
Examples of engagement aimed at establishing a monitoring board

Redefining the board of directors

Retail sector

Period 56 months

12 24 36



Conclusion / June 2022 / 6 meetings
Interviewees / Representative Director and CEO, outside directors, others

NAM's Concerns

Even though business performance has been struggling, there are few outside directors and there are no members with corporate management experience. There is no nomination or compensation committee. Strengthening corporate governance is an urgent task.

Goal

The company increased the number of outside directors with management experience.

Progress in 2022 Towards Achieving our 2050 Net Zero Goal

2022 was a year in which we made progress on initiatives aimed at achieving our 2050 Net Zero Goal for greenhouse gas ("GHG") emissions in three main areas.

First, our measurement and disclosure of investment portfolio emissions ("Financed Emissions") were recognized as being disclosed in accordance with The Global GHG Accounting and Reporting Standard for the Financial Industry, which is the standard under the Partnership for Carbon Accounting Financials ("PCAF"), and our status was changed from "Committed" to "Disclosed." The disclosures in this Responsible Investment Report 2022 are in accordance with the PCAF Standard for financed emissions for sovereign debt released in December 2022, and we have newly measured and disclosed financed emissions for our company-wide sovereign bond portfolio.

Second, we submitted our 2050 Net Zero Goal and 2030 Interim Target to the Net Zero Asset Managers initiative (NZAM) and both were approved. In setting our 2030 Interim Target, we used the Science Based Targets initiative for Financial Institutions, which is a financial institution version of the Science Based Targets (SBT) and one of the methodologies recommended by NZAM, and established an SBT portfolio coverage ratio of 55% as our 2030 Interim Target. A 55% SBT portfolio coverage ratio refers to 55% (by weight) of the portfolio companies in our investment portfolio having attained SBT approval.

Third, in December 2022 we newly established the Net Zero Strategy Department within the Investment and Research Unit in order to achieve our 2050 Net Zero Goal with certainty. The Net Zero Strategy Department is discussed in detail in the following section.

Establishment of the Net Zero Strategy Department to Achieve the 2050 Net Zero Goal

On December 1, 2022, we established the Net Zero Strategy Department with the aim of securing our commitment to decarbonization and to steadily advancing our efforts aimed at achieving our 2050 Net Zero Goal. The mission of the Net Zero Strategy Department is to strategically utilize internal and external management resources to gather information and expertise related to net zero, as well as formulate and promote an effective action plan aimed at achieving our 2050 Net Zero Goal and 2030 Interim Target.

Specifically, the Net Zero Strategy Department will advance the following initiatives.

In addition to working together with Nomura Holdings, our holding company, to contribute to achieving the net zero goal for Nomura Group overall, we will continue to address ESG issues while working to secure our place as the Japanese asset manager preferred by clients globally as a responsible institutional investor.

- Expand the asset classes for which we measure and disclose GHG emissions in our investment portfolios to include assets other than listed equities and corporate bonds
- Strengthen the management of climate-related risks and opportunities by expanding the monitoring of carbon metrics, scenario analysis, transition/physical risk analysis, and climate-related opportunity metrics, among other metrics
- Develop appropriate climate-related risk/opportunity assessment methodologies to accelerate the provision of funds for decarbonizing society, and increase the level of sophistication of climate-related ESG integration
- Utilize the above initiatives for climate-related stewardship activities and the development of decarbonization funds
- Enhance the transparency of our efforts by strengthening climate-related disclosure based on TCFD (Task Force on Climate-related Financial Disclosures) recommendations and our NZAM commitment, and by proactively reporting to external evaluation organizations.
- Strengthen collaboration with climate-related initiatives and contribute to global efforts to achieve net zero

COLUMN

Net Zero Strategy Department

In recent years, as countries around the world set net-zero targets based on the Paris Agreement, a rapidly growing number of companies are also setting their own net-zero targets. In addition, companies' climate-related disclosures are being promoted in response to the TCFD recommendations, ISSB climate-related disclosure standards, and climate-related disclosure legislation in various countries. In particular, GHG emissions, which are a key metric in climate-related disclosures, have a carbon price attached to them through carbon taxes, emissions trading and other systems, which makes them easy to incorporate into quantitative corporate evaluations.

As the momentum for decarbonization increases around the world, asset managers like us are being strongly urged by clients and various other stakeholders to reduce their own GHG emissions, including the emissions of their investment portfolios, to net zero by 2050, and to carry out advanced levels of ESG integration and engagement in order to efficiently invest the funds necessary for decarbonization. In order to answer such requests, the Net Zero Strategy Department will strategically promote initiatives to achieve our net zero goal and contribute to the decarbonization of society.

Managing Director, Head of Net Zero Strategy Department
Teppei Yamaga

Disclosure Based on the TCFD Recommendations

Governance

- We recognize that climate-related risks and opportunities have important impacts on our business and our medium- to long-term management targets, and we have therefore established an appropriate governance. The data compiled by the Responsible Investment Department, which acts as the TCFD Secretariat, including carbon metrics, scenario analyses, ESG scores and other climate-related risks and opportunities, are ultimately reported to the Board of Directors via the Executive Management Committee. The Board of Directors is then able to appropriately monitor our climate-related risks and opportunities.
- The analytical data related to climate-related risks and opportunities compiled by the TCFD Secretariat are shared with portfolio managers and analysts. These data are then utilized in company analysis, engagement, and investment decision-making. These data are also regularly reported to the Responsible Investment Committee, which comprises officers in the Investment and Research Unit, where they are used to evaluate a portfolio's climate-related risks and opportunities. For example, at the Responsible Investment Committee meeting in March every year, the analytical data from the portfolio at end of the previous year are reported, and in July the important themes for climate change-related engagement are decided. Additionally, the chair of the Responsible Investment Committee reports the evaluation results to the Executive Management Committee, which allows members of senior management to utilize these reported details to make management decisions.

Strategy

- We recognize a wide range of short-, medium- and long-term climate-related risks and opportunities. In terms of transition risks, we are closely watching carbon pricing, the stranding of assets, and changes in consumer behavior and preferences. For physical risks, we are focusing on abnormal weather, which is increasing in recent years. Meanwhile, with respect to opportunities, we are paying close attention to products and services related to renewable energy and energy efficiency and conservation, electricity storage, hydrogen, ammonia, CCUS, carbon recycling, as well as disaster prevention and mitigation. In addition, in line with our long-term strategy aiming to realize a decarbonized society, we are focusing on transition finance to support companies that are working to reduce GHG emissions. In principle, we do not divest from (and thereby lose the chance for engagement with) portfolio companies with high levels of GHG emissions. Instead, by continuing to hold on to such companies, we use engagement as a means to encourage these portfolio companies to take measures to combat climate change.
- In addition to Institutional Shareholder Services' (ISS) analysis methodology for climate-related risk and opportunities, we are carefully analyzing the impact that climate-related risks and opportunities have on our business, strategy, financial plans, and portfolio. This includes our financial analysis and transition risk analysis using internal carbon price in our ESG scores for Japanese equities.
- Please refer to Page 32-33 for information on the scenario analysis we performed for our four-asset integrated portfolios.

Risk Management

- When it comes to a portfolio company's climate-related risks, instead of looking only at carbon metrics for the company alone, we believe it is important to discern and analyze carbon metrics throughout the entire life cycle of a company's products and services as well as throughout the supply chain. Furthermore, we refer to GHG removal and avoided emissions, etc. in our analysis of climate-related risks.
- We manage portfolio risk using ISS's analysis methods for transition risk and physical risk. In addition, we identify and manage portfolio companies' transition risks and physical risks using our own corporate analysis and ESG scores, as well as through engagement.
- Such risk management analysis outcomes are integrated into the comprehensive risk management process. As such, they are shared within the Investment and Research Unit, and are reported to both the Executive Management Committee and the Board of Directors after being monitored by the Responsible Investment Committee.

Metrics and Targets

- In order to evaluate climate-related risks and opportunities in accordance with our own strategies and risk management process, we measure four carbon metrics recommended by the TCFD (total carbon emissions, carbon footprint, carbon intensity, and weighted average carbon intensity) and perform scenario analyses as well as transition risk analysis and physical risk analysis for equities and corporate bonds portfolios.
- To analyze total carbon emissions, we use Scope 1 and Scope 2 emissions disclosed by companies (if a company does not provide disclosure, we use ISS's estimates) as well as ISS estimates for Scope 3 emissions. Meanwhile, for carbon footprint, carbon intensity and weighted average carbon intensity, we use only Scope 1 and Scope 2 emissions.
- We have established a 2050 Net Zero Goal as well as a 2030 Interim Target. Under the 2050 Net Zero Goal, we will work to achieve net-zero GHG emissions both from our own business operations as well as for assets under management (our investment portfolio). Under the 2030 Interim Target, we will work to ensure that, by 2030, 55% of our investment portfolio assets are being approved by SBTi. We will verify and report on our track record with regard to these targets in accordance with the methodology recognized and endorsed by NZAM.

Analysis of Carbon Metrics in Investment Portfolios

In this section, we analyze climate-related risks and opportunities for the four company-wide portfolios we manage: Japanese equities; global equities; Japanese bonds and global bonds. We perform analyses in accordance with assessment and disclosure methods including those set forth in The Global GHG Accounting and Reporting Standard for the Financial Industry published by the PCAF which we are a member of, as well as data and analysis methods from ISS.

For equities benchmarks, we used TOPIX for Japanese equities and MSCI ACWI ex-Japan for global equities. For domestic bonds, we used NOMURA-BPI (overall) (only corporate bonds), while for global bonds we used the Bloomberg Barclays Global Aggregate Index (only corporate bonds). Bonds only included corporate bonds, and did not include sovereign or other public bonds.

Please refer to Pages 38-39 for the results of our analysis of our sovereign bond portfolio emissions (financed emissions).

The analysis revealed that the total carbon emissions (Scope 1 and Scope 2) of our Japanese equities portfolio are less than the total carbon emissions of portfolios of the same monetary amount and comprising the same stocks and weightings as the benchmarks.

Also, for global equities, domestic bonds and global bonds, the emissions of our portfolios and the benchmarks were roughly the same.

In terms of the ratio of total carbon emissions accounted for by each industry, there is a high ratio from Energy, Materials and Utilities, as well as relatively high ratios from Industrials depending on the asset class, and the same trend is seen in the industry ratios for weighted average carbon intensity. Through engagement as well as cooperation with climate change-related initiatives, we will continue to encourage portfolio companies to undertake initiatives targeting a decarbonized society.

Total Carbon Emissions

- Absolute GHG emissions associated with a portfolio
- Unit: tCO_2e(CO_2 equivalent)
- GHG emissions from portfolio companies are Scope 1,2 and 3

$$\text{Total Carbon Emissions} = \sum_{n}^{i} \left(\frac{\text{current value of investment } i}{\text{Portfolio companies' EVIC } i} \times \text{issuer's Scope 1 and Scope 2 GHG emissions } i \right)$$

Carbon Footprint

- Total carbon emissions for a portfolio normalized by the market value of the portfolio
- Unit: tCO_2e/US$ million (investment amount)
- Portfolio companies' GHG emissions in total carbon emissions are Scope 1 and 2

$$\text{Carbon Footprint} = \frac{\text{Total Carbon Emissions}}{\text{market capitalization of portfolio}}$$

Carbon Intensity

- Volume of carbon emissions per million dollars of revenue (carbon efficiency of aportfolio)
- Unit: tCO_2e/US$ million (revenues)
- Portfolio companies' GHG emissions in total carbon emissions are Scope 1 and 2

$$\text{Carbon Intensity} = \frac{\text{Total Carbon Emissions}}{\sum_{n}^{i} \left(\frac{\text{current value of investment } i}{\text{issuer's EVIC } i^{*}} \times \text{the revenues of portfolio companies } i \right)}$$

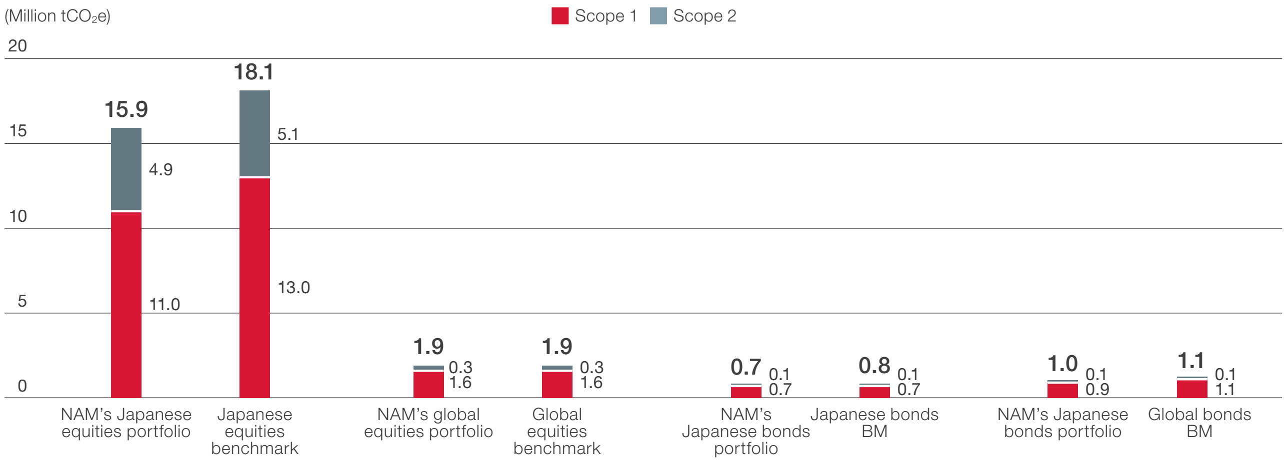
Weighted Average Carbon Intensity

- Portfolio's exposure to carbon-intensive companies and metric recommended by TCFD
- Unit: tCO_2e/US$ million (revenues)
- Portfolio companies' GHG emissions are Scope 1 and 2

$$\text{Weighted Average Carbon Intensity} = \sum_{n}^{i} \left(\frac{\text{current value of investment } i}{\text{market capitalization of portfolio}} \times \frac{\text{issuer's GHG emissions } i}{\text{the revenues of portfolio companies } i} \right)$$

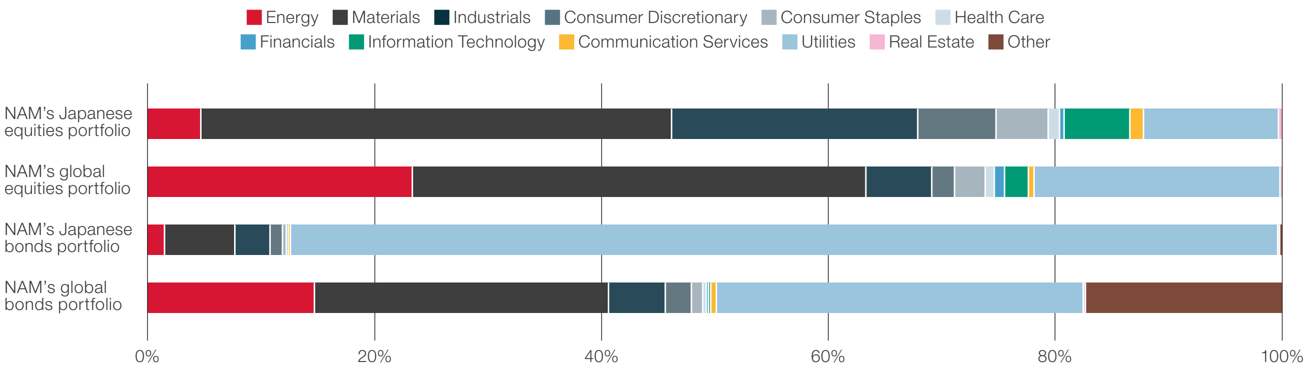
*EVIC is Enterprise Value Including Cash, and refers to corporate value including cash.
EVIC = Market capitalization of shares (ordinary shares, class shares such as preferred shares) + debt (book value) + non-controlling shareholders' interests (book value).

Total Carbon Emissions

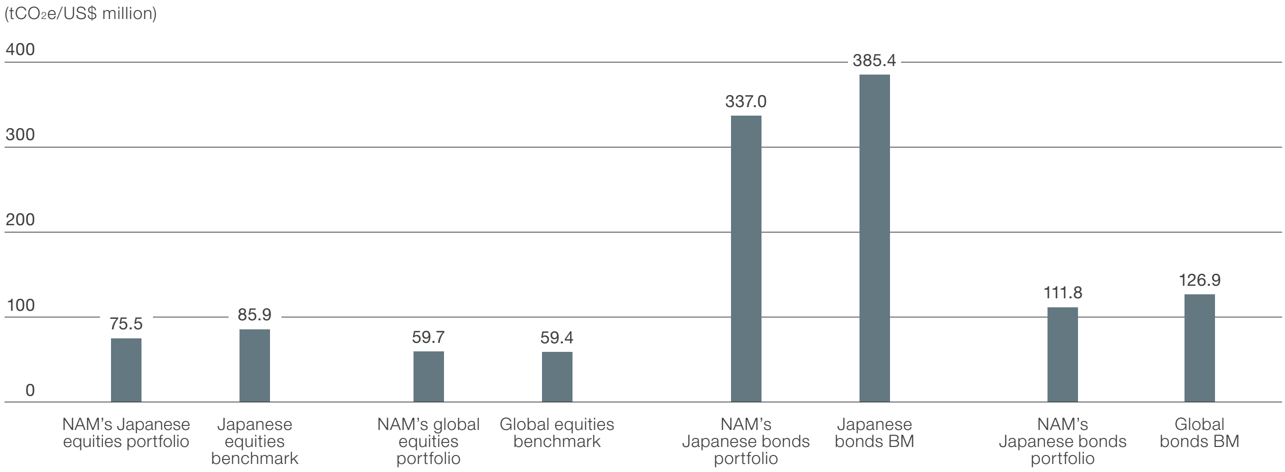


		NAM's portfolio	BM	% of BM		NAM's portfolio	BM	% of BM
Scope 3 (Million tCO_2e)	Japanese equities	184.0	194.3	95%	Japanese bonds	1.8	2.3	80%
	Global equities	12.4	13.9	89%	Global bonds	4.9	3.0	162%
Total of Scope 1, 2, and 3 (Million tCO_2e)	Japanese equities	199.9	212.4	94%	Japanese bonds	2.6	3.1	82%
	Global equities	14.3	15.8	90%	Global bonds	5.9	4.2	142%

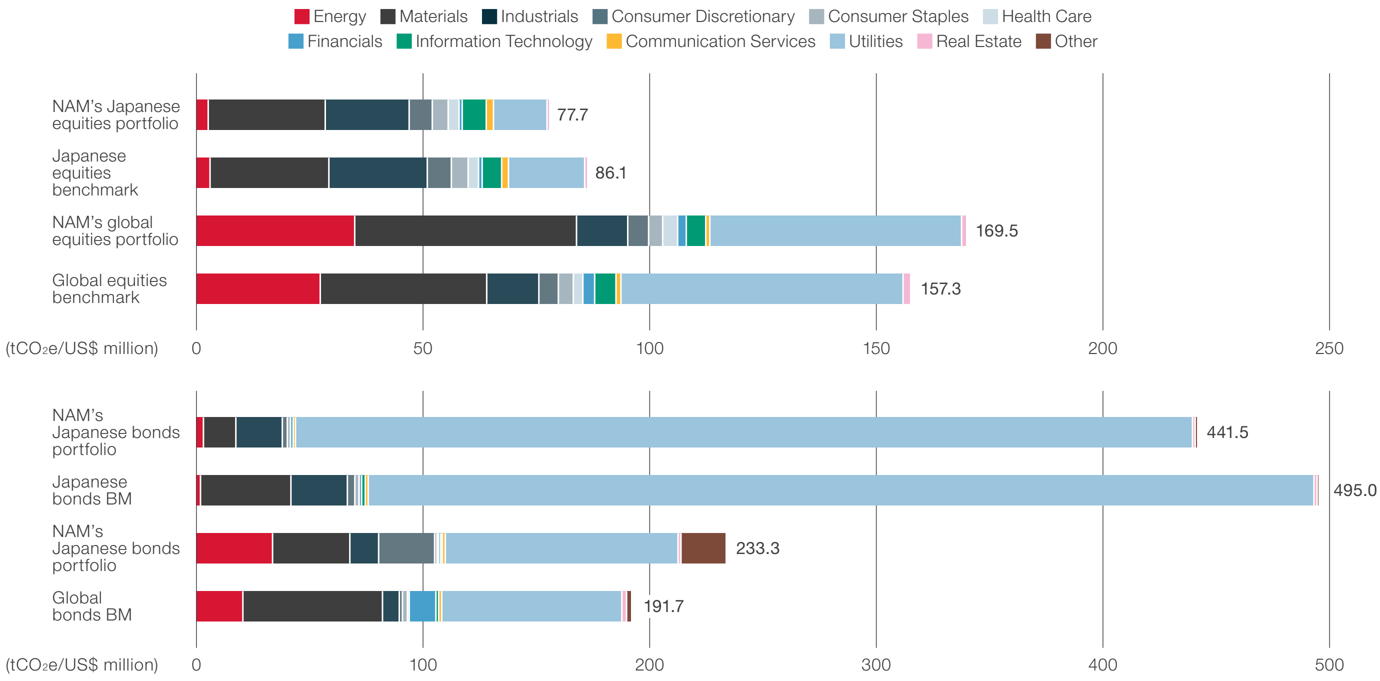
Ratio of Total Carbon Emissions by Industry



Carbon Footprint



Weighted Average Carbon Intensity and Ratio by Industry



Scenario Analysis

1

Sustainable Development Scenario (SDS)

Scenario aligned with the goal of the Paris Agreement adopted at COP21 held in December 2015, which is to limit global warming to well below 2°C compared to pre-industrial levels and pursue efforts to limit warming to 1.5°C. Under this scenario, the earth's temperature is projected to rise approximately 1.5°C by the end of this century.

2

Announced Pledges Scenario (APS)

A scenario which assumes that countries carry out the pledges they have made, including their Nationally Determined Contributions ("NDCs") submitted under Article 4 of the Paris Agreement and their long-term net zero goals, both fully and on time. Under this scenario, the earth's temperature is projected to rise approximately 2.1°C by the end of this century.

3

Stated Policies Scenario (STEPS)

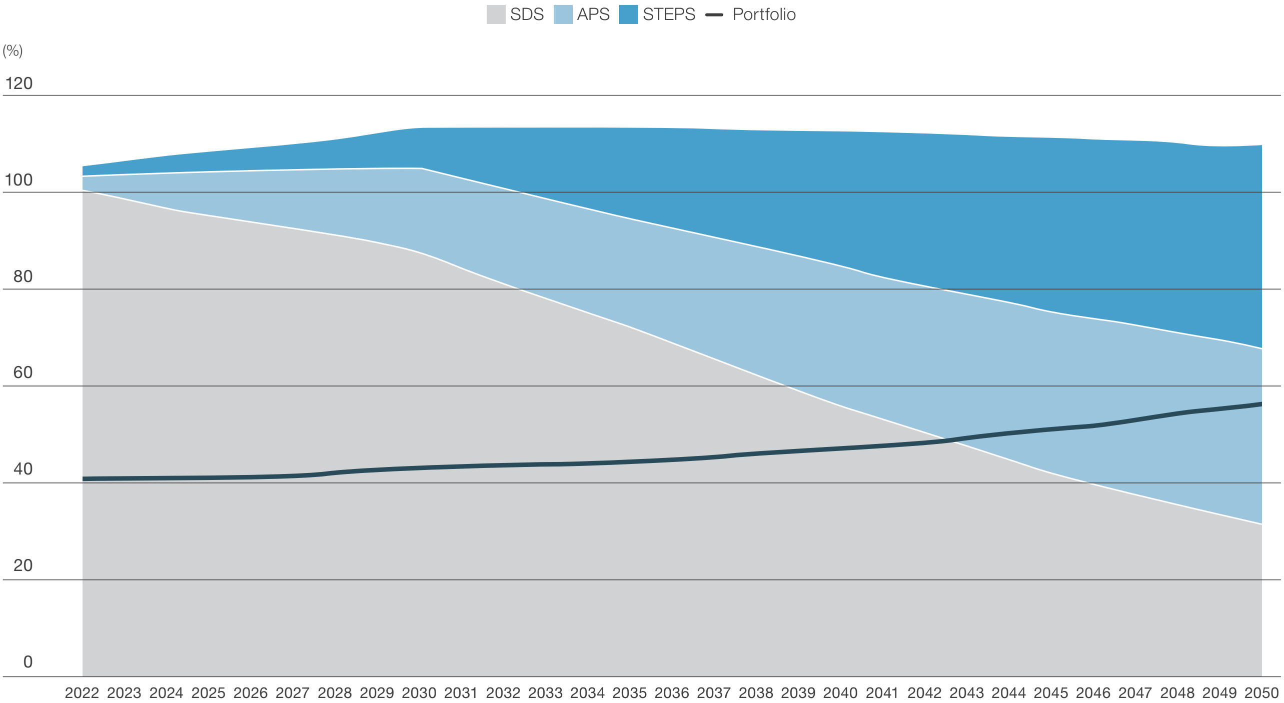
A scenario which assumes that countries carry out policy initiatives their governments have already announced, on the assumption that countries will keep ambitions and goals of the policies they are currently implementing. Under this scenario, the earth's temperature is expected to rise approximately 2.6°C by the end of this century.

For total carbon emissions of our four asset integrated portfolio, we used data from ISS, and performed scenario analyses based on the three scenarios in the World Energy Outlook 2021 issued by the International Energy Agency (IEA). For the total carbon emissions used in our scenario analyses, in light of the specific characteristics of transition risk in each sector, we used only Scope 1 emissions for the utilities companies, only Scope 3 emissions for fossil fuel-producing companies, and both Scope 1 and Scope 2 emissions for all other companies.

The scenario analysis confirmed that our four-asset integrated portfolio is likely to reach the total carbon emissions permitted in the SDS around 2043. This is evidence of the improvement in the investment portfolio since the end of 2021, when we found that the portfolio was likely to reach the total carbon emissions permitted in the Sustainable Development Scenario around 2040.

We feel that the portfolio's emissions were greatly impacted by the fact that our global equities and global bonds portfolios include comparatively high weightings of stocks and bonds in the Energy, Materials, and Utilities sectors, centered on emerging countries and developing countries, where GHG emissions are high in conjunction with economic growth. Our analysis also hints at the importance of continuing to call for measures to address climate change across the market, as our investment portfolios include many passive investments, mainly in Japanese equities.

Comparison of NAM's four-asset integrated portfolio's total carbon emissions and carbon budget under each scenario



*On the graph's y-axis, the 2022 carbon budget for SDS is set at 100%.

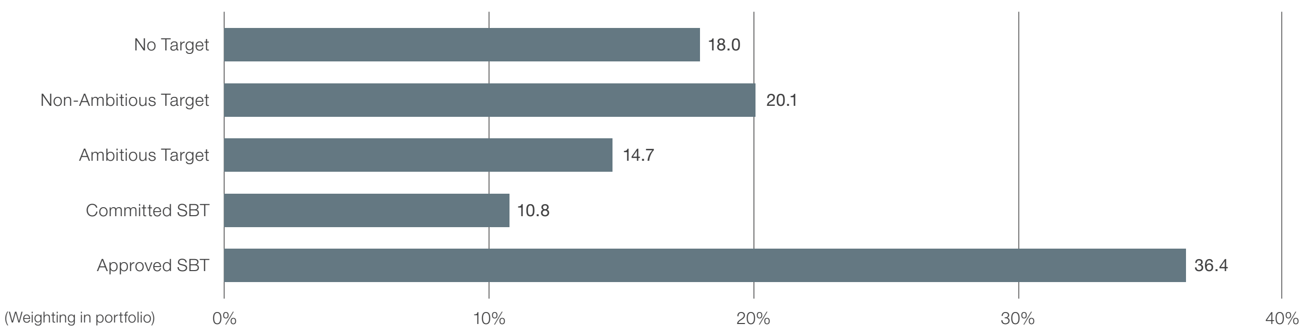
Status of GHG Reductions by Portfolio Companies

As one of the methodologies for checking the progress made on the 2050 Net Zero Goal and the 2030 Interim Target for portfolio assets, NZAM, of which we are a signatory, recommends the Science Based Targets initiative for Financial Institutions (also referred to as "SBTi for FI"). Under the SBTi for FI, financial institutions will monitor the ratio of portfolio companies whose targets have been approved by SBTi (SBT portfolio coverage ratio) as well as the temperature ratings developed by the CDP and the WWF. We are utilizing ISS's analytical tools to monitor GHG reduction targets of portfolio companies in the investment portfolio (including SBT approval).

As of the end of 2022, the SBT portfolio coverage ratio for our four-asset integrated portfolio was 36.4%, which was higher than 27.0% in 2021.

SBT commitments and SBT approvals of portfolio companies show that they have set GHG reduction targets based on scientific grounds, and this is objective proof of our investment portfolio's move to decarbonize and an important stepping stone towards realizing a decarbonized society. Therefore, through engagement and other means, we will encourage portfolio companies to proactively commit to SBTs and obtain approval.

Status of Portfolio Companies' GHG Reduction Targets in Four-Asset Integrated Portfolio



Transition Risk Analysis

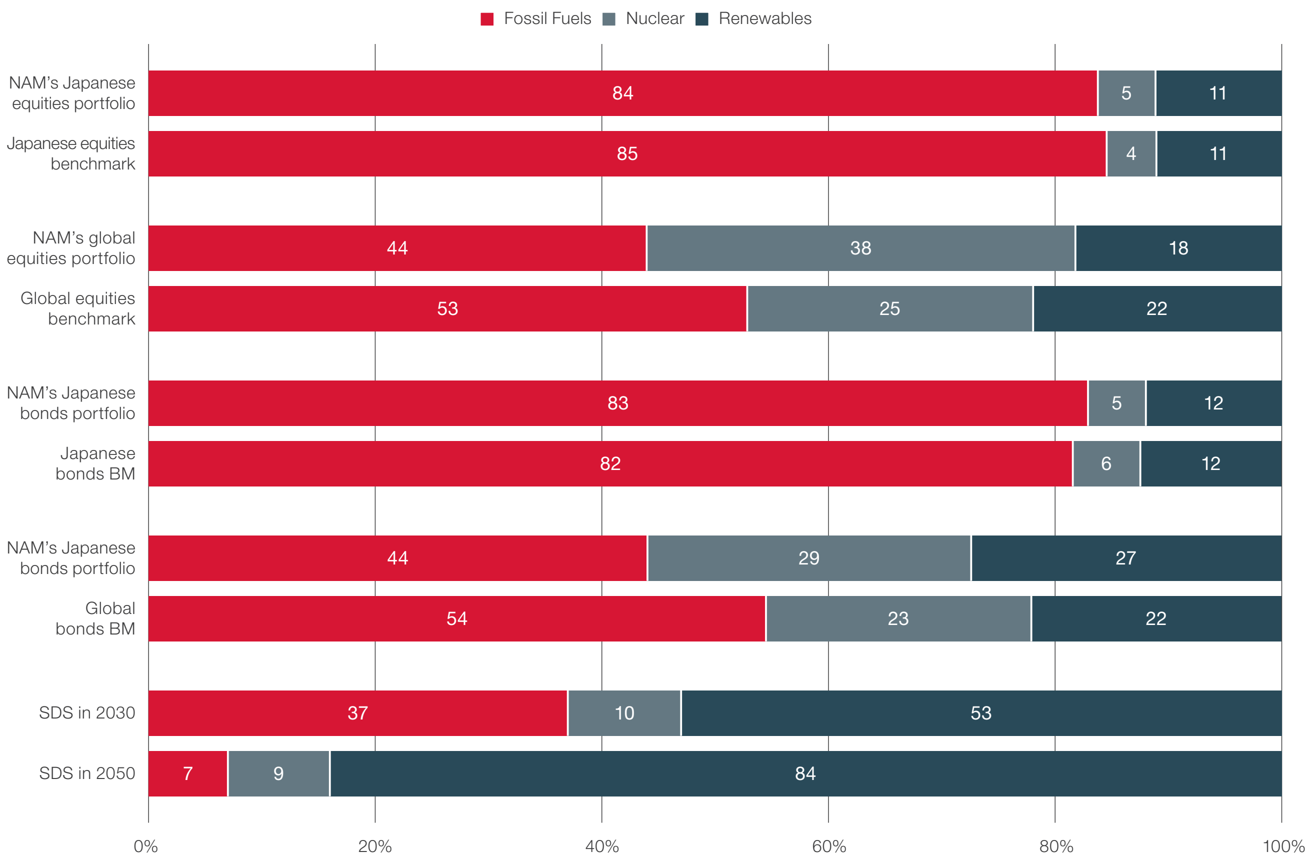
It is important to analyze climate-related transition risk in detail due to the fact that this risk is highly dependent on GHG emissions which have a relatively high correlation with both stock price performance and enterprise value. We feel it is key to analyze GHG emissions throughout the entire life cycle of a company's products and services, and on a supplementary basis we use GHG emissions throughout the global supply chain as well as GHG absorption as disclosed by companies.

The specific transition risk analysis method involves using ISS data to analyze the power generation exposure and future GHG emissions (risk of stranded assets) on an energy generation basis in the portfolio, and the ratio of problematic resource development (shale oil/gas development and fracking, crude oil or gas drilling in the arctic, oil sands development, etc.), along with using the carbon risk rating, which is ISS's proprietary transition risk assessment. Furthermore, the environment score within our proprietary ESG score includes evaluations of climate-related transition risk, and we use internal carbon price to analyze its financial impact by transition and GHG emissions.

Power Generation Exposure Analysis (Portfolio, Benchmark, SDS)

The graph below compares the power generation exposure of our portfolios, the benchmarks, and the SDS on a power generation volume basis. The SDS, based on IEA forecasts, shows the power generation exposure that is likely to limit the temperature increase in 2030 and 2050 to less than 1.5°C above pre-industrial levels. The power generation exposure of both our Japanese equities and Japanese bonds portfolios are almost the same as the benchmarks. Meanwhile, the ratio of fossil fuel power generation in our global equities and global bonds portfolios are lower than the benchmarks. Also, the fossil fuel power generation exposure in all asset classes are higher compared to the power generation exposure in 2030 and 2050 under the SDS.

By increasing the ratio of renewable energy in our portfolios through engagement with portfolio companies, we will strive to reduce the transition risk from fossil fuels, as well as reduce the total carbon emissions and weighted average carbon intensities of our portfolios.



Climate-related Risk and Opportunity Evaluation in our ESG Scores

Within environmental and climate change category of our own ESG scores for Japanese equities, in order to properly evaluate portfolio companies, we assess climate-related risks that reflect GHG absorption and conduct quantitative assessments of climate-related opportunities including avoided emissions and removals ("avoided emissions, etc.") by utilizing our internal carbon price.

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Climate-related Risk Evaluations Using Internal Carbon Price and GHG Absorption

In the past, transition risk assessments were generally based on the amount of GHG emissions, but using internal carbon price and the amount of GHG absorption allows transition risk evaluations to re°ect a company's real situation more accurately.

From 2021, we use internal carbon price to analyze ÿnancial impact in the evaluation of climate related transition risk in the environment score within our ESG score. For example, if a carbon tax or emissions trading system is introduced, a portfolio company's GHG emissions become a cost. From the standpoint of the impact on enterprise value, a more accurate transition risk analysis can be performed if the ratio of this cost to shareholders' equity or cash °ow is analyzed. For GHG emissions, we used data disclosed by companies for Scope 1 and Scope 2 emissions (if a company does not provide disclosure, we use ISS's estimates), and for Scope 3 emissions we used ISS's estimates. In addition, internal carbon price used to replace GHG emissions with economic value is periodically reviewed referencing the market price (EUA in EU ETS, etc.), internal carbon price levels in portfolio companies, and reports from international organizations such as the World Bank.

From 2022, we have included GHG absorption in the climate change category of the environmental score in our ESG score. Speciÿcally, in the environmental score, we are deducting GHG absorption disclosed by a company from its GHG emissions in both: 1) our assessments of whether the company discloses its GHG emissions and the change in emissions over time; and 2) our ÿnancial impact analysis using internal carbon price. In our ESG score, in our deÿnition of GHG absorption, we include: 1) the amount of GHG directly removed from the atmosphere, including by forests and CCUS; 2) avoided emissions which contribute to a reduction in emissions, such as through a company's technology, products, or initiatives; and 3) GHG emissions offset by carbon credits. We collect data on a company's GHG absorption from its disclosed reports and other information, and build our own database.

Net-zero GHG emissions to mitigate climate change refers to the GHG emissions minus the amount of GHG absorption equaling zero. Consequently, it is necessary for a company to utilize the amount of GHG absorption to account for the emissions that remain after a company has done all it can to reduce its emissions. Due to the fact that a company's actions to avoid and remove GHG emissions reduce its net GHG emissions and thereby can lower its climate-related risk, we feel that re°ecting GHG absorption in a company's ESG score is consistent from the standpoint of assessing enterprise value. GHG absorption deducted from a company's GHG emissions can be up to maximum of 20% of ISS's GHG emissions data (total of Scope 1, Scope 2 and Scope 3).

Data on such GHG absorption can be used as an impact metric in climate-related opportunity analyses as well as in impact investing.

Given the fact that avoided emissions and carbon offsets are included in our deÿnition of GHG absorption, we are not using the GHG absorption data in our 2050 Net Zero Goal or our 2030 Interim Target.

COLUMN

Quantitative Evaluations of Climate-related Opportunities Using Avoided Emissions and Internal Carbon Price

In 2023, we have started to quantitatively include avoided emissions, etc. in the opportunity evaluation category of the environmental score for Japanese equities. In this evaluation, we measure the ratio (impact) of the economic value, calculated by multiplying the amount of avoided emissions, etc. disclosed by the company by the internal carbon price that we use when evaluating companies, to the company's operating profit. There is a positive correlation between a company's avoided emissions, etc. and the amount of net sales and other business metrics, and we believe that this is one optimal metric to evaluate climate-related opportunities that will lead to both a reduction in society's overall emissions as well as an increase in enterprise value. An increasing number of companies are disclosing their avoided emissions, etc., so through this new quantitative evaluation of climate-related opportunities we hope to encourage companies to disclose their avoided emissions, etc. and make further efforts to achieve net zero, as well as promote related dialogue.

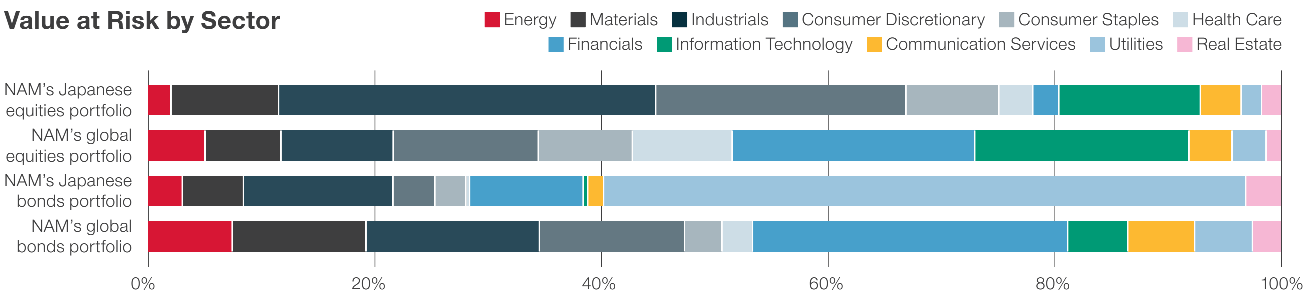
Physical Risk Analysis

In recent years, hurricanes, cyclones, heavy rains, floods, heat waves, forest fires, and droughts, which are thought to be impacted by climate change, are frequently occurring around the world. The impact of these events on the businesses and assets held by portfolio companies can no longer be ignored, and analyzing physical risks is becoming increasingly important. In analyzing the physical risks of portfolio companies, in addition to ISS's risk analysis and physical risk score by industry and region, we utilize the portfolio's Value at Risk (potential negative impact of physical risk on the value of a portfolio) calculated as the potential value lost through 2050 due to damage incurred by the business assets owned by portfolio companies from abnormal weather stemming from climate change. For Japanese companies, if necessary, we use disclosure materials and company websites to research the regions of offices, factories, and important owned assets, and we also check hazard maps and other materials published by local governments in order to supplement our analysis of physical risk.

Physical Risk Analysis by Sector and Region

We utilize ISS data to analyze physical risks by industry and region. The graph below shows the percentage of Value at Risk related to physical risk in each sector through 2050 for our Japanese equities, global equities, Japanese bonds, and global bonds portfolios. The higher the ratio, the greater the potential negative impact of physical risk on the value of companies in that industry. We calculate the Value at Risk of each portfolio, but it is used internally and not disclosed in this report.

Value at Risk by Sector

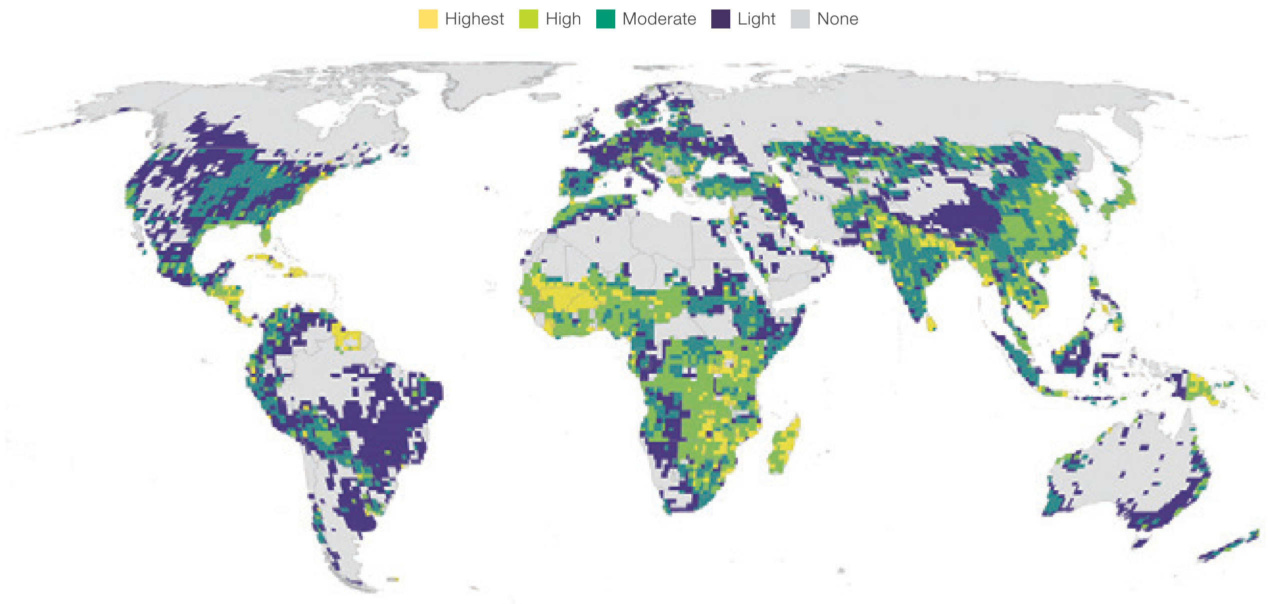


Portfolio Value at Risk (%)

NAM's Japanese equities portfolio	NAM's global equities portfolio	NAM's Japanese bonds portfolio	NAM's global bonds portfolio
2.1%	0.9%	2.7%	0.6%

The Physical Risk By Region

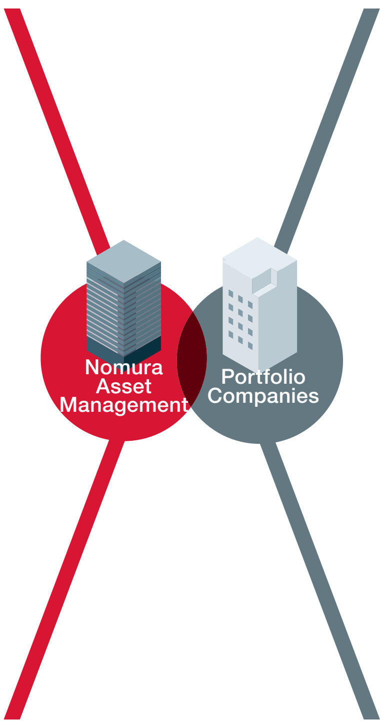
The below map shows the physical risk by region for our four asset integrated portfolio. Along with the ratio by industry, we use this map as a reference when considering industry and regional allocations. These analyses enable us to identify sectors and regions with relatively high physical risk.



Climate Change-Related Engagement with Portfolio Companies

Through engagement with portfolio companies, we are advancing the following initiatives in order to reduce climate related risk in our portfolios and promote investment in climate-related opportunities.

- Active involvement in climate change countermeasures, cooperation with other investors and stakeholders, and sharing of best practices through climate-related initiatives we have joined, such as PRI, TCFD, Climate Action 100+, NZAM and PCAF
- Enhance climate change-related ESG integration,including climate-related risk/opportunity analysis for the investment portfolio
- Develop financial analysis/corporate valuation methods using internal carbon price and GHG absorption
- Develop climate change-related financial products that contribute to realizing a decarbonized society consistent with our 2050 Net Zero Goal and 2030 Interim Target
- Enhance the transparency of our efforts towards climate change through TCFD disclosure in our Responsible Investment Report



- Climate-related financial disclosure based on the TCFD Recommendations including scenario analysis and GHG reduction targets
- Disclose Scope 3 and GHG absorption that enable GHG emissions to be assessed in the life cycle of products and services and throughout the supply chain, encourage GHG reductions by suppliers, customers and other business partners.
- Introduction of internal carbon price and disclosure of price level by portfolio companies
- Incorporate climate change countermeasures and external evaluations related to climate change into KPI for executive compensation
- Obtain approval of science-based targets (SBT) or commit to them
- Respond to CDP questionnaires, join initiatives such as RE100/EP100/EV100, etc.
- Obtain verification and assurance of GHG emissions and GHG absorption data

Please refer to Page 63, 71 for actual examples of climate change-related engagement.

Analysis of Sovereign Debt Portfolio Emissions (Financed Emissions)

In December 2022, the Second Edition of the PCAF's The Global GHG Accounting and Reporting Standard for the Finance Industry was released. In this Second Edition, the sovereign debt asset class was added to the methodologies for measuring and disclosing GHG emissions for investment and loan portfolios. Following the release of the new Standard, we measured the emissions of our investment portfolio for both domestic and overseas sovereign debt held as of December 31, 2022.

The methodology for measuring sovereign debt portfolio emissions is different from the methodology for measuring portfolio emissions for listed equities and corporate bonds. Specifically, the definitions for emission scopes and the computation of investment ratios (attribution factor) used in measurements are different. Regarding supply chain emissions for countries, which form the base for measurements, Scope 1 is defined as the domestic GHG emissions from sources located within the country territory, Scope 2 is defined as energy-related imported GHG emissions, and Scope 3 is defined as GHG emissions attributable to non-energy imports from another country. In addition to these, financial institutions are being urged to measure consumption-based emissions. In computing the attribution factor, which is the ratio of investment in the investee, unlike the ratio of the amount invested to EVIC which is used for measuring GHG emissions for listed equities and corporate bond portfolios, in measuring the sovereign debt portfolio emissions, the ratio of the invested amount (exposure to sovereign bond) to PPP (Purchase Power Parity)-adjusted GDP is used.

For measuring Scope 1 emissions, we mainly use GHG data(Annex 1 countries) from the UNFCCC (United Nations Framework Convention on Climate Change), while for measuring Scope 2 and Scope 3 emissions we mainly use the OECD's CO_2, and we measure consumption emissions using CO_2 data only. The UNFCCC's Scope 1 data for non-Annex 1 countries contains considerable variation in the timing of each country's most recent data, so these data have not been reflected in the measurement results noted on the graphs, but we are separately monitoring the measurement results for non-Annex 1 countries, including the most recent data that we can capture, and these data are included in the notes as reference data.

Our sovereign bond portfolio includes large amounts of U.S. and Japanese sovereign bonds, and thus our sovereign bond portfolio's emissions are greatly impacted by the emissions of these countries. Data for emerging countries are not yet sufficiently released, and for the current measurements there are areas that we cannot completely supplement. However, if data accessibility further improves going forward, it will enable us to improve the quality of the data we disclose. The role that any one country should play in the decarbonization of society is becoming more important. We will continue to proactively advocate for the realization of a decarbonized society by monitoring the financed emissions of our sovereign bond portfolio and through engagement.

Sovereign debt portfolio emissions

$$\text{Book value of amount invested} \sum_{n}^{i} \left(\frac{\text{Book value of amount invested}_{i}}{\text{PPP-adjusted GDP}_{i}} \times \text{GHG or } CO_2 \text{ emissions}_{i} \right)$$

Sovereign debt portfolio Production emissions intensity

$$\text{Sovereign debt portfolio Production emissions intensity} = \sum_{n}^{i} \left(\frac{\text{Book value of amount invested}_{i}}{\text{Book value of portfolio}} \times \frac{\text{Production emissions}_{i}}{\text{PPP-adjusted GDP}_{i}} \right)$$

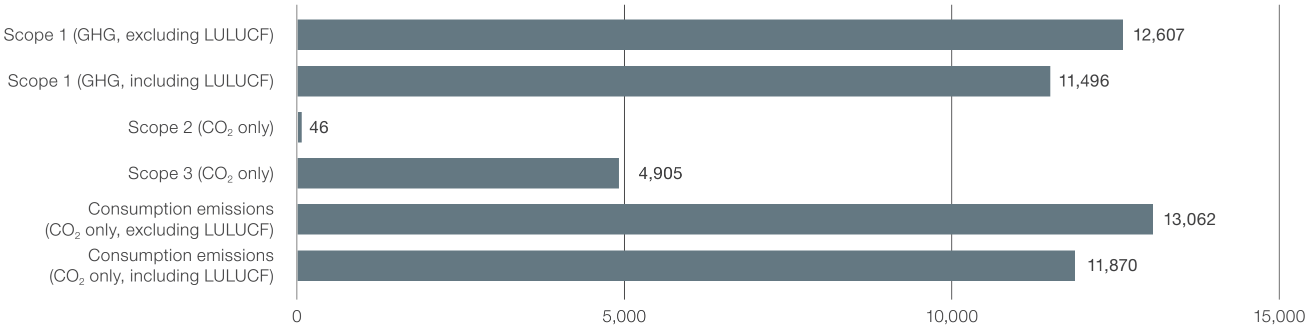
Sovereign debt portfolio Consumption emissions intensity

$$\text{Sovereign debt portfolio Consumption emissions intensity} = \sum_{n}^{i} \left(\frac{\text{Book value of amount invested}_{i}}{\text{Book value of portfolio}} \times \frac{\text{Consumption emissions}_{i}}{\text{Population}_{i}} \right)$$

Definition of scopes and consumption emissions for measuring sovereign debt portfolio emissions

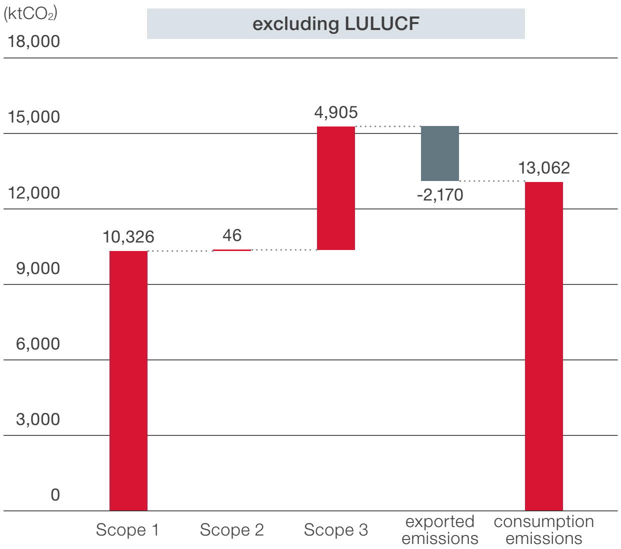
scope 1	Domestic GHG emissions from sources located within the country territory
scope 2	GHG emissions occurring as a consequence of the domestic use of grid-supplied electricity, heat, steam and/or cooling which is imported from another territory
scope 3	Emissions attributable to nonenergy imports as a result of activities taking place within the country territory
Consumption emissions	GHG emissions on a consumption basis within the country (scope 1 + scope 2 + scope 3 – exported emissions)

Sovereign bond portfolio emissions (Units: $ktCO_2e$ (in the case of GHG), $ktCO_2$ (if CO_2 only)

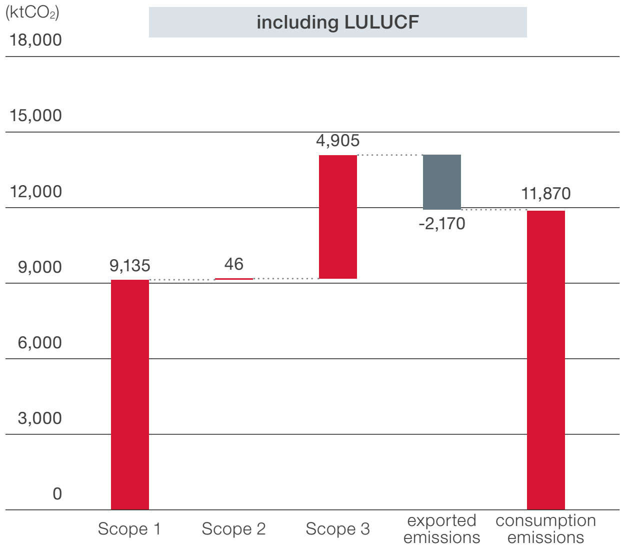


*LULUCF: Land Use, Land Use Change and Forestry
*Production emissions Scope 1 use 2020 UNFCCC Annex 1 country's GHG data and 2021 PPP-adjusted GDP announced by the World Bank.
*Scope 2 and Scope 3 use the OECD's CO_2 data for 2018 and 2021 PPP-adjusted GDP announced by the World Bank.
*For consumption emissions, Scope 1 emissions use 2020 UNFCCC Annex 1 country CO_2 data, while Scope 2, Scope 3 and exported emissions use the OECD's CO_2 data for 2018 and 2021 PPP-adjusted GDP announced by the World Bank.
*When measured including the most recent data released by each UNFCCC Non-Annex 1 country, Scope 1 emissions were 13,222$ktCO_2e$ (GHG, excluding LULUCF) and 12,057$ktCO_2e$ (GHG, including LULUCF), while consumption emissions were 13,507$ktCO_2$ (CO_2 only, excluding LULUCF) and 12,269$ktCO_2$ (CO_2 only, including LULUCF).

Breakdown of consumption emissions (CO_2 only, excluding LULUCF / including LULUCF).



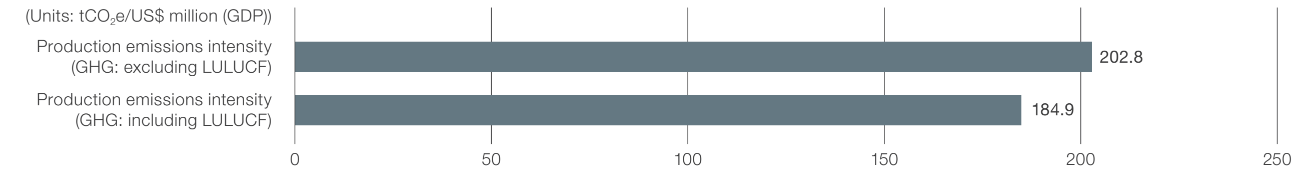
*When measured including the most recent data released by each UNFCCC Non-Annex 1 country, Scope 1 emissions (CO_2, excluding LULUCF) were 10,786$ktCO_2$, while consumption emissions (CO_2 only, excluding LULUCF) were 13,507$ktCO_2$.



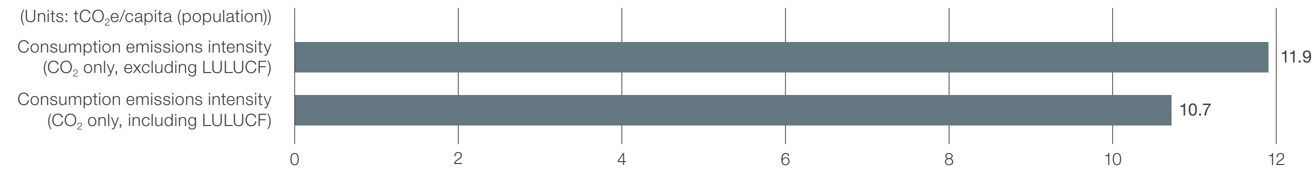
*When measured including the most recent data released by each UNFCCC Non-Annex 1 country, Scope 1 emissions (CO_2, including LULUCF) were 9,537$ktCO_2$, while consumption emissions (CO_2 only, including LULUCF) were 12,269$ktCO_2$.

*For countries for which Scope 1 data cannot be obtained, even if Scope 2 and Scope 3 data are available, Scope 2 and Scope 3 are excluded from the final calculation of the consumption emissions. Therefore, the values for (Scope 1 + Scope 2 + Scope 3 – exported emissions) and consumption emissions do not match.

Sovereign Bond Portfolio Emissions Intensity (Carbon Intensity)



*Scope 1 data above are used for production emissions. For GDP, 2021 PPP-adjusted GDP announced by the World Bank is used.
*When measured including the most recent data released by each UNFCCC Non-Annex 1 country, the above values are 212.7tCO_2e/US$ million (GDP) (excluding LULUCF) and 193.9tCO_2e/US$ million (GDP) (including LULUCF).



*Consumption emissions are defined the same as above. For populations, 2021 World Bank data are used.
*When measured including the most recent data released by each UNFCCC Non-Annex 1 country, the above values are 12.1tCO_2/capita (population) (excluding LULUCF) and 10.9tCO_2e/capita (population) (including LULUCF).

Cooperation with Climate Change-related Initiatives

In March 2019, we pledged our support for the TCFD, and starting with our Responsible Investment Report 2019 we have been providing disclosure in line with the TCFD Recommendations, and also offering detailed disclosure and reports on GHG emissions monitoring for individual funds, covering our company-wide Japanese equities, global equities, Japanese bonds, and global bonds portfolios. We have also been a member of the TCFD Consortium since its establishment in May 2019, and we are a member of the GIG Supporters, a group of investors that utilize the Green Investment Guidance formulated by the TCFD Consortium in October 2019 to engage with portfolio companies and actively encourage them to support the TCFD, disclose climate-related ÿnancial data, and integrate climate-related risks and opportunities into their management strategies. The TCFD Consortium released the amended Green Investment Guidance 2.0 in October 2021. While utilizing the Green Investment Guidance, we actively encourage investee companies to endorse the TCFD, disclose climate-related ÿnancial information, and integrate climate-related risks and opportunities into their management strategies through engagement. Furthermore, in December 2019, we joined Climate Action100+, and through this initiative we collaborate with other institutional investors to encourage portfolio companies to take action to combat climate change, while we also joined NZAM and PCAF in August 2021.

In June 2015, Nomura Holdings, representing all of Nomura Group, became a signatory of the CDP. With this, Nomura Asset Management became one of the CDP's signatories, but in November 2021 we became a signatory on a standalone basis. We are responsible for the responses to questions for the asset manager on Nomura Holdings' CDP questionnaire.

Furthermore, in September 2022, Nomura Holdings, in collaboration with 6 leading companies (Nomura Holdings, Inc. being the chair) and 73 member companies, established the "GX Business Working Group" as a part of the GX (=Green Transformation) League's important initiative to develop rules for market creation. For the realization of a carbon neutral society, the GX Business Working Group aims to establish an appropriate framework to properly evaluate Japanese companies' opportunities and their contribution to climate change (emission reductions based on the products and services they provide to the market). In addition, through the discussion with leaders and members of the working group, the GX Business Working Group intends to develop a guideline and take initiative on climate-related opportunities. As a member of Nomura Group, Nomura Asset Management will proactively contribute to the GX Business Working Group's activities and discussions.

Initiatives on Human Rights

Nomura Group has prescribed the respect for human rights in the Nomura Group Code of Conduct, and is a signatory of the UN Global Compact based on its respect for the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, the ILO International Labour Standards, and the UN Guiding Principles on Business and Human Rights.

As legal and regulatory frameworks related to human rights become more robust in countries around the world, human rights issues have become an important factor in investment activity.

For companies, countries, and various types of projects, goods and services are delivered to users and end consumers after procurement, production and transport of materials.

As this value chain crosses national borders and intersects with differing regulations and practices, there is a risk of human rights issues that cannot be seen from the surface.

Once a human rights issue arises, it can adversely affects the community, the company's employees, and business partners, and leads to a loss of trust from its customers.

This is because reputation risk, such as the deterioration of a company's image in society, increases, and the company may have to pay a large cost (cost and time to restore its reputation) to resolve the human rights issue.

In addition, if the problem remains unresolved over a long period of time, the adverse impact on the company's corporate value itself will grow.

Our mission is to protect the assets our clients entrust with us from risks related to human rights issues by raising awareness of such human rights issues among our investee companies and having them proactively advance relevant initiatives.

We carefully assess human rights risks for our portfolio stocks and use human rights risk assessments in our engagement and in ESG integration to fulfill our role as a responsible investor engaging in broad investment activity globally.

Nomura Asset Management's Human Rights Risk Monitoring Process

Nomura Asset Management broadly and continuously monitors the human rights risks of companies in our investment universe, as we seek to reduce the risk of human rights infringements at the investment portfolio level.

We research whether the companies in our investment universe have been involved in actual human rights-related misconduct and, if so, we examine the level of damage resulting from such conduct. We also check whether or not companies have formulated human rights policies that conform to international standards as well as research the status of a company's human rights due diligence and mechanisms for handling grievances.

In addition, we also regularly research companies that have been flagged for involvement in human rights issues based on the outcomes of investigations by human rights NGOs or by international organizations.

This research centers on sectors with complicated supply chains and sectors that produce products with historically large human rights risks in production or raw material procurement.

This group of sectors includes sectors related to food/agriculture products, automobiles, ICT, apparel, and resource related sectors.

Sector	Major industries/products
Food/agriculture products	Food, Daily goods ,Food retails
Automobiles	Finished cars, Automobile parts, Tires
ICT	Electric products, Electronic components, Semiconductor manufacturing equipments
Apparel	Textiles, Shoes, Clothing retail
Resource related	Mining/Petroleum, Steel, Trading companies

Human Rights Risk Management at the Portfolio Level

ESG specialists examine human rights risks (the survey items mentioned in the section about the human rights monitoring process) at the portfolio level throughout the year, based on the human rights risk monitoring data for each stock researched annually.

We carry out engagement if we hold a company judged as having high human rights risk in our investment universe.

The corporate analyst responsible for that stock, ESG specialists, and ESG engagement managers hold discussions with the company about risk factors (such as an inadequate management system or insufÿcient disclosure of information), and formulate an action plan to make improvements.

For companies that are considered high risk in terms of human rights but are continuing to work on solving problems, we monitor the progress of their efforts through periodic engagement.

Also, after a certain period of engagement, those companies for which we can expect improvement will be un°agged as human rights high-risk companies, and will be subject to normal monitoring.

In corporate transactions, where human rights risk assessment has become the norm in recent years, we believe that companies that have established strong processes for human rights risk management will see a reduction in human rights risk not only in business with existing customers, but also in business with new corporate customers. We also think this will result in more positive evaluations of the products and services the company offers as well as an increase in business opportunities.

We believe that by repeating this human rights risk management at the portfolio level, we can gain a deep understanding of social risk carried by companies in our investment universe and re°ect this in our investment decisions on companies. We feel that this will also advance our ESG integration related to human rights risk.

Human Rights Due Diligence and its results

Our ESG specialists and ESG investment managers determine potential human rights risk levels for companies in our investment universe based on corporate disclosures, NGO reports and media information.

Our assessment focuses on the following six main issues: 1) Whether the company has a human rights policy that conforms to international standards; 2) Whether the company is performing human rights due diligence; 3) Whether the company is conducting surveys of suppliers; 4) Whether the company discloses the results of supplier surveys; 5) Whether on-site investigations of suppliers are performed; and 6) Whether there are corrective measures and a contact for whistleblowing in place.

If we cannot conÿrm in the disclosure that adequate human rights management is being implemented, or if a scandal is discovered, the company will be subject to engagement, and we will demand improvements through periodic engagement.

Human rights due diligence in 2022 also targeted large-cap stocks in sectors with a high level of human rights risk.

The majority of Japanese companies we assessed had already formulated human rights policies conforming to international norms, while approximately 87% of the companies are carrying out human rights due diligence. These mark an improvement in companies' efforts.

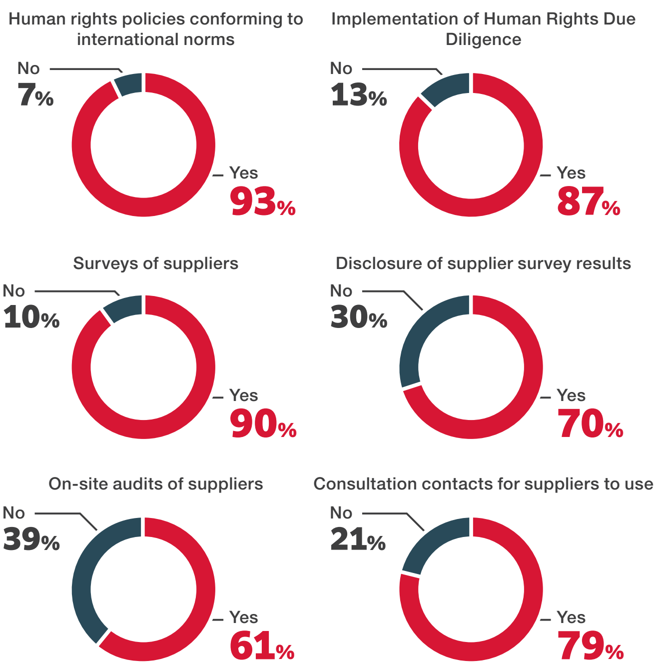
Although a large number of companies conduct human rights surveys of suppliers and disclose the results of those surveys, only around 60% of companies are carrying out on-site investigations of suppliers, so we expect further improvement.

As an asset manager aiming to eliminate human rights violations, we will actively carry out engagement in order to have investee companies establish human rights management systems in ÿelds where efforts have been slow.

Status of human rights initiatives and disclosure
Stocks subject to disclosure checks

Sectors with high risk of human rights issues

Food/ agriculture products	Automobiles	ICT	Apparel	Resource related



Human Rights Engagement

Having direct dialogue with portfolio companies about human rights issues and urging them to make improvements for such problems is one of our responsibilities as an asset management ÿrm.

The topic of human rights is an important engagement theme for both the Japanese and overseas companies we invest in.

Risks related to human rights issues can be managed to some extent by establishing a management system.

However, industries and companies with complex supply chains and operations in areas with political instability and unstable human rights policies can pose unforeseen risks to businesses.

In recent years, there have been cases both among Western and Japanese companies of being suspected of involvement in production activities in areas where there are suspicions of child labor or forced labor in the development of a global business or supply chain development, as well as companies deciding to withdraw from a business due to in°uence from a heavy-handed government regime.

Even for human rights issues occurring in these various regions, we strive to engage from a neutral standpoint, obtain all relevant information, and re°ect the ÿndings in our investment decisions.

Especially in the case of human rights issues where it is difÿcult to grasp accurate information and make judgments due to different claims by all of the involved stakeholders, we encourage the company we are engaging with to improve relationships based on dialogue with stakeholders and to provide information to investors on a continual basis.

COLUMN

Nomura Asset Management became a member of the Advisory Committee for “Advance”, the PRI’s collaborative initiative for human rights and social issues

In 2022, Nomura Asset Management became a member of the Advisory Committee for “Advance”, the PRI’s collaborative initiative for human rights and social issues, and we have taken a leading role in both building the collaborative engagement framework and in carrying out dialogue with companies.

The collaborative engagement under the Advance initiative targets 25 companies selected from the metals and mining sector and 15 companies picked from the renewable energy sector. In addition to the high level of human rights risks in both of these sectors, demand for minerals and renewable energy is expected to increase amid the transition to clean energy, so we believe that encouraging companies to address human rights risks is critical.

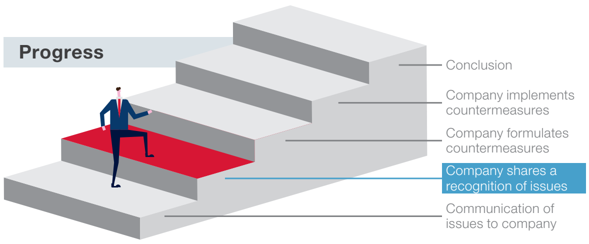
Example of Japanese Equity Engagement (Milestone Management)

Human Rights Risks

Machinery

Period 23months

0 12 24 36



Most recent interview / Jan. 2022 / 2 interviews
Interviewee / Senior Executive Vice President, Chief Financial Ofÿcer

NAM’s concerns	Goal
The company is behind on efforts to address the S (social issues) in ESG. Human rights risks are especially important topic intheir business, but no progress has been made on addressing them.	Perform human rights due diligence and disclose results

	Initially	Most recently
Overview	**NAM** ▶ International initiatives are evaluating automakers’ human rights risks. As a supplier, action to address this is urgently needed. **Company** ▶ We manage our supply chain, but we have not yet started to look at human rights cross-sectionally across all suppliers.	Senior management understands that this is an issue, but it will take time to address it. We plan to continually ask senior management to take action.

* The period is the number of months from the start of interviews to December 2022.

Example of Engagement (Global Equity)

Human Rights Risks

Need to work on protecting the community's culture, rebuilding the relationship and managing human rights risks

Milestone management status

Period of engagement

21 months
6 interviews

12 | 24 | 36

Nomura Asset Management / Sustainalytics

Following the incident involving the destruction of cultural heritage of indigenous peoples, please tell us how you are improving your governance structure with respect to risk management for cultural heritage.

Please tell us the status of your amendments to your Communities and Social Performance Commitments Disclosure Report.

Please discuss the efforts you are making to improve relationships with indigenous peoples.

In addition to agreeing on the terms of compensation for damages, we want you to prevent the recurrence of incidents in the future by improving communication with indigenous communities and having departments dedicated to working with communities participate in the business decision-making process.

Australian material company

The incident was the result of our excessive focus on the legal process, our lack of attentiveness to the feelings of people in the community, our insufficient systems for responsibility and reporting on cultural heritage, and the lack of communication during the COVID-19 pandemic. We have already improved our organizational and accountability systems, and are operating with an emphasis on cultural heritage. In addition to grasping accurate information on cultural heritage throughout the company, we are providing more useful and easy-to-understand data to mine development and planning departments and other teams throughout the company. We have integrated comprehensive risk assessment of cultural heritage into the strategy decision-making process.

We created a department dedicated to communities and social performance. In light of changes in expectations from stakeholders and other factors, we are in the process of formulating new standards while incorporating opinions received from outside consultants. The new standards avoid ambiguous language and define requirements more clearly.
We are also bolstering cultural awareness training in order to deepen employees' understanding and their awareness of cultural heritage.

We are engaged in open communication with indigenous groups with the aim of improving relationships. We have started to jointly design projects with indigenous groups, so we have begun incorporating their input into our decision-making. We have received positive feedback from indigenous groups, including with respect to the process of rethinking the development of Aboriginal heritage areas.

We will increase the number of employees and senior management members that belong to indigenous groups in order to increase their involvement in business decision-making as well as to foster a culture of inclusivity and mutual respect.

Initiatives and Partnerships to Protect Natural Capital and Biodiversity

At the United Nations Biodiversity Conference (COP15) held in Montreal in December 2022, the global community adopted the Kunming-Montreal Global Biodiversity Framework, a new set of global biodiversity goals to be achieved by 2030.

This Global Biodiversity Framework features 23 action targets to be completed by 2030 in order to achieve the shared vision of living in harmony with nature by 2050.

These targets include: effective conservation and management of at least 30% of the world's lands and oceans (30 by 30); reducing the risk posed by both excess nutrients lost to the environment as well as pesticides and chemicals; and ensuring the sustainable management of areas used for agriculture, aquaculture, ÿsheries and forestry. The COP15 agreement also includes ÿnancial support to be provided by developed countries to developing countries.

Healthy biodiversity is essential for the advancement of society, and there are high expectations on ÿnancial institutions to play a role in preventing biodiversity loss and in preserving and restoring natural capital.

Nomura Asset Management recognizes the importance of issues related to natural capital in its ESG Statement, participates in international initiatives as both an institutional investor and a company itself, and collaborates with other asset managers to promote initiatives aimed at protecting natural capital.

At COP15, together with PRI signatories, we endorsed an investor statement calling on governments to adopt the Global Biodiversity Framework and collaborate to address climate change and biodiversity protection and restoration.

In terms of other global initiatives, we leverage our collaboration with Farm Animal Investment Risk and Return (FAIRR) to engage with food-related companies, and we engage with palm oil companies and the companies in their supply chains through initiatives to end deforestation P.73. We encourage companies to take action to protect and restore biodiversity, and we share insights and best practices regarding engagement targeting biodiversity protection.

Nomura Asset Management	US consumer staple company
Please explain your procurement policy and the governance system for it, as well as your supply chain monitoring system, etc.	We have an internal Palm ESG team (12 members) in charge of demanding that suppliers have NDPE policies, grievance handling systems, etc. We have confirmed that, as of July 2021, 100% of our palm oil is RSPO certified.
Please discuss the status of your grievance handling, particularly the status of cases discovered by satellite imagery.	We are appropriately investigating and rectifying grievances in line with our forestry grievance handling process. If deforestation discovered via satellite images is confirmed in parts of our supply chain following an investigation by a NPO specializing in commodities research, and we will work to rectify this.
Do your KPIs for commodity procurement include items related to sustainability, and not only costs?	RSPO certification is included in our procurement policy, and we are paying an RSPO premium (costs have increased).
Please provide a status update on your grievance handling status, etc. for deforestation in the supply chain confirmed by satellite image data.	**We disclose information about all palm oil-related grievances through a palm oil grievance tracking system as we work to improve transparency.**

In our collaborative engagement with Sustainalyticswe P.72 carry out engagement on many individual topics related to biodiversity. We are encouraging food-related companies to transition to a sustainable global food system, including the management of natural capital such as land and water, and the reduction of food waste.

In addition, for clean technology companies related to electric vehicles and solar or wind power generation facilities, we continue to support the promotion of a circular economy through the procurement of sustainable raw materials (including by suppliers), increasing the rate of recycling, and keeping waste out of landfills.

Furthermore, we carry out engagement with respect to water management for multi-industry companies operating in Brazil's Tietê River Basin and in South Africa's Vaal River Basin. More specifically, we are encouraging the formulation of business strategies targeting the enforcement of appropriate strategies and countermeasures on water resources.

Nomura Asset Management's Biodiversity Monitoring and Risk Management Process

The loss of biodiversity not only affects the environment, it also has a tremendous negative impact on the economy and people's health.

In order for companies to raise their level of sustainability, they must protect biodiversity and work on sustainable use, including understanding their level of dependence on nature for business continuity and the impact of their company's operations and its supply chain on nature.

If biodiversity-related issues become apparent not only in a portfolio company, but in that company's supply chain, there can be a significant impact on corporate value through, for example, higher raw material procurement costs, or reputational risks, such as deterioration of corporate image.

In this way, a company that can manage biodiversity risk and link the protection of the environment and natural capital to its business strategy will see an improvement in the public's opinion of its products and services, resulting in a higher likelihood of increased long-term term corporate value.

To help companies increase their long-term corporate value, we continuously monitor a wide range of biodiversity risks for the stocks in our investment universe, and we aim to reduce biodiversity risk at the investment portfolio level.

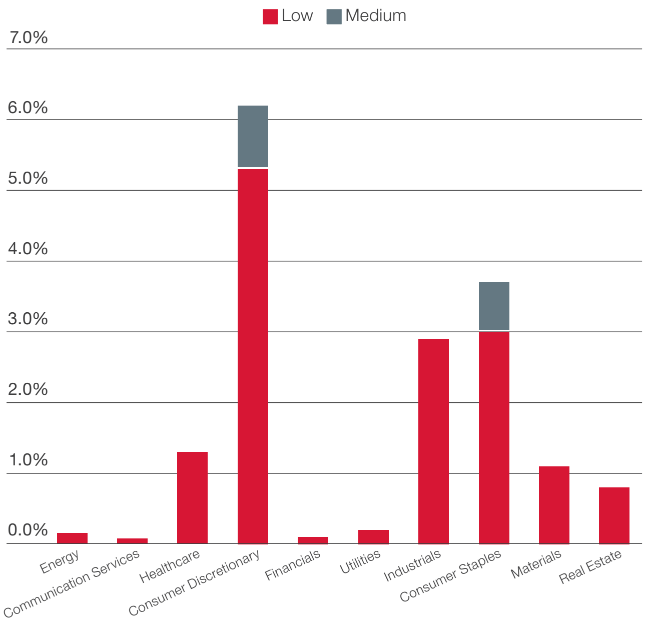
The bar graph below shows the results of measuring forestry risk in our domestic equity portfolios using CDP forests rating data. The analysis shows that 16.5% (on a market capitalization basis) of our portfolio stocks are subject to a rating, with a high level of exposure to forestry risk in the consumer discretionary sector and the consumer staples sector (Figure 1).

We also analyze which commodities these sectors' forestry risks are actually caused by, and utilize this information (Table 1).

For monitoring the risk of individual stocks, ESG specialists and company analysts work in collaboration to utilize information disclosed by companies, media reports, external databases, and other sources of information to regularly research natural capital-related information and waste-related information on stocks in our investment universe (Table 2).

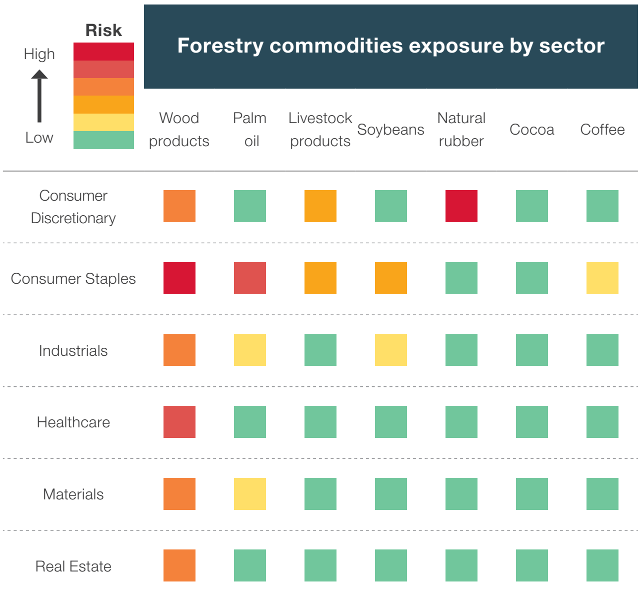
Issues covered by this research include water resources, waste volume, disclosures related to the protection of forest

Figure 1 Examples of Biodiversity Risk Monitoring



* For our domestic equity portfolios, data has been compiled for each GICS sector based on CDP data.
Prepared by Nomura Asset Management

Table 1 Examples of Biodiversity Risk Monitoring



* Aggregation of companies in MSCI Japan with high sales exposure for each commodity.
Risk in each GICS sector shown.
Source: Prepared by Nomura Asset Management based on CDP data and other ESG data

and soil resources, disclosures related to the protection of river and marine resources, and relation to high-biodiversity-risk commodities.

We check whether or not companies are undertaking initiatives towards sustainable production and procurement, especially companies where sales are highly dependent on commodities which have a large impact on biodiversity, such as companies in the consumer staples, consumer discretionary, and materials sectors. For example, we look at the status of procurement of commodities that have been certified by third parties, including the Roundtable on Sustainable Palm Oil (RSPO) and the Forest Stewardship Council (FSC).

Based on such monitoring data, portfolio managers, ESG specialists, company analysts, and ESG investment managers work together to engage with portfolio companies with the objective of managing biodiversity risk.

Through periodic dialogue, we encourage companies to recognize biodiversity risks, take proactive measures, and disclose information, and we then monitor progress on these efforts.

Table 2 **Natural capital risk monitoring for stocks (on an individual stock basis)**

Natural capital risk monitoring of companies				
Water resources	Waste volume	Disclosure regarding forest/soil resource protection	Disclosure regarding river and marine resource protection	Disclosure concerning pollution (forest/ soil, river, marine, air) prevention

↓

Engagement			
Formulate risk management policy	Introduce monitoring	Establishment and disclosure of measurement standards	Actions towards improvement

↓

Integration into investment		
Buy	Sell	Ongoing holding

Nomura Asset Management	Japanese food company
Please explain how you will use the funds procured through the issuance of blue bonds.	While the industry generally uses blue bonds to finance marine pollution prevention and sustainable seafood resources, we are looking to invest in land-based aquaculture. In land-based aquaculture, fish excrement and leftover feed are completely processed and discharged from the seawater, so there is no pollution.
Please talk about the potential of land-based aquaculture, and whether it will lead to significant business opportunities.	No companies in the world have turned it into a significant business opportunity, but we have studied examples of failure. Rather than expecting price increases, we would like to focus on reducing costs to generate profits. Ocean areas where aquaculture is possible are decreasing, and marine aquaculture cannot keep up with demand. Salmon is efficient in terms of the amount of feed required to achieve gains in edible meat.
You endorsed the TCFD last year. Are you having internal discussions about SBT?	We are discussing SBT internally, but it is difficult. We first want to make progress on our efforts through Scope 2.
We will keep a close watch on the progress of the land-based aquaculture business which will help to protect marine resources and achieve sustainability for marine resources.	**Going forward, we will strive for "responsible aquaculture" by achieving stable production while reducing the impact aquaculture has on the surrounding environment.**

Sustainable Finance and ESG Product Governance

Sustainable Finance Trends

With the global expansion of ESG investing and sustainable finance in recent years, countries around the world are tightening regulations related to ESG investments. As investors' interest in ESG increases year by year, investment behavior that is presented as environmentally and socially conscious despite lacking substance (commonly referred to as "ESG washing") is being spotted and called out. In particular, Europe is leading the movement toward tightening regulations. A major example of this is the SFDR (Sustainable Finance Disclosure Regulation) that the European Commission put into effect in March 2021.

The SFDR is a disclosure rule that defines "sustainability" according to certain criteria and requires the disclosure of supporting information to demonstrate the extent to which a financial product takes sustainability into consideration. Within the SFDR, regulations are being introduced to encourage disclosure and regular reporting not only on an individual product basis but also on a company-wide basis, and asset managers' stance on sustainability is being robustly questioned.

Changes can also be seen in the philosophy regarding the fiduciary duty that asset managers are required to fulfill. For example, looking at stewardship responsibilities, thus far the so-called “double code” (Stewardship Code and Corporate Governance Code) has been the underlying premise. Responsibility for a company’s sustainability, and the sustainability of society connected to it, lies with the company, and the Corporate Governance Code was established as the code of conduct covering the company’s board of directors, which has the responsibility to oversee the company’s sustainability posture. The Stewardship Code was established as a code of conduct for institutional investors to follow when examining a company’s board of directors, but the main objective of the Stewardship Code was to enhance corporate value, and in form it was decoupled from societal sustainability.

In the UK Stewardship Code, which was revised in 2020, the benefits to the ultimate beneficiaries were amended to also include sustainable environmental, social and economic benefits.

In the investment chain approach, there are ultimate beneficiaries behind investors, which include individuals as well as overall society, so it is made clear that they are connected to investors. However, in the approach embraced by the 2020 revised version of the UK Stewardship Code, this has changed, and institutional investors also have a responsibility to society and individuals which are both closely connected to companies and investors. Behind these changes, there has been a strong push around the world for the concept of “a vision for society” when it comes to investment. For example, in December 2019 the “European Green Deal” (the European Commission's 2050 climate neutrality goal) was launched. In its introduction, the European Green Deal advocates for a new growth strategy that aims to transform the EU into a fair and prosperous society, with a resource-efficient and competitive economy where there are no net emissions of greenhouse gases by 2050 and where economic growth is decoupled from resource use. The European Commission announced an investment plan totaling 1 trillion euros over 10 years in order to realize the goals of the European Green Deal.

> *Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy,*
> *the environment and society.*
>
> ——— Introduction of the UK Stewardship Code 2020

> *It is a new growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use. It also aims to protect, conserve and enhance the EU’s natural capital, and protect the health and well-being of citizens from environment-related risks and impacts. At the same time, this transition must be just and inclusive.*
>
> ——— An excerpt from the introduction in the European Green Deal

Originally, the EU in 2018 announced a 10-point action plan to achieve sustainable growth, and the European Green Deal comprised a part of that. Regulations, including the SFDR, have been bolstered to create investment flows to transform society as a whole. If we think of the current ESG regulations as mere tools for regulatory compliance and fail to recognize the grand goal behind them, we may lose the trust of customers and society who will view our efforts as “unintentional” investment.

This movement has also expanded to countries and regions outside of Europe. For example, in the ASEAN region, an initiative called the Corporate Governance Scorecard was launched in 2011 with the aim of reforming corporate governance in each country. Since 2017, these countries have been steadily bolstering their environmental and social initiatives, such as creating standards for green bonds and social bonds, formulating a roadmap for sustainable capital markets, and establishing an ASEAN Taxonomy for sustainable finance. Japan also announced a green growth strategy in December 2020. Indeed, countries throughout the world are now advancing various initiatives to attract investment funds into their own country with the purpose of building a sustainable society. We have entered an era of competition for capturing sustainable investment funds.

Our ESG Product Governance Initiatives

To earn and keep our clients' trust, we believe we must be able to comply with global ESG regulations and provide high-quality investment products with accountability. For that reason, we not only manage ESG investment quality, but also continuously engage in ESG product governance initiatives, including those related to information disclosure. Our ESG investments are not limited to investments we manage internally, but also includes funds managed by third-party asset managers, and we are bolstering our governance efforts targeting these funds as well. (Please refer to "Overall ESG Product Governance System for the Investment Side" on Page 52 for more information on our overall product governance structure).

Our ESG Committee is the body responsible for quality control for ESG investments for which we make investment decisions internally. In addition to checking the ESG processes of Japan-domiciled funds, when it comes to overseas-domiciled funds (funds compliant with the European Commission's UCITS Directive), the ESG Committee is responsible for complying with the SFDR and other overseas regulations, sorting out the issues regarding ESG investment policies to ensure such compliance and identifying matters to disclose, among other issues. In addition, for our Europe-domiciled funds, we have established a Responsible Investment Oversight Committee (RIOC) in our UK European base to strengthen supervisory functions in Europe, including dealing with local regulatory authorities.

Meanwhile, the ESG Investment Process Evaluation Meeting, which evaluates ESG investments by third-party asset managers, regularly monitors and evaluates the internal structures, engagement policies, ESG investment processes and other aspects of these third-party asset management firms.

In addition, we are revising our prospectuses and reports to provide more details about our methodologies for utilizing ESG, and we have bolstered disclosure by describing how ESG considerations have contributed to the growth of trust assets and which ESG issues have been assessed as being of high importance. In individual disclosure reports, we include information about the investment philosophy and framework, engagement, ESG officers and other matters, as we work to make ESG more accessible to our customers.

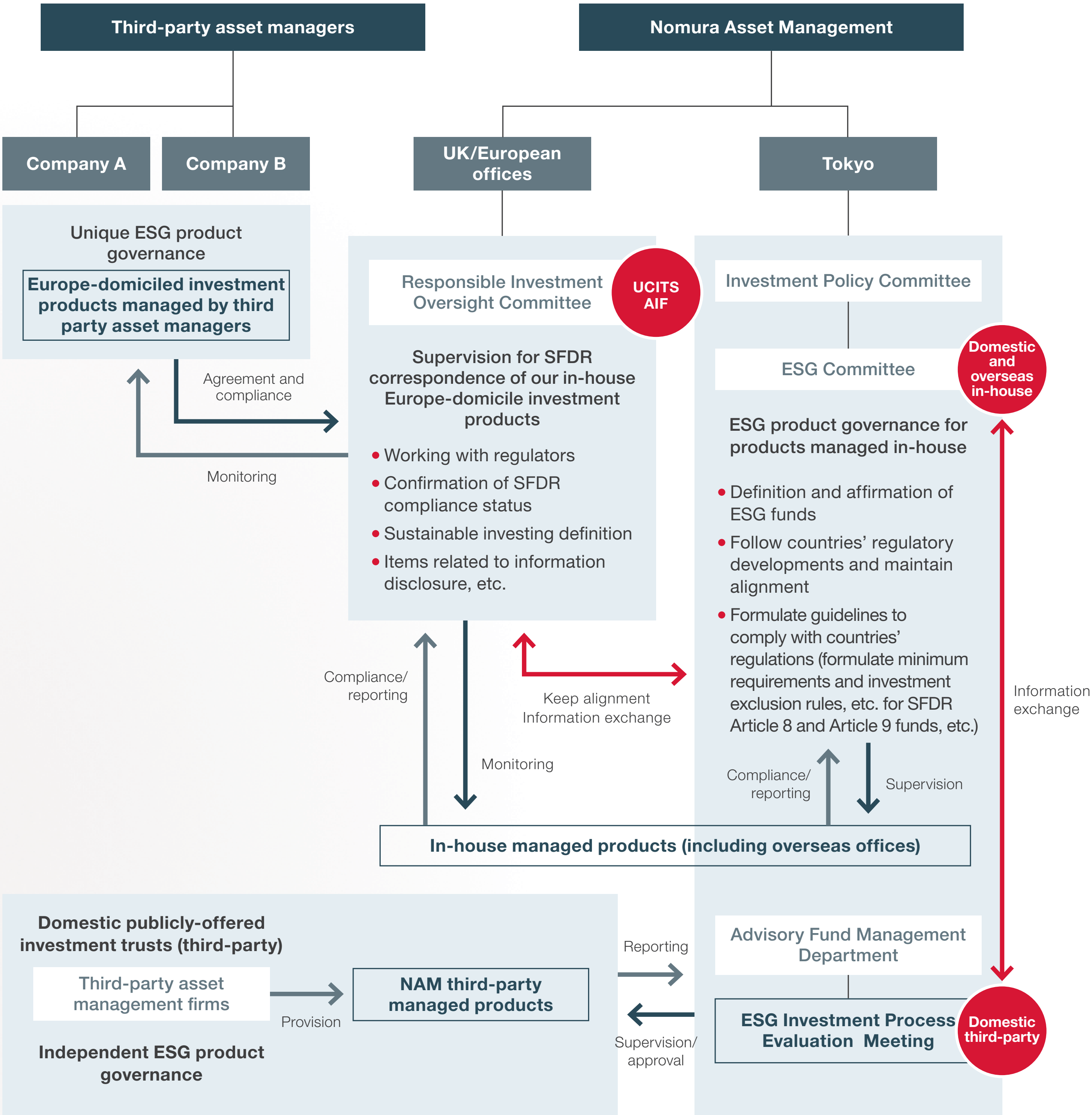
In order to fulfill our fiduciary responsibility, when using a third-party asset manager we believe we should check and understand that asset manager's investment system, investment strategy, investment performance, and other specifics in the same way as we do for investments we manage internally, at an appropriate frequency and level of depth. In addition, in order to conduct more in-depth corporate research and analysis, we believe we should properly verify ESG evaluators and data providers in order to ensure the accuracy and quality of ESG evaluations and individual data. Therefore, in the same way as for in-house investments, we are improving the quality of funds by performing due diligence on, and enhancing disclosure about, funds managed by third-party asset managers and funds based on indices provided by ESG index providers. (Please refer to Pages 53-54 for more information about ESG index providers, and refer to Pages 55-56 for more information about third-party asset managers.)

ESG investing is transitioning to an era in which investments will be stringently selected. We will continue to monitor ESG-related regulations and developments, pursue true ESG investment, and continue to enhance our information disclosure to help investors make investment decisions.

In August 2022 we clarified the above system-related initiatives as well as our definition of ESG funds. Currently, among ESG investment techniques, we define "ESG funds" to be those funds that actively utilize ESG integration, engagement/proxy voting, and that actively utilize other sustainable strategies.

Reference **Please refer to the following link on our website for more information about our main ESG funds.**
https://www.nomura-am.co.jp/special/esg/strategy/esglineup.html

Overall ESG Product Governance System for the Investment Side



ESG Product Governance for Index Funds

Nomura Asset Management is working to expand ESG investment solutions by providing individual and institutional investors with funds that track ESG indices. We are also endeavoring to improve the quality of these ESG index funds by reviewing the ESG profiles of the adopted benchmark indices and bolstering communication with index providers.

Reasons for Selecting ESG Indices

In selecting ESG indices, we examine whether an index's methodology aligns with solving the particular ESG issues that index seeks to address, whether the index will provide an effective solution for beneficiaries, as well as compare it to similar indices to determine if it is superior to them. In addition to qualitative considerations, we also look at quantitative assessments of the ESG profiles of ESG indices prior to selecting them.

ESG Index	Reasons for Selection
FTSE4Good Developed 100 Index	■ In 2004, when the Nomura Global SRI 100 and the Nomura World ESG Equity Index Fund (for defined contribution pension plans) were established, corporate social responsibility (CSR) was already a social requirement that international companies could no longer ignore. Under these circumstances, these funds were established with the aim of bringing about a virtuous cycle in which companies and society develop synergistically by focusing investments in companies that actively engage in CSR, making it Japan's first SRI-type global index fund. ■ The current FTSE4Good Developed 100 Index started being calculated in June 2001 as a socially responsible investment (SRI) index. The FTSE4Good Developed 100 Index was selected as the index for these funds because, compared to other indices, it had a well-established global equities research platform along with a high level of management efficiency resulting from the fact that it was comprised of a relatively small number of stocks. ■ Since then, this index has continually incorporated new criteria and revised its existing standards, including new criteria that have emerged in response to societal demands and regulations. Since September 2014 the index has been calculated with its current ESG rating model that uses 14 topics. ■ Going forward, we hope and expect that this index will continue to properly incorporate the issues that companies should consider from an ESG perspective, both in response to the changing times and based on communications with us.
Nomura Enterprise Value Allocation Index	■ Nomura Asset Management has developed new indices and financial products in collaboration with Nomura Securities in response to the growing demand for investment in companies that place an emphasis on shareholder returns and ROE. ■ The Nomura Enterprise Value Allocation Index invests in companies that are highly profitable and have appropriate shareholder return policies. We have decided to commercialize an ETF that we can promote to a wide range of investors, including both individuals and institutions, based on our belief that this index can provide returns exceeding the TOPIX index over the medium- to long-term.
MSCI Japan Empowering Women (WIN) Select Index	■ We collaborated with MSCI (which has a strong presence in ESG-related indices) to consider developing new indices and financial products amid growing interest in promoting women's active participation in the workplace within Japan, as represented by the enactment in 2016 of the Act on Promotion of Women's Participation and Advancement in the Workplace. ■ Centered on Japanese companies that take a positive stance towards gender diversity initiatives, we believe we can expect returns exceeding the TOPIX index in the medium- to long-term by considering factors such as companies' growth potential (sales, capital investment), and we decided to create an ETF that we could promote to a wide range of investors with a strong interest in ESG investment.
S&P 500 ESG Index	■ We looked into developing financial products that address the strong demand in Japan for investing both in U.S. stocks as well as in ESG. ■ Based on the S&P 500 index, which is a popular index of U.S. equities, the S&P 500 ESG Index was expected to improve ESG characteristics without significantly changing the risk-return profile, and we determined that it would be the index most accepted by investors. We therefore decided to create an investment product based on this index. ■ By also listing the S&P 500 (Unhedged) ETF and S&P500 (Hedged) ETF along with the above ETF, we determined that we would be able to promote these ETFs to investors as a series of S&P500-linked ETFs.

ESG Index	Reasons for Selection
MSCI Japan Country ESG Leaders Index	■ The MSCI Japan Country ESG Leaders Index is one of MSCI's standard ESG indices comprising stocks with high ESG ratings, and is based on MSCI Japan as its parent index. ■ The index has stringent ESG criteria including negative screening in index construction and ESG rating restrictions (it is limited to ESG scores of BB or higher). We determined that these criteria make it an ESG index capable of meeting a wide range of demand for ESG investment both in Japan and overseas. ■ The key reasons for choosing this index for the ETF include the fact that MSCI's ESG-related indices are widely-adopted and well-known globally, and that the parent index, MSCI Japan, is comprised of large- and mid-cap stocks, which allows for more market liquidity.
Solactive Japan ESG Core Index	■ The Solactive Japan ESG Core Index has an excellent risk-return profile because it adds ESG factors to a group of sectors expected to grow over the medium- to long-term. We decided that this index would allow us to provide a new opportunity for investing in Japanese stocks incorporating ESG elements. ■ In addition to incorporating ESG risk ratings in the negative screening and the weighting of constituent stocks in the index construction process, this index considers the overall carbon intensity of its constituents. ■ Another reason for selecting this index is that it uses ESG assessments provided by Sustainalytics, which has a proven track record as an ESG assessment firm.

Due Diligence on ESG Index Providers

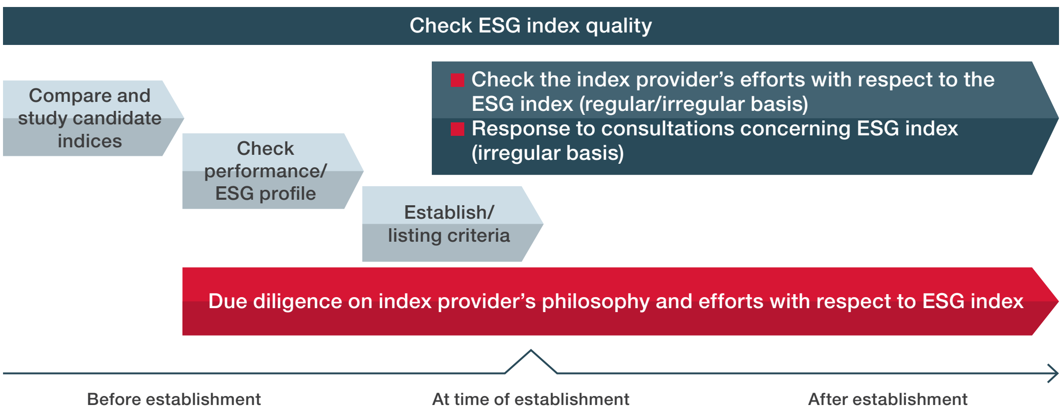
We regularly interview index providers to check on matters including the status of their efforts to ensure index quality and secure the transparency of ESG evaluations. Based on the results of these interviews, we evaluate index providers in cooperation with the Investment Department, the Responsible Investment Department and other relevant departments, and report the results to the ESG Committee. Through the evaluation of ESG providers, we learn about the relative strengths and issues for each provider. Also, we consult with the index providers and request improvements, as necessary.

Main Interview Content

- Status of efforts to secure ESG index quality
- Status of ensuring transparency and independence in computing ESG index
- Efforts for ensuring specialized ESG assessment data as well as initiatives in collecting ESG assessment data

Communication with ESG Index Providers

We regularly communicate with ESG index providers regarding matters such as whether their ESG indices are maintaining methodologies aligned with addressing ESG issues, as well as whether they are appropriately reflecting market structural changes in their indices. In addition, in response to consultations about ESG indices, we communicate our opinions, request improvements, or urge them to enhance index quality, as needed.

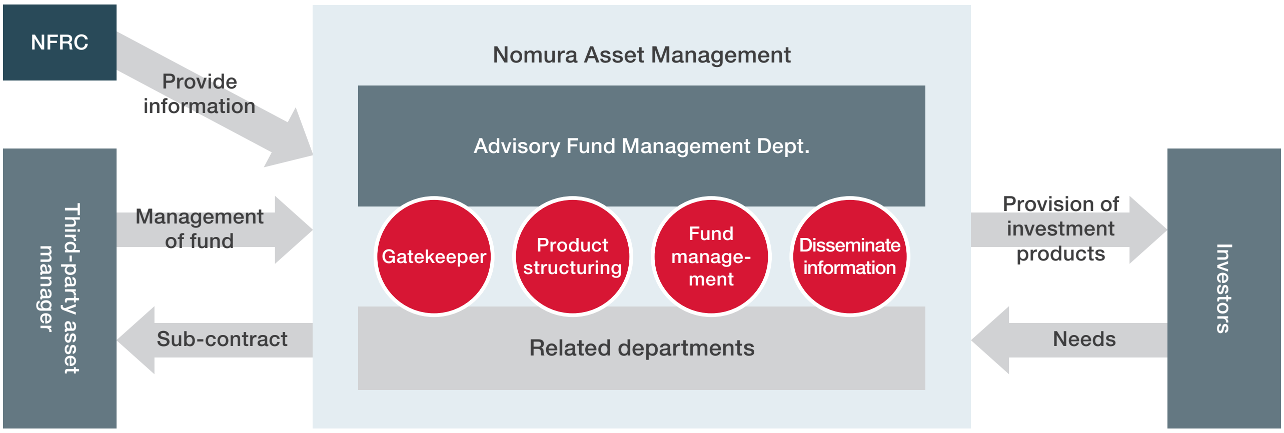


Governance of Third-Party Asset Managers' ESG Products
Overview and Qualitative Assessment of Third-Party Funds

At Nomura Asset Management, we collaborate with third-party asset managers both in Japan and overseas to provide investors in Japan with third-party funds in a wide range of asset classes. The Advisory Fund Management Department and other departments specializing in third-party investment are responsible for managing third-party funds. The Advisory Fund Management Department, which primarily handles traditional assets, collaborates with more than 100 asset management firms to provide third-party funds (net assets totaling approximately ¥6 trillion as of December 31, 2022) to investors. These assets are broadly diversified in different asset classes, including equities, fixed income, and FOFs (funds of funds).

When we outsource investments to a third-party asset manager, we carefully examine the investment capabilities and operational execution capacity of that asset management firm before selecting them. In addition, in order to ensure the quality of a fund after we select it, we collaborate with Nomura Fiduciary Research & Consulting (NFRC) to continuously monitor the asset management firm, its investment system, investment processes, performance, and other matters as a part of an annual third-party fund qualitative assessment. If we identify any serious issues in a third-party fund's management, we demand that the asset manager make improvements to its investment operations. This is part of our effort to maintain and improve the quality of these third-party funds.

Management of Third-Party Funds



ESG Evaluations of Third-Party Funds

In 2018, we added questions about ESG (responsible investment) to our annual qualitative evaluations of third-party funds, and began monitoring ESG, including engagement activities and proxy voting processes. From 2021 onwards, with the aim of confirming the extent of ESG integration into the investment process, we have added questions about ESG research systems, specific investment processes, and other related matters as a part of enhancing assessments.

In addition, based on the importance of ESG issues as well as our fiduciary duty, in 2021 we began monitoring the funds that fall under our definition of "ESG funds" under a framework separate from our annual qualitative assessments of third-party funds. We define ESG funds as funds that actively utilize ESG integration, engagement/proxy voting, and other sustainable strategies. As of December 2022, 11 of the third-party funds we offer are ESG funds.

Qualitative Evaluation of ESG Funds

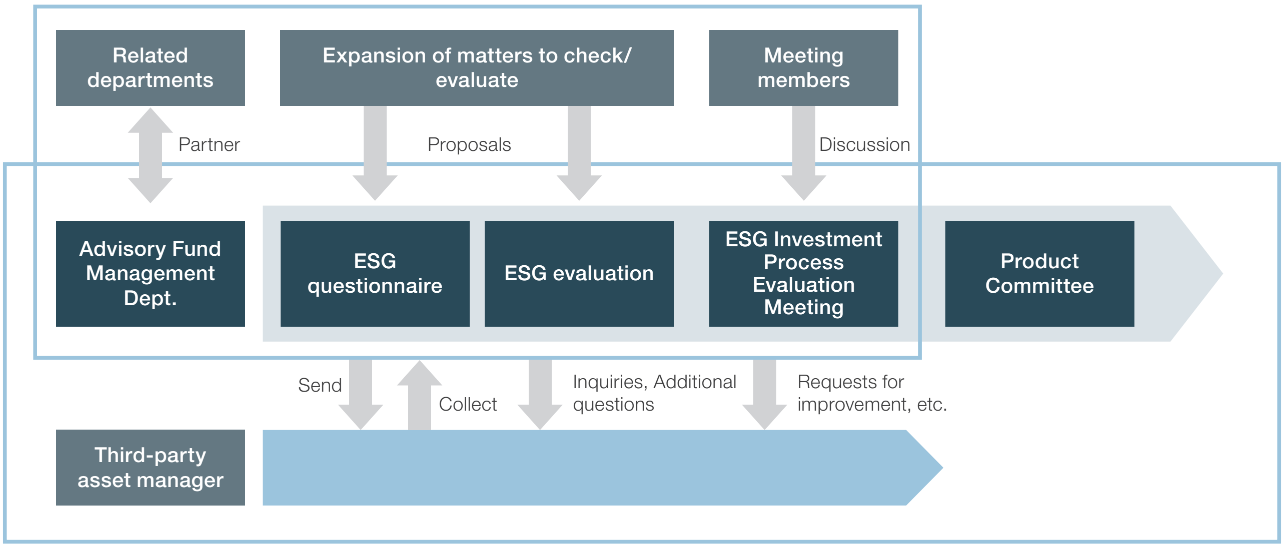
We conduct ESG-specific qualitative evaluations of ESG funds. If an evaluation reveals a serious issue in the management of an ESG fund, we will ask the third-party asset management firm to improve its management in the same way as we would for any other third-party funds. Qualitative evaluations of ESG funds are led by the Advisory Fund Management Department, which is responsible for managing third-party funds, and starting from 2022 the Advisory Fund Management Department has been strengthening collaboration with the Responsible Investment Department and other ESG-related departments as part of an effort to build a framework under which a wide range of relevant internal parties participate in evaluating third-party funds, as part of our progress on bolstering our evaluation system.

The evaluations are performed based on the seven investment styles identified by the Global Sustainable Investment Alliance (GSIA). These are: corporate engagement and shareholder action, ESG integration, negative screening, positive screening, norms-based screening, sustainable-themed investment and impact investing. From 2022, among the ESG efforts subject to evaluation, we added third-party asset managers' response to climate change and other ESG issues as well as cooperation with various initiatives.

The ESG fund evaluations we carried out in 2022 confirmed that all ESG funds are being appropriately managed. It is particularly noteworthy that we found that each fund is proactively addressing the issue of climate change.

From 2023 onward, disclosure rules related to ESG investment in countries around the world are expected to become more stringent, while ESG investment methodologies will become more rigorous and advanced. We will closely monitor the situation surrounding ESG investment and incorporate any necessary assessment items as we work to improve and expand our evaluations of third-party managed ESG funds as we maintain and improve the quality of ESG funds.

Qualitative Evaluation Process for ESG Funds



ENGAGEMENT

We engage in constructive dialogue with companies to promote their continued value creation and sustainable growth

Basic stance on engagement	Engage in dialogue with a cordial and constructive attitude

Our Idea of Constructive Dialogue with Portfolio Companies

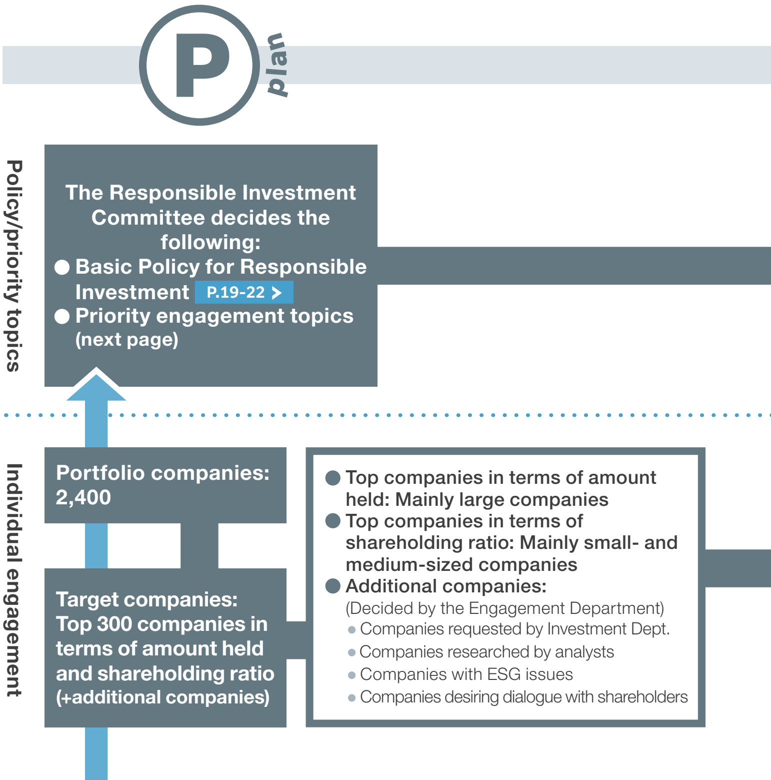
We have established a basic policy for engagement as part of our responsible investment policy formulated by the Responsible Investment Committee, the highest decision-making body for responsible investment.

We believe that engagement, or constructive dialogue with portfolio companies, starts with a thorough understanding of the target company and its business environment as well as its future. We also view engagement as one of the most powerful means to fulfill our stewardship responsibility.

Work to understand non-financial information, including companies' efforts to address ESG issues, and the strategies and philosophies behind them	**Listen to the views of portfolio companies on the efficient use of capital, and communicate our thoughts**	**When a serious scandal or accident has occurred, promote sound management by hearing the causes and measures to prevent recurrence**

Engagement Process

The Responsible Investment Committee decides the Basic Policy on Responsible Investment in Management P.19-22 as well as the priority topics for engagement, and the Investment and Research Division carries out engagement activities in accordance with the committee's decisions. Analysts in the Corporate Research Department and ESG specialists in the Responsible Investment Department are directly in charge of engagement, but the Engagement Department established in November 2021 supervises overall engagement activities. Investment managers, who also belong to the Engagement Department, communicate engagement expectations to portfolio companies, ascertain each company's situation, and incorporate their findings into investment decisions. In engagement with individual companies, we establish clear goals and utilize milestone management, aiming to achieve goals over the course of three years. Our process involves managing PDCA over two stages – the basic policy and priority topics, as well as individual engagement.



Engagement policy and priority topics

We organize Japanese companies' issues as noted to the right. In accordance with this, the Responsible Investment Committee determines the priority engagement topics each year in July. On Pages 61-65, we introduce some examples (see box below) of engagement aligned with the priority topics set in July 2021.

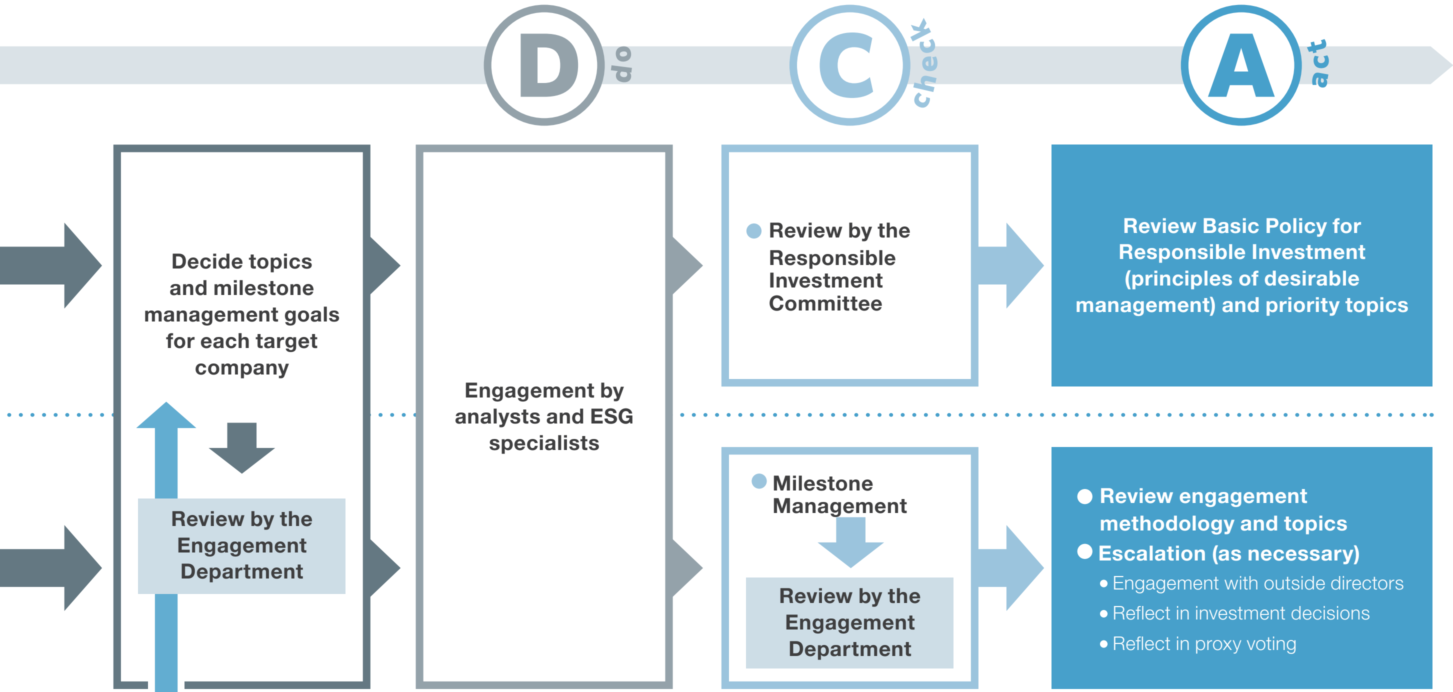
Please refer to Page 66 for a discussion about the most recent priority topics.

- **From quantitative growth/diversification of business lines to enhancement of capital efficiency**
- **Enhancement of diversity**
- **Strengthening of management's oversight function**
- **Consideration of stakeholders**
- **Internal transformation**
- **Timely response to changes in external environment**

Moving away from inward orientation

Priority topics (decided in July 2021)

1. **Rational explanation of financial strategy**
2. **Integrate Business Strategy and Sustainability**
3. **Redefine the Board of Directors**
4. **Strengthen commitment to capital efficiency**
5. **Reduction of cross-shareholdings**
6. **Climate Change**
7. **Natural Capital**
8. **Diversity**
9. **Human Rights Risks**
10. **Disclosure of Materiality and Risk Information**



Decide engagement topics for each company

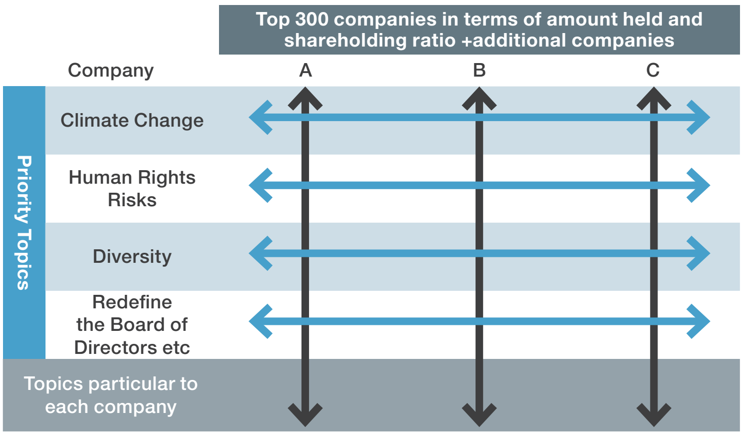
Narrow down by companies (vertical axis) x priority topics (horizontal axis)

- **Companies: Mainly handled by analysts**
- **Priority topics: Primarily handled by ESG specialists**

Review and decision by the Engagement Department

Example of narrowing down in line with priority topic (climate change)

1. Exclude companies that have attained or committed to obtaining SBT certification
2. Screening by Scope 1 and 2, Scope 3, carbon intensity (comparison with industry peers)
3. Decide target companies for engagement, considering each company's situation

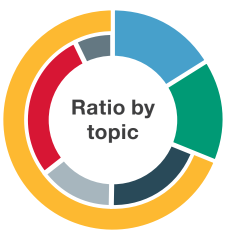


Engagement Results

Engagement meetings

Total number of engagement topics (total number of meetings) **2,424 topics** (1,010 meetings)

2022

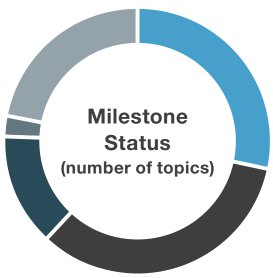


	Ratio	Number of topics
Business strategy	16%	397
Financial strategy	15%	361
ESG-related meetings	69%	1,666
Environmental	19%	470
Social	14%	343
Governance	28%	679
Proxy voting-related	7%	174
Total		**2,424**

Status of Milestone Management

(as of December 31, 2022)

In 2022, we carried out engagement across 2,424 topics. Currently, we are managing milestones for a total of 934 topics. Of these, 204 topics are already at "Step 5: Conclusion."



Communicate issues to portfolio company	266
Company shares a recognition of the issues	314
Company formulates countermeasures	126
Company implements countermeasures	24
Completion	204

Engagement on Priority Topics

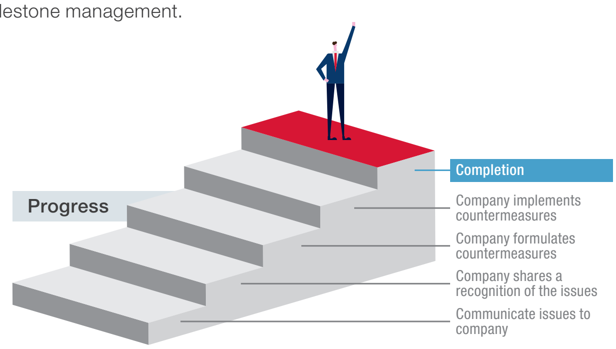
We carried out engagement in line with the ten key themes established by the Responsible Investment Committee (in July 2022) Here, we introduce some examples of engagement in 2022 in line with NAM's unique milestone management.

Rational Explanation of Financial Strategy

Glass and Ceramics Products

Period **21** months

0 12 24 36



Completion: May 2022 4 interviews
Interviewee: Representative Director and President, IR

NAM's concerns

The company is working to transform its business structure in response to automobile electriÿcation to tackle climate change issues . They are continuing to invest in new businesses, but they keep posting losses. Their explanation to investors about cash °ow allocation is inadequate.

Goal

A clear explanation about their approach to new businesses (especially concerning investment discipline, progress management)

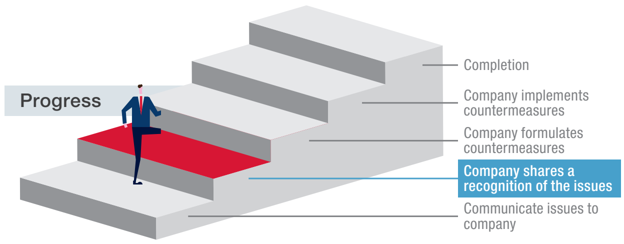
	Initially	Most recently
Overview	NAM ▶ Investors are concerned about the fact that 30% of cash °ow is allocated to loss-making new businesses. It is necessary to provide a little more detailed explanation. Company ▶ We understand the concerns of investors, but this is the time when we need to transform the company. It will be difÿcult to provide a detailed explanation right away.	We conveyed the concerns about investments in new businesses, and encouraged the company to reconsider its cash allocation. In 2022, the company announced a share buyback. The company held a business brieÿng to dispel the concerns about new businesses.

Integrate Business Strategy and Sustainability

Real Estate

Period **14** months

0 12 24 36



Completion: Nov. 2022 3 interviews
Interviewee: Head of Corporate Communications Department

NAM's concerns

Their information disclosure about climate change lags behind their industry peers, but there is nothing about their environmental efforts that are inferior to industry peers. They should reconsider their business model and appeal to investors as a distinctive real estate company.

Goal

Promote businesses that outwardly show contributions to the environment

	Initially	Most recently
Overview	NAM ▶ How about reconsidering your business model and appeal to investors as a distinctive real estate company that outwardly shows its environmental contributions? Company ▶ We discuss our environmental efforts almost every day. Though technological innovations in decarbonization seem to be occuring in the construction industry, our discussion has not reached to the point where we can narrow down our business.	The company has implemented ZEH (Net Zero Energy House) into condominiums and promoted consideration of the environment, health and comfort. The company is well aware of the brand power of condominiums, and has narrowed its deliberations to rental properties without brand power.

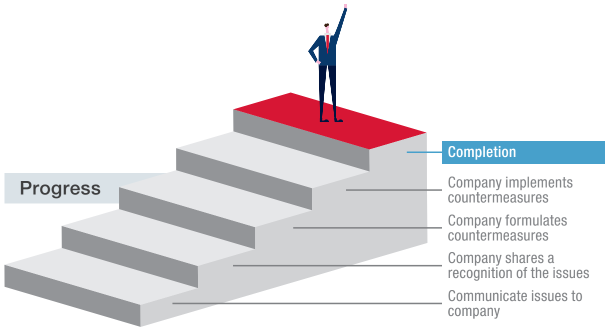
*The period is the number of months from start of interviews until December 2022

Redefine the Board of Directors

Retail

Period **3** months

0 12 24 36



Completion: April 2022 3 interviews
Interviewee: Senior Executive Ofÿcer, others

NAM's concerns

The company president is the chair of the Nomination/Compensation Committee, and these committees have only been convened a few times. Some of the outside directors are not committee members, and only give advice. There is a lack of awareness with respect to separating oversight and execution of decision-making.

Goal

Outside directors chair the Nomination /Committee, or all outside directors serve on the Nomination/Compensation Committee.

Overview

Initially

NAM ▶ What is the reason for some outside directors not serving as members of the Nomination/Compensation Committee?

Company ▶ They are members of committees responsible for decision-making, and we receive beneÿcial advice from them.

NAM ▶ Oversight and execution are not separated. If an outside director has the knowledge to provide advice, we want him/her to contribute that expertise to nomination and compensation matters.

Most recently

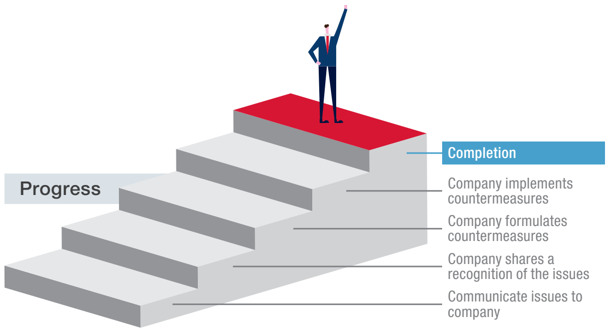
The outside directors were mainly just providing advice, and the senior management team's awareness regarding separating oversight from execution was weak. We thought that improvements would take time due to the fact that a change in thinking was necessary, but the company took action to address this faster than expected, and placed all outside directors on the Nomination/Compensation Committee. Outside directors were also appointed as committee chair.

Strengthen commitment to capital efficiency

Machinery

Period **29** months

0 12 24 36



Completion: June 2022 5 interviews
Interviewee: Director and Senior Managing Executive Ofÿcer

NAM's concerns

ROE was struggling to grow as proÿt growth was not keeping up with sales growth and the balance sheet was ballooning. Executive compensation was not linked to capital efÿciency, and we were concerned about the commitment to improving ROE.

Goal

Executive compensation with capital efÿciency metrics as KPI

Overview

Initially

NAM ▶ The company has started working to improve capital efÿciency, including a share buyback, but the stock market is questioning whether this will continue. The company can express its commitment through executive compensation.

Company ▶ We used to emphasize P/L, but we changed our management metrics to be focused on our balance sheet. Re°ecting this in executive compensation is something we will work on going forward.

Most recently

The company initially took a cautious approach to revising executive compensation, but made improvements in steps, such as introducing stock-based compensation. In the end, the company adopted earnings performance-linked compensation with ROIC as the KPI.

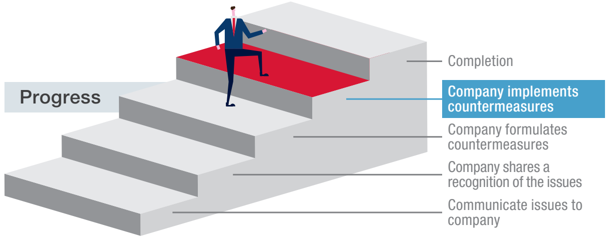
*The period is the number of months from start of interviews until December 2022

5 Reduction of cross-shareholdings

Transport equipment

Period **15** months

0 12 24 36



Completion: June 2022 2 interviews
Interviewee: CFO

NAM's concerns

The company is reducing cross-shareholdings, but there are factors undermining this, such as group companies and business relationships. Amid the significant changes in the industry, including electrification and autonomous driving, it is necessary to review cross-shareholdings, including shares of group companies, in order to improve asset efficiency.

Goal

Sale of cross-shareholdings

Overview

Initially

NAM ▶ You are certainly sorting out cross-shareholdings. The stock market is paying attention to the shares of group companies. Are you discussing this within the group?

Company ▶ We understand. We will review this without preference for any particular stock. We are also selling the shares of group companies, though it is small-scale. We have not discussed this within the group, so we will take the action as an individual company, not as a group, if any.

Most recently

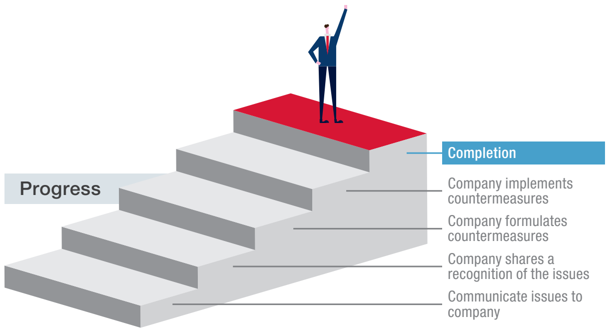
According to the company's securities report, the company has sold all its shares of three finished vehicle manufacturers excluding group companies. Elsewhere, the company has sold all its shares of a telecommunications company as well as a portion of other company's shares, so we have confirmed that the company is making steady progress on enhancing asset efficiency.

6 Climate Change

Petroleum and coal products

Period **12** months

0 12 24 36



Completion: April 2022 3 interviews
Interviewee: Vice President

NAM's concerns

The company has its own coal mines, and petroleum products occupy a large part of the business portfolio. Industry peers had announced carbon neutral plans, but the company was lagging in this respect, so quick consideration was required.

Goal

Release a "Carbon Neutral Plan"

Overview

Initially

NAM ▶ Industry peers have already released carbon neutral plans. We want to hear about your efforts to decarbonize.

Company ▶ We are currently formulating our plan, considering matters such as biomass, hydrogen, ammonia, and solar power. We are doing CCS on a test basis, and we want to find the best location for it, mainly overseas.

Most recently

The company released a carbon neutral plan. There will still be GHG emissions remaining in 2050, but the plan is to absorb these emissions with CCS, etc. The company is also considering obtaining SBT certification, which demonstrates their forward-looking approach towards climate change issues.

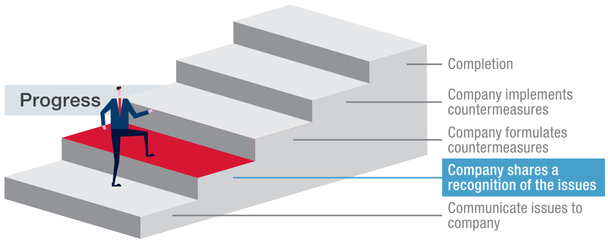
*The period is the number of months from start of interviews until December 2022

7 Human Rights Risks

Retail

Period **12** months

0 12 24 36



Completion: Dec. 2022 2 interviews
Interviewee: Director in charge of Sustainability, and others

NAM's concerns	Goal
We have completed engagement asking the company to strengthen its initiatives related to overall ESG risks as well as to enhance its disclosure. In terms of the next step, there will be a focus on individual ESG risks, but the company's efforts on human rights risk are lagging, though this is important given the speciÿc nature of its business.	Implement human rights due diligence and disclose the results

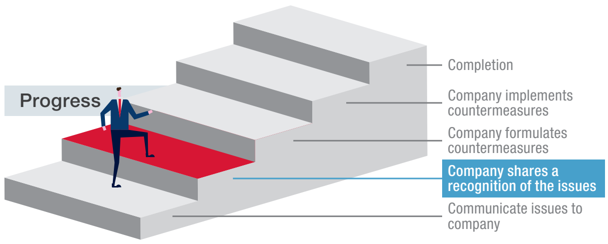
	Initially	Most recently
Overview	NAM ▶ We are focusing on your human rights risk, due to the nature of your business, but your information disclosure is inadequate. Company ▶ We recognize this as a problem. We have incorporated this into our policy for suppliers. NAM ▶ We want you to perform human rights due diligence and disclose the outcomes.	The company has started working on traceability of lumber procurement, and has otherwise carried out some forward-looking initiatives.

8 Natural Capital

Food

Period **5** months

0 12 24 36



Completion: July 2022 First interview
Interviewee: Representative Director and President, IR

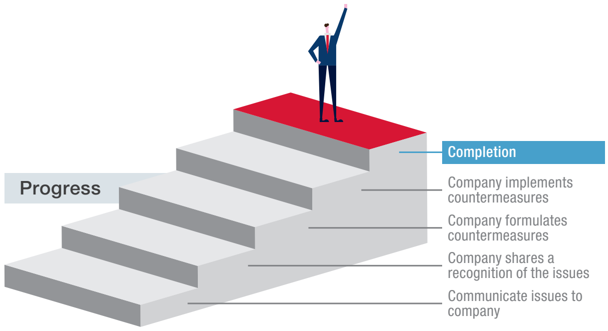
NAM's concerns	Goal
The company is actively implementing ESG efforts, but as the TNFD entered the stage of establishment preparation, it was necessary to encourage the company, which uses large amounts of agricultural and seafood products, to take speedy action.	Disclosure of risks and countermeasures regarding biodiversity

	Initially	Most recently
Overview	NAM ▶ As the framework for disclosures based on TNFD enter the preparatory stage, and you use a lot of agricultural and seafood products, we want you to address biodiversity in a forward-looking manner and speed up your efforts to strengthen your initiatives. Company ▶ We have made a net-zero declaration on climate, but in other areas of sustainability we are lagging behind major overseas companies, and we plan to tackle this proactively.	Regarding biodiversity, the company has designated palm oil, paper, sugar crops, coffee beans, beef, soybeans, and other items as priority raw ingredients, and has disclosed a policy to advance sustainable procurement. In 2022, there were more specifics noted than in the previous year, and there was progress in terms of disclosure.

*TNFD: Taskforce on Nature-related Financial Disclosures
*The period is the number of months from start of interviews until December 2022

Diversity

Electrical Equipment



Period **27** months

0 12 24 36

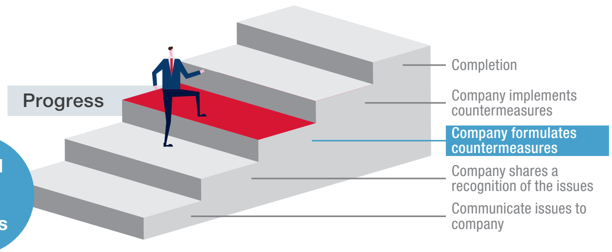
Completion: Feb. 2022 4 interviews
Interviewee: Representative Director and President, others

NAM's concerns	Goal
The company's efforts on ESG issues are focused on the environment and governance, while its efforts on social issues are lagging. In particular, the company has not even established a target regarding promoting the active participation of women.	Establish medium- to long-term targets regarding promoting the active participation of women (the ratio of women managers, etc.)

	Initially	Most recently
Overview	NAM ▶ We appreciate your efforts regarding the environment, including your formulation of a vision, but your initiatives on social issues, such as promoting the active participation of women, are insufficient. Company ▶ That is tough to hear. Regarding promoting the active participation of women, we do not want to do anything other than leveling the playing field.	The company has disclosed a target for the ratio of women managers. This accompanies a specific plan to target and develop talented women, and this plan has been found to be effective.

Disclosure of Materiality and Risk Information

Retail



Period **37** months

0 12 24 36

Completion: Sep. 2022 4 interviews
Interviewee: Director and Managing Executive Officer

NAM's concerns	Goal
The company has a wide-ranging business structure, and scandals are not uncommon. The company is urgently trying to bolster risk management across the entire group, but disclosure of risk information is not adequately organized.	Sort out risk factors and disclose information.

	Initially	Most recently
Overview	NAM ▶ You only have listed risk information without materiality, and it is not linked with management's priority issues, either. Company ▶ We are closely examining it.	NAM ▶ Despite the improvement in risk management disclosure, your handling of sustainability risk is unclear. Company ▶ We are organizing it with qualitative expressions. We will provide disclosure going forward.

*The period is the number of months from start of interviews until December 2022

We set priority topics for engagement, and establish goals for each company based on those topics. The priority topics are like a compass used for navigation, presenting clear plans at the present time, each of which are independent items. In particular, when reviewing the priority topics this time around, we focused on how to link them to enhancing corporate value.
For example, the former topic of "Reduction of cross-shareholdings" was integrated into both "Strengthen commitment to capital efficiency" and "Rational explanation of financial strategy" in this review. The content was designed to encourage specific actions by portfolio companies. On the other hand, "Solving problems to realize well-being within society" aims to support a wide range of voluntary efforts by companies, and seeks not only corporate transformation but also to achieve overall stakeholder sustainability. By enriching these priority topics, we will continue to enhance our engagement program.

Head of Engagement Department
Yosuke Uchida

Review of Priority Topics

(July 2022)

1 Business
Integrate Business Strategy and Sustainability
Demand explanations of business strategies that integrate sustainability. This includes disclosure of information related to materiality and risk. This integrates "Disclosure of Materiality and Risk Information."

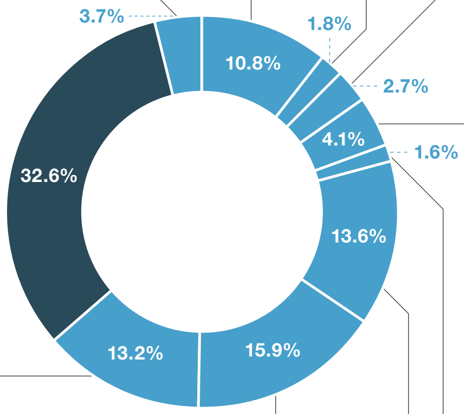
2 Environmental
Climate Change
Companies are expected to set GHG reduction targets aiming for net-zero, obtain SBT certification, disclose Scope 3 emissions and amount of GHG absorption, etc.

3 Environmental
Natural Capital
Demand efforts to address biodiversity and water risk.

4 Social
Human Rights Risks
Ask companies to formulate human rights policies and perform human rights due diligence as demanded by the public both in Japan and overseas.

9 Financial
Rational explanation of financial strategy
Ask companies to explain their use of cash on hand, shareholder return policy, reduction of cross-shareholdings, etc. Integrate "Reduction of cross-shareholdings."

5 Social
Utilize Human Capital Possessing Diverse Values
Demand that companies utilize human capital in line with a growth strategy, including gender diversity. Expand the scope of "diversity."



Milestone management status
(as of Dec. 2022)

8 Governance
Strengthen commitment to capital efficiency
Demand commitment to capital efficiency (including the reduction of cross-shareholdings) through executive compensation. Integrate "Reduction of cross-shareholdings."

7 Governance
Redefine the Board of Directors
Enhance effectiveness. Support the full-fledged transition to a monitoring board. (Discuss together with the revision of proxy voting standards)

6 Social
New
Solve Problems Aimed at Realizing Well-Being within Society
New
Encourage efforts to link problem solutions for realizing well-being within society with business opportunities.

Senior Equity Analyst & Senior Engagement Manager
Chemicals industry
Mitsuhiro Kimura

Engagement by Analysts

Chemicals Industry

The chemicals industry is responsible for a large amount of GHG emissions, and the effort to become carbon neutral is an urgent issue. Meanwhile, there are also many products that contribute to GHG emission reductions, making it an industry that is also indispensable for achieving carbon neutrality in the world. In addition, chemical products are basic materials supplied to various related industries. As a result, the chemicals industry possesses many product groups, ranging from general-use products to specialty products, and it is sometimes seen as being subject to conglomerate discounts in the stock market.

We have been talking with companies in the chemicals industry about the need for business portfolio reforms that contribute to both GHG emission reductions and profitability improvements. It should be noted here that the chemicals industry builds both upstream and downstream supply chains in the manufacturing process, and an energy balance is maintained, so it is not easy to separate and take out only specific products. Discussions with companies can sometimes be tough, but rather than seeking only short-term results, it is important to evaluate and understand companies' medium- to long-term initiatives.

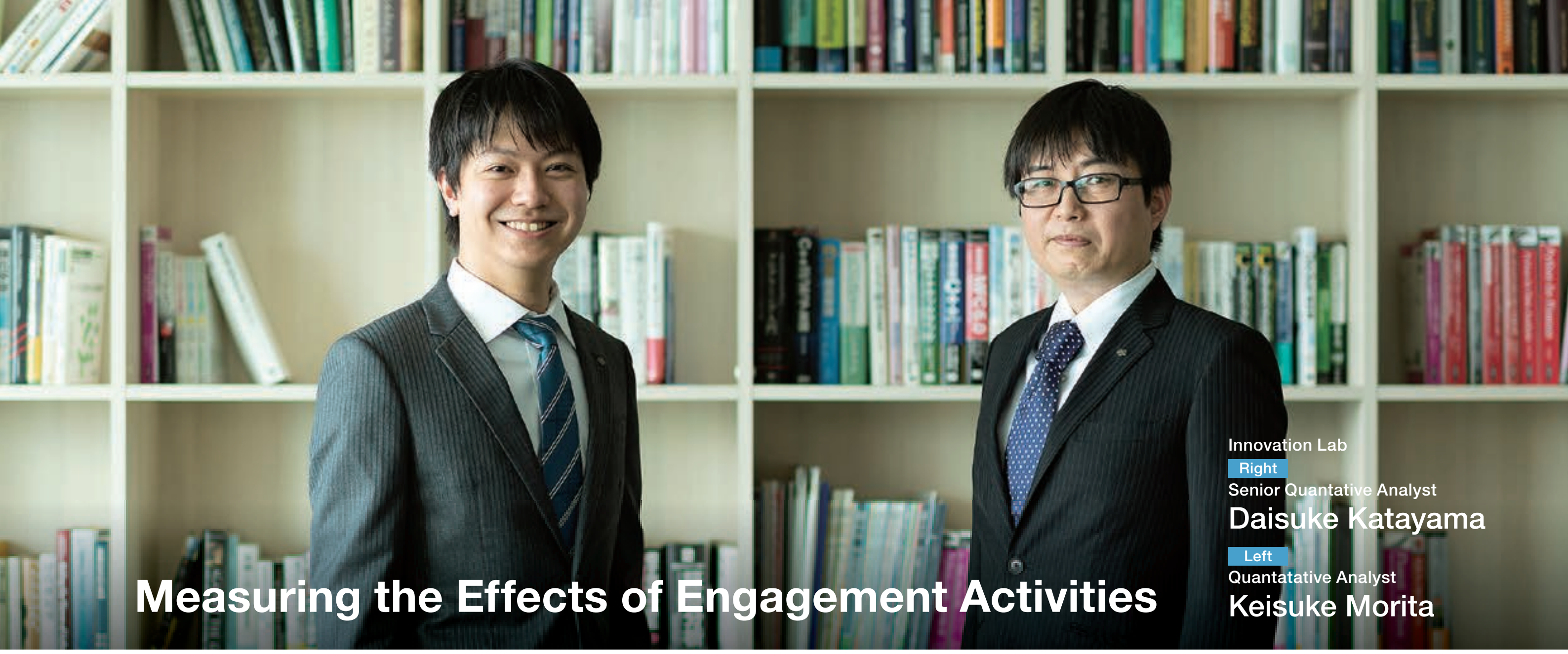
The engagement activities that we have been working on are starting to yield results. Company A has a low-profit business with high GHG emissions. For several years, we have been talking with the company's management team and discussing the need for reforms to its business structure to improve profitability and achieve carbon neutrality. Meanwhile, the business at issue was closely intertwined with the raw materials and by-products of other products, making it difficult to withdraw from this business. However, the company solved the problem by collaborating with other companies and decided to withdraw from the business. Business portfolio reforms targeting carbon neutrality are picking up speed.

While Company B possesses growth businesses, it faces the challenge of stabilizing and lifting the profitability of its general-purpose businesses. While praising the capacity cuts made thus far, for more than five years we have been explaining to the company the need for more in-depth restructuring. Currently, the company is making progress on structural reforms, including the sale of an overseas subsidiary and the announcement of the suspension of some domestic production bases. We can expect the company to further strengthen its commitment to its return on capital. While communicating to management our positive assessment of these kinds of structural reforms in the chemicals industry, we are talking with the company about further measures to be taken and we are supporting its efforts.

Example of engagement in the chemicals industry

Chemicals industry issues and engagement

	Company A	Company B
Issue	Efforts are needed to reform the business portfolio aiming for carbon neutrality, and we asked the company to formulate measures to address this and explain them.	The company has been reshuffling its business portfolio, centered on general-purpose products, but in order to encourage further efforts we asked the company to strengthen its commitment to capital efficiency.
Response	Aiming to reduce CO_2 emissions 50% by 2030 and have zero emissions in 2050 by promoting energy-saving and reforming the business portfolio. However, raw materials and by-products are inter-related in the product manufacturing process, so structural reforms will take some time.	Making progress on talks with related parties inside and outside the organization with the aim of rebuilding the problematic business. Will work towards carbon neutrality.
Engagement results	Announced that it will completely withdraw from the problematic business with large CO_2 emissions, and will stop production in the first half of 2025. Significant progress in the effort targeting carbon neutrality.	Announced the sale of an overseas subsidiary engaged in the problematic business as well as the withdrawal from domestic production of certain products.



Measuring the Effects of Engagement Activities

Innovation Lab
Right
Senior Quantative Analyst
Daisuke Katayama
Left
Quantatative Analyst
Keisuke Morita

The details of engagement activities with companies by institutional investors like us are generally not widely disclosed, and the effectiveness of these activities is not always clear. The Innovation Lab is utilizing the accumulated data from our past engagement activities with portfolio companies to quantitatively measure and analyze the effects of engagement activities.

Specifically, we used a fixed effects model* to verify post-engagement changes in governance structures and the financial performance of companies that we engaged with from FY2016 to FY2021. We found that there was statistical significance for the following six items with respect to the companies that we engaged with.

Analysis-related issues include the difficulty of extracting the effects of our engagement activities alone, as well as data bias, such as the fact that companies with poor governance systems are more likely to be targets for engagement in the first place.

Going forward, in addition to addressing these issues, we want to continue to accumulate data and measure effectiveness, and work with the Engagement Department and others to contribute to improving engagement activities. Our analysis and verification process was supervised by Professor Yumiko Miwa of Meiji University, who provided us with beneficial comments.

Statistically Significant Items

1. **Abolishment of takeover defense measures**
2. **Increase in ratio of shares held by executives**
3. **Increase in ratio of women directors and outside directors**
4. **Decrease in surplus cash ratio**
5. **Increase in shareholder returns (DOE)**
6. **Improvement in profitability (ROA)**

* The fixed effects model is an analysis technique that enables the identification of the effects of engagement by accounting for trends common to all companies, such as the adoption of the Corporate Governance Code, as well as the heterogeneity of companies.

COLUMN

CEO Engagement

We view CEO engagement as one of the valuable tools in dialogue with portfolio companies. We have already engaged in dialogue with CEOs of more than 10 companies, and the details of these dialogues are posted on our website. This is an important means for us to communicate to the outside about the many engagement activities that we are working on.

This CEO engagement focuses on the issues facing portfolio companies from the perspective of institutional investors as well as measures to improve corporate value, with the aim of having CEOs earnestly exchange opinions with one another and hold more in-depth discussions. We believe that discussions among company leaders will allow everyone to share opportunities to rediscover new value and competitiveness of Japanese companies centered on ESG. Also, in addition to receiving opinions regarding our engagement activities during dialogue, we believe that receiving feedback about the details we disclose will allow us to further deepen and enhance our engagement activities.

Conversation

Panasonic Holdings Corporation

Deeply implement autonomous responsible management in group companies and promote growth accompanying strategic and operating capabilities

Right: Yuki Kusumi, Representative Director, President, and Group Chief Executive Officer of Panasonic Holdings Corporation
Left: Hiroyasu Koike, President and CEO of Nomura Asset Management Co., Ltd.

Reference https://global.nomura-am.co.jp/responsibility-investment/investors/feature/trptalk_panasonic.html

Global Equity Engagement

We continue to enhance our engagement activities for global equities as well. Companies are facing many global ESG issues, and collaboration with overseas investment teams is essential not only for engagement with overseas companies but also for engagement with Japanese companies. Because global equities encompass a large number of target countries and companies, we are leveraging the expertise of our investment teams around the globe, as well as utilizing outside resources, to optimize our engagement activities.

In 2022 our overseas offices conducted engagement on a total of 772 topics (the total number of engagements was 323). We divide engagement topics into a total of six topics: Business strategy; Financial strategy; Environmental; social, Corporate governance; and Disclosure/Dialogue. The investment managers and analysts in each office decide the engagement topics and carry out engagement with companies.

Our engagement partner overseas is Sustainalytics, and we either conduct collaborative engagement with Sustainalytics or fully outsource engagement to Sustainalytics (Refer to Page 72). In addition, we also make use of collaborative initiatives such as the Access to Medicine Foundation to carry out engagement alongside other asset management firms on specific topics (For details, please refer to Pages 73-74).

Example of Engagement by Overseas Offices

Our Science Based Targets Initiative (SBTi) project was originally launched at the end of 2021 and targeted specifically holdings in our Global Sustainable Equity (GSE) portfolio.

Throughout the course of 2022, the team continued extensively engaging with companies and gradually expanded the scope of the project to cover all OKTBL holdings (OK to buy list). We believe this was the next natural step in assisting our own commitment as a company to the Net Zero Asset Managers (NZAM) initiative. As part of this commitment, Nomura Asset Management, have set an interim 2030 target of 55% of total AUM to be managed in line with net zero and to have set Science Based Targets.

During 4Q22, we continued to push those companies that have not yet committed to having their GHG emission reduction targets validated by the SBTi, and are delighted with the initial progress we are seeing on some of our engagements. As an example, we want to provide an update on one of our SBTi milestone engagements with a US electric utility company. After an extensive engagement with them and despite the methodological challenges they were facing, the company announced in November 2022 their near-term target commitment, which we are very pleased with. Their initial hesitation about the feasibility of such a commitment was due to lack of control over power supply as a pure play network operator, as according to the SBTi's methodology for validation, if a company's Scope 3 emissions are more than 40% of their total emissions, a reduction of Scope 3 should be included in the overall reduction target. As an energy transmission and distribution business, power supply falls in the company's Scope 3 emissions. However, through conversations with the company and putting them in touch with the CDP, they were encouraged to hire external consultants who successfully assisted them in committing.

We believe this is a great example of engagement for positive impact and as a next step we plan to work with both this company and others on our holdings list (through our intercompany collaboration project) to assist them on their journeys as well.

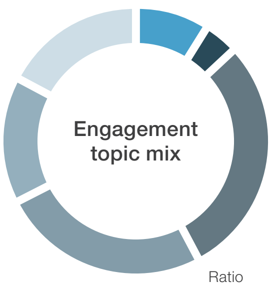
Engagements with Global Equities

Total number of engagement topics by overseas offices

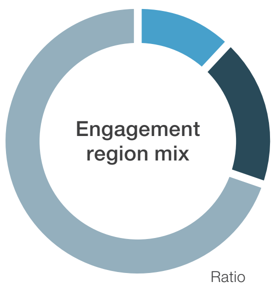
772topics
(323 meetings)
2022

Engagements by Sustainalytics*(2021)

461
2022



	Ratio	Number of topics
Business strategy	9%	69
Financial strategy	4%	32
Environmental	29%	223
Social	25%	194
Governance	15%	119
Disclosure/dialogue	17%	135
Total number of topics		772



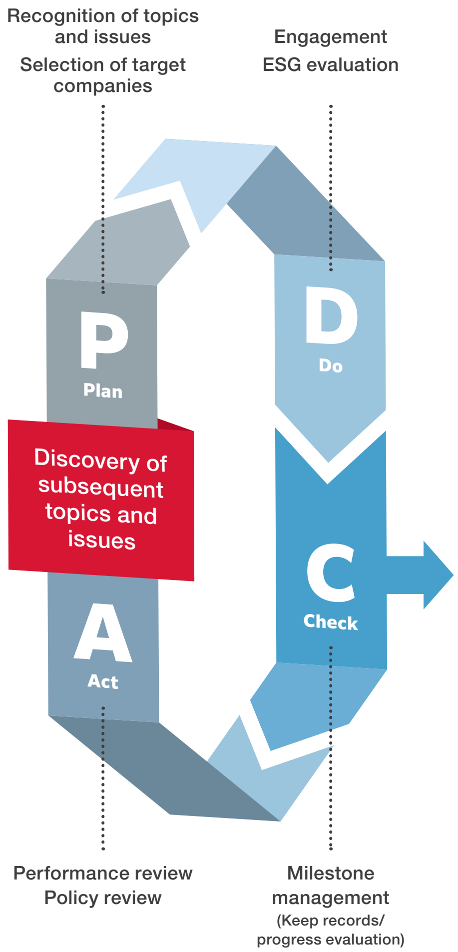
	Ratio	Number of topics
Europe	12%	95
North America	18%	141
Asia and Emerging	69%	536
Total number of topics		772

*Target universe: MSCI ACWI ex Japan

Global Equity Milestone Management

In our global equity engagement as well, we share our awareness of ESG issues with companies, set specific goals, and carry out milestone management until the goals are achieved. In addition to the engagement and milestone management that we conduct on our own, we also perform milestone management for collaborative engagement with Sustainalytics. As with milestone management for Japanese companies, milestones are divided into five stages with an engagement period of three years. By establishing clear goals and having a set timeline, and then evaluating the engagement process, we are able to effectively implement PDCA (Plan, Do, Check, Act). The ESG issues focused on during engagement and the goals established vary greatly depending on the company.

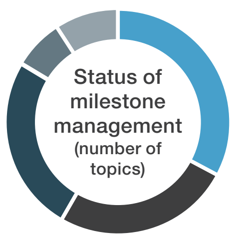
Global Equity Milestone Management



Examples of Milestone Management*(Refer to Page 55)

	Nomura Asset Management's Global Equity Engagement		
	Engagement by Nomura Asset Management offices	Collaborative engagement by Nomura Asset Management and Sustainalytics	Engagement outsourced to Sustainalytics
	US Electric Utilities company	Hong Kong insurance company	Malaysian food company
1 Communicate issues to portfolio company	✓	✓	✓
2 Company shares a recognition of the issues	✓	✓	✓
3 Company formulates countermeasure	✓	✓	✓
4 Company implements countermeasure	✓	✓	
5 Conclusion	✓		
Number of interviews	4	3	3
Period	14 months	25 months	22 months

* 1: Communicate issues; 2: Share recognition; 3: Formulate countermeasures; 4) Implement countermeasures; 5) Conclusion



Communicate issues to portfolio company	65
Company shares a recognition of the issues	52
Company formulates countermeasures	50
Company implements countermeasures	13
Conclusion	18

Status of Global Equity Milestone Management (as of December 31, 2022)

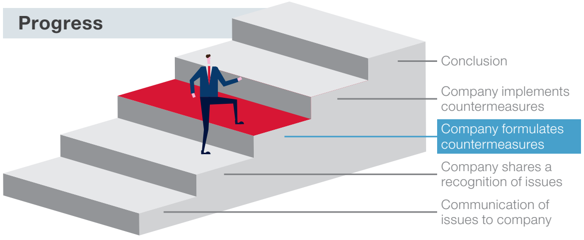
In 2022, we carried out engagement across 722 topics.
Currently, we are managing milestones for a total of 198 topics (148 companies).
Of these, 18 topics are already at "Step 5: Conclusion."

Examples of Global Equity Engagement (Milestone Management)

US consumer staple company A

Period **15** months

12 24 36



Most recent interview / June 2022 / 2 interviews
Interviewee / Sustainability Director, Senior Vice President, Investor Relations; etc.

Priority Topics	NAM's Concerns	Goal
Protection of natural capital, elimination of deforestation in the supply chain	Monitoring system and traceability in the supply chain, initiatives to prevent deforestation	Respond to instances of deforestation occurring in the supply chain, and curb future deforestation

Overview

Initially

NAM ▶ Please explain your procurement policy, relevant governance system, and supply chain monitoring system.

Company A ▶ Our suppliers are requested to adopt "No Deforestation, No Peat, No Exploitation (NDPE)" policies and to establish grievance handling systems. Our 12 Palm ESG staffers are in charge of monitoring this process. We confirmed that 100% of our palm oil was certified by the RSPO, as of July 2021.

Most recently

Company A ▶ If deforestation discovered via satellite images is confirmed in parts of our supply chain following an investigation by a NPO specializing in commodities research, and we will work to rectify this.

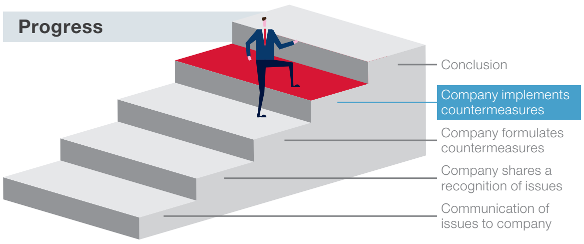
NAM ▶ Do your KPI for commodity procurement include not only costs, but also matters related to sustainability?

Company A ▶ RSPO certification is included in our procurement policy, and we are paying an RSPO premium (costs have increased).

US utility company B

Period **12** months

12 24 36



Most recent interview / November 2022 / 4 interviews
Interviewee / Senior Vice President-Finance and Regulatory and Treasurer, Vice President, Investor Relations

Priority Topics	NAM's Concerns	Goal
Commitment to setting/ validating SBTs	The company has GHG reduction targets and a goal for net zero by 2030, but these have not been validated by the SBTi.	Commitment to attain SBT validation

Overview

Initially

NAM ▶ Please explain why the company has not received SBT validation, given that we have shared that costs for validation are limited and validation offers advantages.

Company B ▶ The reason we were not proactive about getting our targets for SBT validation is that, as a pure play network operator, the impact we have on customers' power supply is limited.

Most recently

Company B ▶ NAM introduced us to the person in charge of SBTi. We received a lot of information through a fruitful meeting with that person. With the aim of setting SBT and acquiring validation, we hired an external consultant and also expressed our commitment to acquiring SBT validation in November 2022.

NAM ▶ We hope you will continue your efforts towards attaining SBT validation.

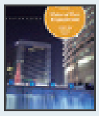
Engagement by Sustainalytics

In global equity engagement, Nomura Asset Management's overseas offices also actively engage portfolio companies, but due to the broad scope of coverage for global equities, we partner with Sustainalytics to carry out collaborative engagement with and outsource engagement to Sustainalytics. Sustainalytics provides Global Standards Engagement, in which companies are selected for engagement based on violations of international norms such as the United Nations' Global Compact, Material Risk Engagement covering companies with critical ESG risks, and Thematic Engagement, which focuses on solutions to specific topics, such as localized water and responsible cleantech from a global perspective.

E S G

Global Standards Engagement

Engagement Policy	Target companies
Encourage companies to resolve severe incidents as well as build a strategy aimed at preventing future recurrences and improving ESG practices	Companies that severely or systematically violate the United Nations' Global Compact or other international norms



E S G

Material Risk Engagement

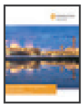
Engagement Policy	Target companies
Encourages companies with financiallymaterial ESG issues to construct strategies to handle ESG risks and opportunities with the aim of increasing long-term corporate value	Companies with particularly high ESG risk in their industry

Thematic Engagement

E

Engagement related to Feeding the future

Engagement Policy	Target companies
Efforts to help the food industry transition to a sustainable world food system, including managing natural capital such as land and water, reducing food waste, and responding to changing consumer trends.	Agriculture, agrochemicals, packaging food, food retail companies



E S

Engagement related to Localized water

Engagement Policy	Target companies
To enhance water security for all and reduce risks to businesses, promote a better understanding of water issues and encourage the development of regional goals.	Companies with operations in the Tietê and Vaal river basins and are highly dependent on the local water situation

E S

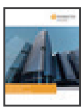
Engagement related to Responsible cleantech

Engagement Policy	Target companies
Encourage an appropriate response to environmental and social risks in their operations and supply chain, and a product life cycle approach to promote more sustainable production of cleantech solutions.	Solar power generation equipment, wind power generation equipment, battery-powered electric vehicles

S

Engagement related to Modern slavery

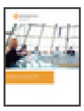
Engagement Policy	Target companies
Encourage companies to adopt a multi-dimensional strategy that encompasses structural root causes, rigorous monitoring, and a continuous improvement approach to address the key risks of modern slavery.	Companies in apparel and construction industries



G

Engagement related to Tomorrow's Board

Engagement Policy	Target companies
Encourages companies to have directors with the appropriate abilities to deal with important ESG issues and to display the necessary commitment	Companies in extractives, financial , and healthcare sectors which have especially large ESG issues and opportunities



G

Engagement related to The Governance of SDGs

Engagement Policy	Target companies
Encourages companies to define meaningful SDGs strategies that align with their business plans. Aims to influence these companies to produce positive outcomes in line with the 2030 SDG agenda.	Consumer goods, financial, and Information and communications technology companies

Cooperation with Initiatives

1 Commitment to no-deforestation together with other financial institutions

In 2022, the satellite-based collaborative engagement towards zero deforestation marked its second full year of engaging with and holding companies across various industries to account for deforestation events occurring in their vast supply chains. Nomura Asset Management UK is proud to continue to participate in this project by being the lead/co-lead investor on dialogues with two companies and supporting multiple others.

During the course of the year, NAM UK participated in initial dialogues with three companies across the personal products, beverages and chemicals industries. In particular, NAM UK co-led a constructive engagement with a British personal products business. Throughout the process, the team touched upon the company's supply chain monitoring systems, practices, grievance mechanisms and traceability efforts, as well as their deforestation-free commitments. Most importantly, the team touched upon the °agged deforestation events within the company’s vast supply chain by our satellite-monitoring partner, Satelligence. The team was delighted to see that the company demonstrated sufÿcient monitoring and supply chain traceability efforts. As in many of the team’s other dialogues, the need for an industry-wide collective effort was °agged given the scale of the issues at hand.

NAM UK also actively participated in follow-up dialogues with four other companies. These included a US household products business, a French personal products company and a French food & staples retailing business. These interactions were the second or third engagements with these companies, which allowed us to discuss new areas as well as the monitoring and traceability efforts within a single commodity (palm oil sourcing in Malaysia). Our broader discussions touched on other soft commodities (beef and soy supply chains), other regions such as Indonesia and Brazil, further efforts to mitigate biodiversity loss, the companies’ reforestation policies and targets, and smallholder farmers’ inclusion. The investor group is also pleased to see that quite a few of the companies that were engaged have subsequently published detailed reports around deforestation cases linked to their supply chains. This reafÿrms the investor group’s belief that engaging with company speciÿc evidence, provided by our satellite-monitoring partner, can be an effective tool to drive change. NAM UK looks forward to continuing this journey and supporting both peer investors and businesses on their path to zero deforestation.

Satellite image example of deforestation:
Red boundaries show the deforested area.
Left shows area prior to deforestation activity. Right shows area following deforestation activity.
Sources: Satelligence report

2 Access to Nutrition Initiative

ACCESS TO NUTRITION INITIATIVE

The expected role of institutional investors in solving nutritional problems has been growing. As of December 31, 2022, the number of asset management ÿrms supporting the Access to Nutrition Initiative (ATNI) Investor Pledge had expanded to 80 ÿrms representing collectively US$19.9 trillion in AUM.

A full year has passed since NAM pledged its support to ATNI, and during this time NAM continued to proactively participate in engagement meetings asking target companies to improve access to nutrition.

NAM is co-chair for engagement alongside a Japanese food company, and we hosted the second engagement meeting in October 2022. We had constructive discussions on the deÿnition of healthy products, while we conÿrmed details regarding progress toward solving nutritional problems, such as KPI setting for achieving the nutrition-related targets which were established during the 2021 Tokyo Nutrition Summit.

3

Commitment to access to medicine

access to medicine index

The team have continued to work closely with Access to Medicine (ATM) and our peer signatories to the initiative over the year. Nomura Asset Management continued in its role as the co-lead investor for a large UK pharmaceutical that is a leader within the vaccine space and also engaged extensively with companies involved in supporting access to COVID treatment. As the co- lead for the Access to Medicine (ATM) investor engagement initiative with the UK pharmaceutical we hosted a group call with the company across both areas of improvement identified by ATM and also our own expectations. This included for example improving impact reporting and aligning C-Level management with access outcomes. The call was productive and we felt the company was very engaged and open to debating where our views differed taking on board in particular the need for better impact data to support the sustainable investment community in making better decisions.

In the first half of the year we continued our engagement for impact with companies involved in COVID vaccine development and manufacturing, following up the public letter to the industry that we signed alongside a number of our responsible investment peers, with individual engagements with the companies.

We participated in collaborative engagement calls with companies to seek to put pressure on them to take a more sustainable approach to supporting access and strongly push our views around company responsibility to support access, reporting on impact and aligning management with outcomes. In the second half of the year the team ramped up its efforts further, and worked with peers to develop letters to the companies pushing for management remuneration to be tied to access outcomes and highlighting both best practices and potential routes for the companies to introduce appropriate management remuneration targets.

These letters were sent directly to the companies and were made public in order to maximize the pressure on the companies to push forward and improve social impact. Meetings were also held with some of the companies and included engaging with for example remuneration committees to discuss our proposals.

Report published every two years

In December 2022 in Tokyo in conjunction with the publication of the Access to Medicine Index 2022 The Access to Medicine Index Investor Event was held to discuss key findings from the Access to Medicine Index and best practices for access to medicines.
Representatives from the Access to Medicine Foundation, investors, pharmaceutical companies, academic experts, etc. gathered, and from our company, an ESG specialist in Tokyo participated.

The Unique Aspects of Our proxy Voting

1 Systematic and ongoing efforts to influence companies

Along with engagement, we aim to realize desirable management styles.

2 Effective and robust process

Thorough discussions by the Responsible Investment Committee + real-time monitoring of con°icts of interest by the Responsible Investment Council.

3 High level of accountability

We disclose the reasons for voting in favor of or against all proposals. We give detailed reasons for proposals requiring special explanation.

4 Standards that go beyond simply listing conditions for opposition

We have clearly stated our stance of supporting a transition to monitoring boards through our proxy voting standards.

The Outline of Proxy Voting

In proxy voting, we focus on the corporate governance of portfolio companies. The basic structure of corporate governance is that directors and auditors are elected at a shareholders' meeting, and directors (the board of directors) and auditors supervise senior management through nominations, compensation matters, and audits.

Accordingly, the following three aspects are particularly important in proxy voting: the election of directors (nomination), executive compensation (compensation) and the election of auditors (audit). In addition, the appropriation of surplus is important when it comes to Japanese companies because Japanese companies are often criticized for retaining a large amount of cash and deposits and being unwilling to return proÿts to shareholders through dividends and share buybacks. Moreover, proposals submitted by shareholders have also been increasing in recent years. Due to differences in legal systems, it is easier to make shareholder proposals in Japan than in Europe and the United States, and these proposals can often have a direct impact on the management of companies. Accordingly, these proposals must be considered carefully.

We regard proxy voting as part of our engagement with portfolio companies, and we make judgments on proposals by all portfolio companies in accordance with our own proxy voting guidelines.

The four points noted in above are the unique aspects of our proxy voting.

Basic Corporate Governance Structure

Shareholders' meeting → **Election** → Directors (Board of Directors) / Auditors → **Oversight** (nomination, compensation, audit) → Senior management

Proxy Voting

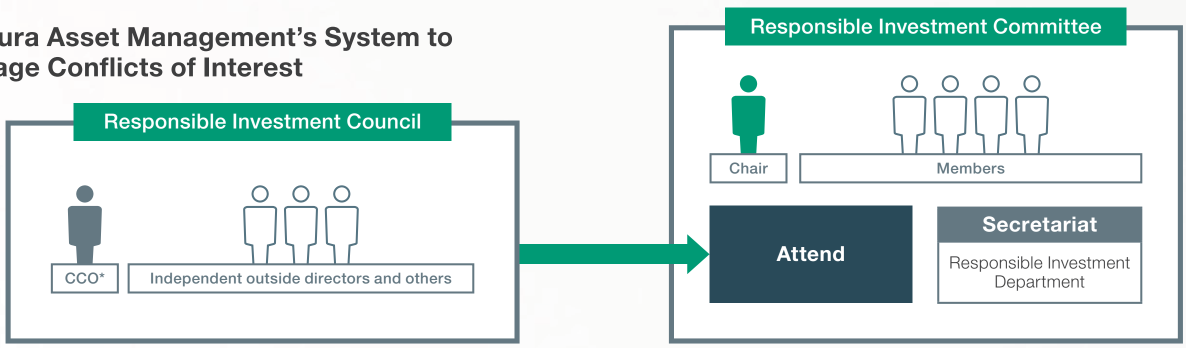
Promoting the transition to monitoring boards through disciplined proxy voting

System to Manage Conflicts of Interest

Members of the Responsible Investment Committee, the highest decision-making body, include, in principle, only persons involved in investment and research decision making, while people in a position with a conflict of interest or people with the possibility of acting on behalf of such persons are excluded. In addition, under the Audit and Supervisory Committee, we have established a Responsible Investment Council comprising only the Chief Conflict Officer and persons in independent positions in our company, including independent outside directors. This Responsible Investment Council monitors the Responsible Investment Committee's decisions as well as its overall management. This council monitors stewardship activities, especially proxy voting involving conflicts of interest, to make sure that decisions are made that do not adversely affect the interests of clients as a result of conflicts of interest.

As required, the Responsible Investment Council recommends improvements to the Executive Management Committee and/or the Responsible Investment Committee, and reports on this to the Board of Directors and the Audit and Supervisory Committee. Furthermore, members of the Responsible Investment Council attend Responsible Investment Committee meetings, and are able to immediately state their opinions.

Nomura Asset Management's System to Manage Conflicts of Interest

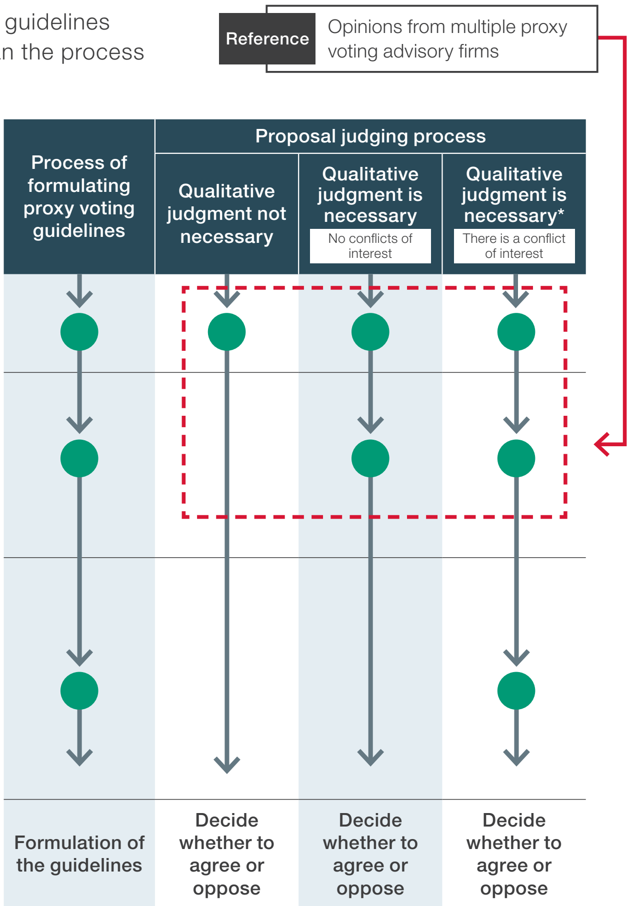


*Chief Conflict Officer

Proxy Voting Process for Japanese Equities

The proxy voting process is as shown in the figure below. The process for proposals that can be judged in accordance with the proxy voting guidelines (proposals that do not require qualitative judgment) is different than the process for other proposals (that do require qualitative judgment).

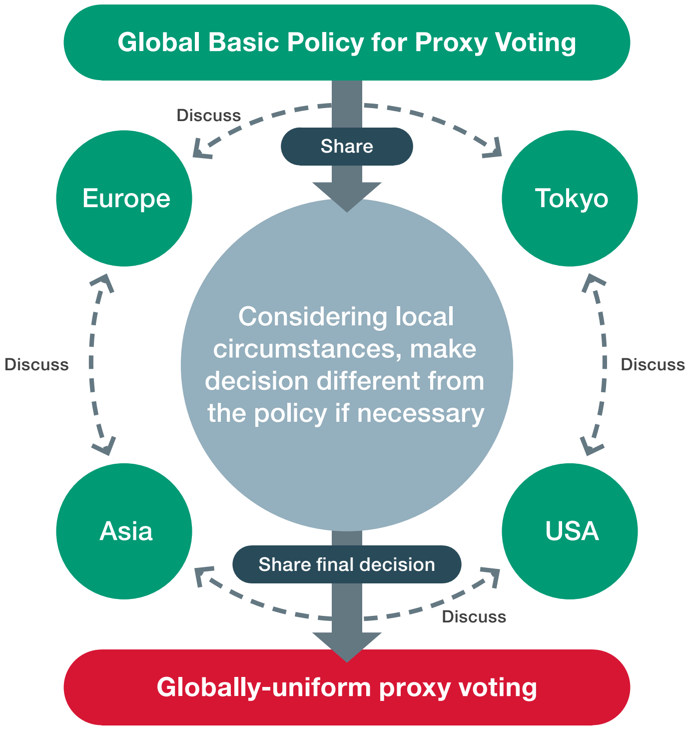
	Members (as of December 2021)	Role
Secretariat	Responsible Investment Department	Preparation of proposals
Responsible Investment Committee	Five people involved in decision-making for investment and research (The Responsible Investment Council members participate in Responsible Investment Committee meetings)	Holds deliberations and makes decisions based on the secretariat's proposals Makes revisions to the secretariat's proposals as required
Responsible Investment Council	One (1) Chief Conflict Officer Outside directors: 2 Outside experts: 1	Reviews from the perspective of conflicts of interest Advises the Executive Management Committee and/ or the Responsible Investment Committee to make improvements as required and reports to the Board of Directors and the Audit and Supervisory Committee



*This includes proposals of group affiliates.

Proxy Voting Process for Global Equities

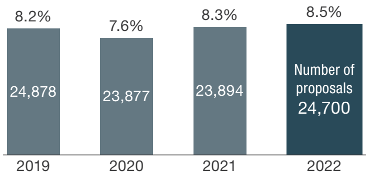
For proxy voting (excluding Japanese equities), we generally decide to vote for or against a proposal in accordance with our Global Basic Policy on Proxy Voting. However, if the investment managers and analysts possessing a deep understanding of local conditions determine it to be necessary, we may, upon deliberation, make a decision that differs from the basic policy on proxy voting. The final decision is then shared with all offices, and proxy voting is then carried out uniformly on a global basis.



Changes in Results of Exercise of Voting Rights for Japanese Companies (calendar year)

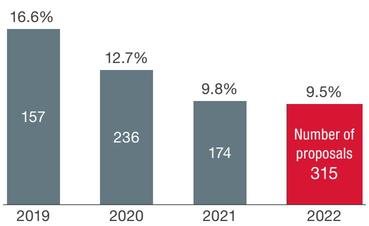
Total Company proposals

The ratio of votes against is shown in the chart below.
See details on the right.



Total Shareholders' proposals

The ratio of votes for is shown in thechart below.



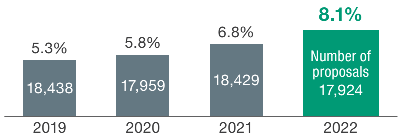
In 2022, the number of proposals increased, mainly regarding articles of incorporation. We voted in favor of proposals that we conÿrmed would be effective in improving shareholder value or strengthening governance.

Proposals on company organizational structure

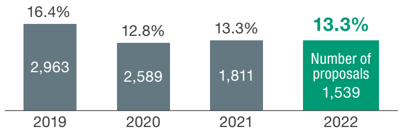
(Ratio of votes against, same as below)

Our ratio of votes against proposals increased in 2022. The main reasons for this were in November 2021 we raised the ratio of outside directors that we are asking companies with a controlling shareholder to have on the board, in January 2022 we reinstituted a business performance standard, and in November 2022 we adopted a standard of voting against proposals if there are no female directors.

Election and dismissal of directors



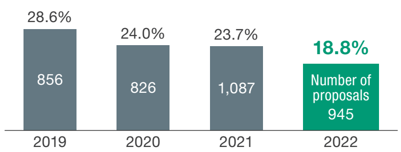
Election and dismissal of auditor



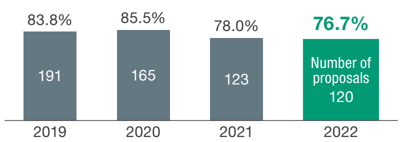
Proposals on executive compensation

Our ratio of votes against proposals declined in 2022. The main reason for this was the improvement in compensation governance that continued from the previous ÿscal year.

Executive compensation*1



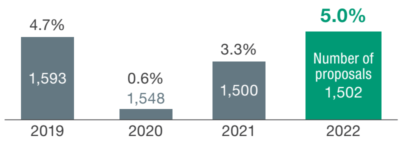
Payment of retirement benefits to retiring executives



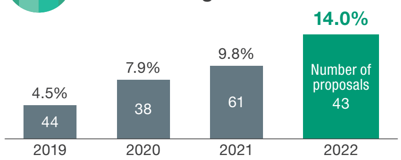
Proposals on capital policies (excluding proposals on articles of incorporation)

Our ratio of votes against proposals increased in 2022. The main reason is that from June 2021 we reinstituted our standard for appropriations of surplus. In addition, the number of proposals related to organizational restructuring and other capital policies decreased from the previous ÿscal year, but the ratio of proposals we voted against increased. Please also refer to examples of reasons for voting for or against proposals on Pages 81-82.

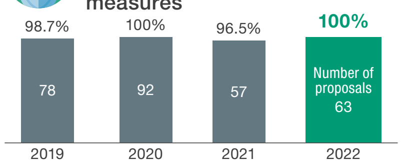
Appropriation of surplus



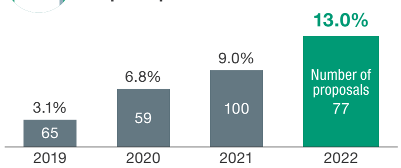
Organizational restructuringrelated*2



Introduction, update and abolition of takeover defense measures

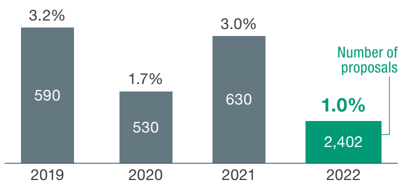


Proposals on other capital policies*3



Proposals on articles of incorporation

Proposals on articles of incorporation



*In addition to the above, in 2022 we voted on 83 proposals related to the election and dismissal of accounting auditors, and two other proposals. We voted against 0% and 50% of these proposals, respectively.
*1 Revisions of executive compensation amounts, issuance of stock options, introduction/revision of performancelinked compensation plans, executive bonuses, etc.
*2 Mergers, business transfers/assumptions, share exchanges, stock transfers, company splits, etc.
*3 Share buybacks, reduction in statutory reserves, capital increases via third-party allotment, capital reductions, share mergers, issuance of class shares, etc.

Reference

Results of Proxy Voting for Global Companies January-December 2022

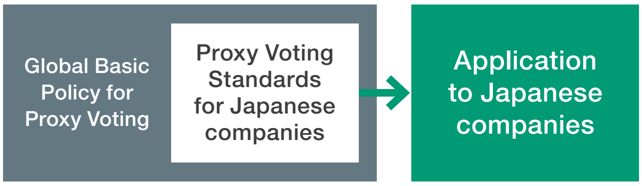
	Company proposals	Shareholders' proposals	Total
Votes for	18,083	451	**18,534**
Votes against	2,034	293	**2,327**
Total	20,117	744	**20,861**
Ratio of votes against	10.1%	39.4%	**11.2%**

Overview of Proxy Voting Standards for Japanese Companies

Here, we explain our Proxy Voting Standards for Japanese Companies (the "Proxy Voting Standards"). Please refer to our website for details. In addition, for companies and sectors particularly impacted by COVID-19, and for which we thus determined that it would not be appropriate to apply business performance standards (see table below), we made judgments flexibly based on considerations of the individual circumstances of the company and/or sector.

Reference https://global.nomura-am.co.jp/responsibility-investment/vote.html

Proxy Voting Guidelines Structure



Key Point	Thinking	We may vote against a company proposal in the cases below
Reflect engagement status	We will reflect the outcome of engagement aimed at realizing desirable management (Refer to Page 21-22)	▌If a portfolio company has not made adequate efforts and improvements are not expected despite the fact that during engagement we pointed out that efforts to realize desirable management were insufficient and urged action.
Rigorously judge corporate actions, transactions involving a conflict of interest, and responsibility taken for outcomes	Judgment made and the responsibility taken to deliver business results by the management and the board of directors will be scrutinized and rigorously judged.	▌If actions that significantly damage shareholder value (misconduct, etc.) are found ▌If ROE is slumping*1. In the case of a monitoring board*2, if ROE is stagnating and there is no effort being made to improve management (business performance standard) ▌If cross-shareholdings are particularly large*3 ▌If a financially-sound listed subsidiary with a large amount of net financial assets is lending money to the parent company*4 ▌If minority shareholders' interests are not protected in M&A, etc.
Diversity of the board of directors	Diversity is important for a board of directors to function properly.	▌If there are no female directors*5
Board of directors' independence	In order to supervise the senior management team, it is necessary to have a certain number of outside directors. In addition, outside directors must have independence.	▌If the number of outside directors is below a minimum level (two outside directors or one-third of the total number of directors, whichever is lower, or a majority if there is a controlling shareholder (including listed subsidiaries)) ▌If the term of office of an outside director is 12 years or more, if the notification as an independent director is not confirmed, or if the outside director has worked for a company that is a major shareholder
Effectiveness of outside directors	Outside directors are required to effectively supervise management.	▌Attendance at board meetings is less than 75% ▌When it is clear that they have not fulfilled their expected roles, such as the selection and dismissal of senior management or the supervision of conflicts of interest between the company and its management, controlling shareholders, etc
Appropriate compensation governance	Because the process for determining executive compensation must be transparent, there must be appropriate supervision (compensation governance).	▌If there is a proposal concerning executive officer compensation or executive officer retirement bonuses above a certain level *7(for a company that does not have compensation governance*6 in place)
Appropriate incentives	Although stock compensation is important as a management incentive, it can be counterproductive if not properly designed.	▌The stock compensation is designed so as to encourage the management team to be short-term oriented ▌The persons to whom the stock compensation is given are not appropriate ▌The stock compensation could lead to excessive dilution
Effective utilization of financial assets	It is essential that financial assets are utilized effectively to enhance corporate value.	▌Financial assets are not utilized effectively*8, and shareholder returns (dividends and share buybacks) are not appropriate

[November 2022 Revisions]
*1 Changed the threshold for ROE. The lower of 5% and 25th percentile in sector → the lower of 5% and 33rd percentile in sector
*2 Changed the monitoring board requirements as follows.
■At least one female director → At least 10% female directors ■Cross-shareholdings less than 10% of invested capital → less than 25% of net assets for financial institutions (no change for non-financial companies)
*3 Newly established a standard to vote against proposals for election of board chairperson/CEO, etc. as director if cross-shareholdings are particularly large (non-financial company: more than 25% of invested capital; financial institution: more than 50% of net assets).
*4 Will vote against proposals for election of board chairperson/CEO, etc. or outside director as director, if a financially-sound listed subsidiary with a large amount of net financial assets is lending money to the parent company, etc. (added to the existing standard)
*5 Newly established a standard to vote against a proposal for the election of board chairperson/CEO, etc. as director if there are no female directors.
*6 Raised the standard for judging a company's compensation governance. The requirement is now to have a compensation committee, at least two (2) outside directors as committee members, and the number of inside directors must not exceed the number of outside directors.
*7 For executive retirement benefits of a certain amount, in addition to having solid compensation governance, we added a requirement that the majority of directors must be outside directors.
*8 Raised the ROE standard from 8% to 10%. Here, if a company is financially-sound and has a large amount of net financial assets, and the ROE level is low, we judge the company to be "not effectively utilizing financial assets."

Changes to Proxy Voting Standards for Japanese Companies

-The same number is used for the same type of key point.
-Particularly important revisions are highlighted.

Month/Year of Revision	Proposal Category	Key Point	Key Change
NAM Created the Proxy Voting Committee (2001)			
March 2006	**Director election/ executive compensation**	**❶ Business performance standard based on ROE**	**NEW (ROE threshold = 3%, take management improvement efforts into consideration)**
March 2007	Director election/executive compensation	① Business performance standard based on ROE	Raised ROE threshold from 3% → 5%
	Director election	② Requirements for independence of outside directors	NEW (Applied to companies with committees at the time)
January 2010	Director election	③ Number of outside directors (listed subsidiaries)	NEW (Minimum of one (1) outside director if there is a director who came from parent company)
METI Ito Report* indicated ROE of 8% (August 2014) ISS Introduced business performance standard based on ROE (February 2015)			
April 2015	Director election	① Business performance standard based on ROE	In addition to 5%, references relative values (industry median value)
		④ Number of outside directors	NEW (Minimum level of one (1) outside director, will vote in opposition if ROE is less than 8%)
Tokyo Stock Exchange Enactment of Corporate Governance Code(June 2015. Revised in June 2018, re-revised in June 2021)			
April 2016	Director elections/Auditor elections	⑤ Effectiveness of outside executive officers	NEW (Will vote in opposition if attendance rate is below 75%)
April 2017	Director elections	④ Number of outside directors	Raised minimum from one (1) to two (2) outside directors
		③ Number of outside directors (listed subsidiaries)	Raised minimum from one (1) to two (2) outside directors
		② Independence requirements for outside directors	Specifies requiring independence for all companies Reference independent director notification
November 2017	Director election	② Independence requirements for outside directors	Added requirements related to large shareholders
	Shareholder proposals	**❻ Changes to articles of incorporation**	**Stipulated types of proposals we will vote in favor of**
November 2018	**Director election**	③ Number of outside directors (listed subsidiaries)	Integrate into ④
		④ Number of outside directors	Abolish requirements for ROE If there is a controlling shareholder: Raised minimum from two (2) to one-third
		❺ Effectiveness of outside directors	**NEW (We will vote against proposals if it is clear that outside directors were unable to fulfill the role expected of them)**
	Executive compensation	**❼ Compensation governance**	**NEW (Relaxed requirements to vote in favor of company proposals if it is determined that compensation governance is in place)**
	Revisions of articles of incorporation	⑧ Board of directors authorization for dividend	Specifies that general shareholders' meetings will not be ruled out, and that, in principle, we will vote in favor of proposals if the surplus appropriation and the number of outside directors meet the minimum standards.
November 2019	Director election	④ Number of outside directors	If there is no controlling shareholder: Raised the minimum from two (2) to one-third for companies other than a company with a board of company auditors If there is a controlling shareholder: Abolished requirements for ROE
	orporate restructuring/ capital policy	⑨ M&A, finance related	Specifies the stance of taking conflicts of interest with minority shareholders, etc. into consideration
June 2020	Director election/ appropriation of surplus	⑩ COVID-19	Abolished the application of some standards related to business performance and appropriation of surplus
November 2020	**Director election**	**⓫ Monitoring board requirements**	**NEW (Established eight requirements to be met, including gender diversity, cross-shareholdings, etc.) → Support for the transition to monitoring boards**
		④ Number of outside directors	Raised the minimum for a company with a board of corporate auditors from two (2) to one-third
		② Independence requirements for outside directors	Added term in office (12 years)
	Executive compensation	⑪ Monitoring board requirements	NEW (Relaxed requirements related to business performance, etc., if company has a monitoring board)
			NEW (Vote in favor of making payment of stock compensation satisfying certain requirements to outside directors, etc., if company has a monitoring board)
June 2021	Director election/ appropriation of surplus	⑩ COVID-19	Reinstated the application of some standards related to appropriation of surplus
November 2021	**Director election**	**⓬ Incorporate engagement outcomes**	**NEW Encourage the realization of desirable management (gender diversity, cross-shareholdings, etc., including initiatives targeting ESG issues)**
		① Business performance standard based on ROE	Lowered threshold of comparative value to 25th percentile of industry median value Take management improvement efforts into consideration only when company has a monitoring board
		④ Number of outside directors	There is a controlling shareholder: Raised minimum from one-third → majority
January 2022	Director election	⑩ COVID-19	Reinstated application of business performance standard
November 2022	**Director election**	① Business performance standard based on ROE	Raised the comparison value threshold from 25th percentile in industry to 33rd percentile in industry.
		⓭ Diversity of board of directors	**NEW (We will vote against a proposal if there are no female directors**
		⓮ Cross-shareholdings	**NEW (We will vote against a proposal if there is a particularly large amount of cross-shareholdings)**

*Final report of the “Competitiveness and Incentives for Sustainable Growth – Building Desirable Relationships Between Companies and Investors –“ project

Disclosure of Proxy Voting Results (Reasons for voting for or against proposals)

Since the October – December 2019 quarter, we have been disclosing the reasons that we voted for or against all proposals, and we have been providing detailed explanations of the reasons for those proposals we feel require special explanation. This is an effort to further increase visibility with respect to appropriate proxy voting.

Here, we introduce some specific examples of disclosure with respect to proposals we feel require special explanation.

Proposals we made voting decisions on that differ from our proxy voting standards

We sometimes make decisions that differ from our proxy voting standards based on engagement with a company.

GSM type	Proposer	Proposal classification	Voting result	Reason for proxy voting result
Ordinary GSM	Company	Director election/ dismissal	Voted for	Although ROE is struggling and does not meet our standard, we voted for the proposal, taking into consideration the fact that the deterioration in financial indicators such as ROE has been limited better than other companies in the same industry in Japan and overseas.
Ordinary GSM	Company	Director election/ dismissal	Voted against	A proposal for the election of a newly elected candidate belonging to a major shareholder of the company. Although this candidate satisfies our standards, there are concerns that the current board of directors is too sensitive to the wishes of certain major shareholders and that diverse opinions are not being valued. Therefore, we voted against the proposal, determining that there was a possibility that the election of this candidate would exacerbate these concerns.

Proposals we determined to require special accountability

In addition to proposals related to M&A and capital policy, there were proposals asking companies to increase board diversity.

GSM Type	Proposer	Proposal classification	Voting result	Reason for voting result
Ordinary GSM	Company	Director election/ dismissal	Voted against	Improper information disclosure was identified. We judged that our standards regarding the duties as a director were not satisfied, and voted against the proposal in accordance with our standards.
Ordinary GSM	Company	Director election/ dismissal	Voted against	Inappropriate related-party transactions were identified, but the nomination committee did not sufficiently pursue responsibility. We judged that our standards regarding the responsibilities of a director were not satisfied, and voted against the proposal in accordance with our standards.
Ordinary GSM	Shareholder	Director election/ dismissal	Voted for	This was a proposal requesting the election of an outside director. The proposer's assertion pointing out the slump in capital efficiency was reasonable to a certain extent, there was room for improvement in the composition of the board of directors, and the board of directors had not made a persuasive counterargument to the proposer's assertion. Considering the above, in accordance with our standards, we voted in favor of the proposal for a candidate that was consistent with the assertion.
Ordinary GSM	Shareholder	Director election/ dismissal	Voted against	This was a proposal requesting the election of an outside director. Although the proposal regarding the capital allocation policy is reasonable to a certain extent, we judged that the influence of candidates for which there are concerns about independence may become excessive, and we therefore voted against the proposal in accordance with our standards.
Ordinary GSM	Shareholder	Appropriation of surplus	Voted against	This was a proposal seeking additional shareholder returns. We judged that the proposing shareholder had not fulfilled its accountability for the company's business and financial strategies and its own large-scale purchase of shares, so we voted against the proposal in accordance with our standards.
Ordinary GSM	Shareholder	Appropriation of surplus	Voted for	This was a proposal seeking additional shareholder returns. After considering the large amount of financial assets held relative to the scale of the business, the unclear use of financial assets, and the fact that the impact on financial soundness is minimal, we determined that it would contribute to the improvement of shareholder value, and voted for the proposal in accordance with our standards.
Ordinary GSM	Company	Organizational restructuring-related	Voted for	This was a proposal regarding the overseas business integration with the parent company. Because we recognized the reasonableness of management decisions, and confirmed that a certain amount of efforts are being made to protect the interests of minority shareholders, we voted in favor of the proposal in accordance with our standards. Although it did not lead to us voting against the proposal, we pointed out to the company our concerns about issues such as weak corporate governance, conflicts of interest with minority shareholders, and insufficient information disclosure.
Special GSM	Company	Proposal related to other capital policy	Voted against	This was a proposal regarding the third-party allotment of common stock. In addition to the purchase of treasury stock, this proposal aimed to reduce the share ownership ratio of a certain major shareholder, and we judged that the board of directors had not fulfilled its accountability for protecting the interests of minority shareholders, so we voted against the proposal in accordance with our standards.
Ordinary GSM	Shareholder	Proposal related to articles of incorporation	Voted for	This was a proposal seeking at least one male director and at least one female director. Judging that it would contribute to the improvement of gender diversity on the board of directors, we voted in favor of the proposal in accordance with our standards.

*We have omitted places mentioning individual company names.

In the individual disclosure for April – June 2022, in addition to explaining the reasons for the decisions made on each of the proposals submitted by shareholders with respect to the issue of climate change, we provided a comprehensive explanation about the background behind our decisions on climate change-related proposals as a whole.

Climate change-related proposals submitted by shareholders

- A proposal to amend the articles of incorporation was submitted to a number of companies asking them to address the issue of climate change. The issue of climate change is one of the environmental and social issues that we believe to be particularly important for the sustainable improvement of corporate value, and there have been multiple cases in the past in which we voted in favor of similar proposals after deliberating on them individually. However, we have a policy of voting against proposals in the following cases, and there were no proposals that we could vote in favor of this time.
  - If it contains content that may impose specific restrictions on the execution of business
  - When there is a possibility of restricting the execution of business due to excessively detailed content
  - When the proposing shareholder has not fulfilled its accountability with respect to the reasons for the proposal
- In addition, some of the proposing shareholders indicated that they would like the proposal to be judged on as a recommendation to the company, rather than as a change to the articles of incorporation. Our policy is to fully consider the impact if the proposal were to be passed, and although we will flexibly judge the appropriateness of specifying a company's response to environmental and social issues in the articles of incorporation, we do not believe it is appropriate to deliberate on this as a recommendation.

GSM Type	Proposer	Proposal classification	Voting result	Reason for proxy voting result
Ordinary GSM	Shareholder	Proposals related to articles of incorporation	Voted against	This was a proposal to change the articles of incorporation regarding disclosure of efforts to address the problem of climate change. Although we agree with the importance of climate change issues with respect to medium- to long-term corporate value, we determined that the details of the proposal included content that could impose specific restrictions on business activity and that it would not be appropriate to include such content in the articles of incorporation, so we voted against the proposal in accordance with our standards.
Ordinary GSM	Shareholder	Proposals related to articles of incorporation	Voted against	This was a proposal to change the articles of incorporation regarding disclosure of efforts to address the problem of climate change. Although we agree with the importance of the climate change issue with respect to medium- to long-term corporate value, the proposal included overly specific content and could restrict the execution of business, and we determined that it would not be appropriate to include such content in the articles of incorporation, so we voted against the proposal in accordance with our standards.
Ordinary GSM	Shareholder	Proposals related to articles of incorporation	Voted against	This was a proposal to amend the articles of incorporation regarding disclosure related to the problem of climate change. We judged that the proposer was not fulfilling its accountability because there was no specific indication of the company's risks and business opportunities arising from climate change issues, so we voted against the proposal in accordance with our standards.

Proposals involving the possibility of a conflict of interest

We give detailed explanations for proposals of group affiliates, including our parent company Nomura Holdings as well as for discussions related to matters involving group affiliates. Here, we discuss proposals in which Nomura Securities, a group affiliate, was involved in acquisitions or organizational restructurings as a financial advisor and third-party assessor.

GSM Type	Proposer	Proposal classification	Voting result	Reason for proxy voting result
Ordinary GSM	Company	Proposal related to other capital policy	Voted for	This was a proposal to squeeze out shareholders who did not participate in the tender offer by the parent company. We voted in favor of the proposal in accordance with our standards, taking into consideration the fact that efforts to protect the interests of minority shareholders were confirmed and that the economic terms were reasonable. **Nomura Securities, a group affiliate, was involved in this deal as a financial advisor and a third-party assessor.**
Special GSM	Company	Organizational restructuring-related	Voted against	This was a proposal regarding a share exchange. If it went through, the company would become a listed subsidiary of a major shareholder, which raised concerns about a conflict of interest with minority shareholders, and the effort to protect the interests of minority shareholders were insufficient, and we determined that accountability had not been fulfilled with respect to the economic terms being unfavorable, so we voted against the proposal in accordance with our standards. **Nomura Securities, a group affiliate, was involved in this deal as a financial advisor and third-party assessor.**
Special GSM	Company	Proposal related to other capital policy	Voted against	This was a proposal to squeeze out shareholders who did not tender in a tender offer made for a management buyout (MBO). The conflict of interest with minority shareholders was significant, and we determined that the board of directors had not fulfilled its accountability with respect to the fact that the economic terms were inadequate compared to other similar tender offers, so we voted against the proposal in accordance with our standards. **Nomura Securities, a group affiliate, was involved in this matter as a financial advisor and third-party assessor.**

*We have omitted places mentioning individual company names.

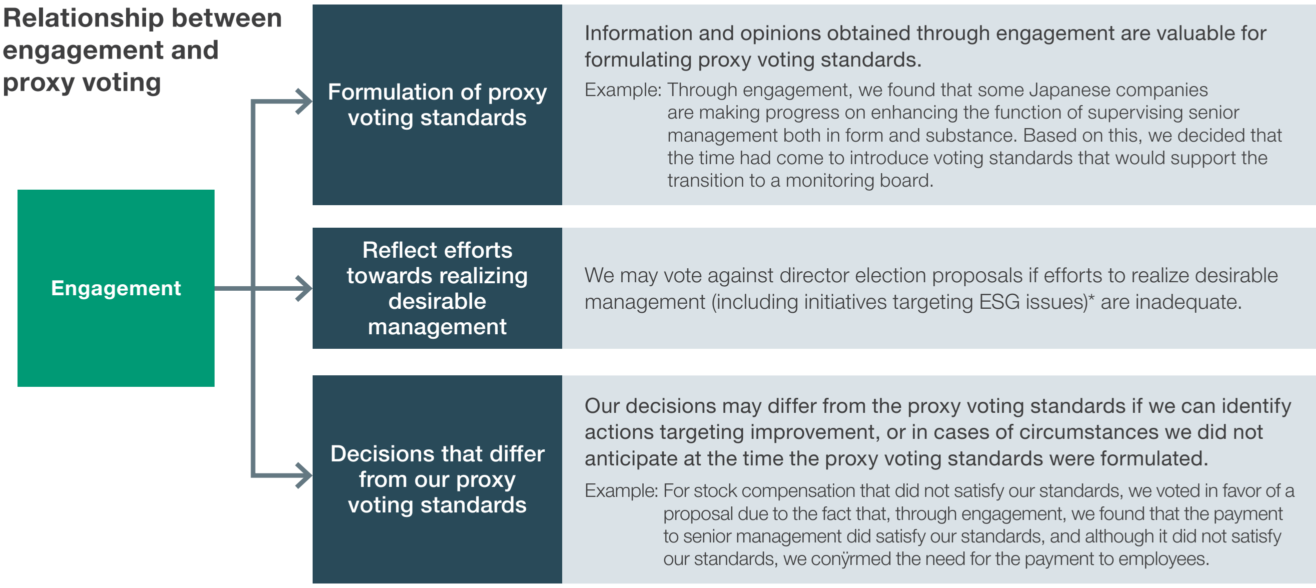
Proxy Voting FAQ

Q Can engagement have an impact on proxy voting?

A We carry out engagement and proxy voting so that portfolio companies implement desirable management (including efforts on ESG issues)*, and to encourage them to improve corporate value and realize sustainable growth. We re°ect the opinions of portfolio companies and information about portfolio companies obtained through engagement in our revisions of our proxy voting standards. Additionally, we take the information we attain through engagement into consideration to make highly-effective decisions when actually carrying out proxy voting.

In addition, following this most recent revision, we may vote against a director election proposal if, despite our indicating through engagement to a portfolio company that its efforts to realize desirable management are inadequate and our urging the portfolio company to take corresponding action over the medium to long term, the portfolio company has not taken adequate steps and improvement is not expected.

Relationship between engagement and proxy voting



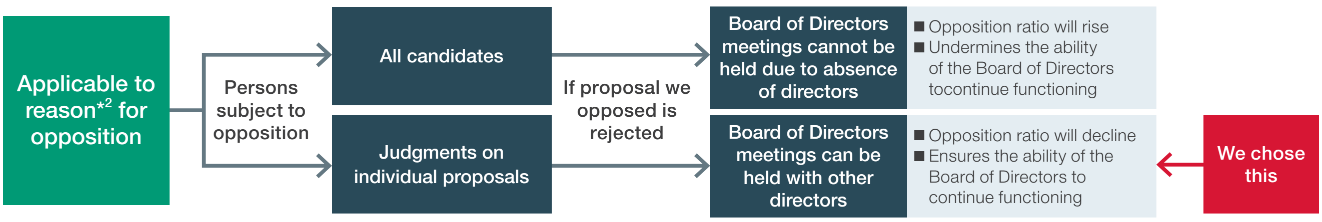
*Refer to Page 21-22 for information about desirable management

Q It seems like you vote against company proposals only a small percentage of the time. Can you comment on that?

A Proposals concerning the election of directors are the most common type of proposal, and therefore have a large impact on our opposition ratio. Taking into consideration the continuity of the board of directors[*1], we limit director election proposals we oppose to candidates holding the responsibility for individual matters. This is the reason why our opposition ratio looks relatively low (see chart below). Our opposition ratio for proposals to elect directors is 7% (April-June 2022), but the percentage of companies for which we opposed one or more candidates within a proposal was 40% (same period), which is not a particularly low level. On the other hand, since the number of proposals is low, the overall impact is small, but our opposition ratio appears to be relatively high with respect to proposals related to executive compensation or capital policy. The effectiveness of corporate governance comes into question particularly for proposals related to M&A and ÿnancing, so we carefully discuss these issues, including the impact that a rejection of the proposal would have, and we vote against the proposal if we decide that it will not contribute to the interests of minority shareholders.

Furthermore, we aim to achieve desirable corporate governance and improve corporate value by working on portfolio companies through a combination of proxy voting and engagement. We position proxy voting as one of the means to do this, and we do not believe that our opposition rate is indicative of our stance.

Guideline for Director Election Proposals



*1 Under the Companies Act, a minimum of three directors is necessary in order to hold a Board of Directors meeting. *2 Shortage of outside directors, low ROE, etc.

What about proxy voting with respect to group affiliates?

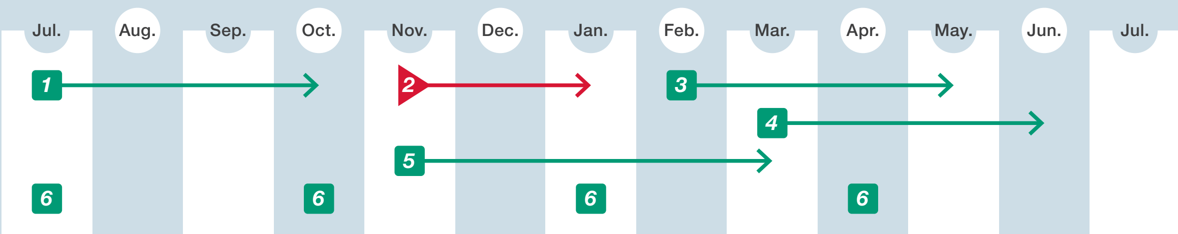
As with other portfolio companies, we make decisions about whether to support or oppose proposals for group affiliates based on our guidelines. As a proposal with a conflict of interest, the Responsible Investment Committee will discuss the proposal referencing the opinions of multiple proxy voting advisory firms. Members of the Responsible Investment Council attend the Responsible Investment Committee meeting and participate in the deliberations. Also, following the conclusion of the Responsible Investment Committee meeting, the Responsible Investment Council holds a meeting where it closely examines the issue from the perspective of conflict of interest.

COLUMN

Annual Schedule of a Proxy Voting Representative

June, followed by March and May, are the months in which the largest numbers of Japanese companies hold their general shareholders' meetings. We exercise our voting rights for about 1,600 portfolio companies in June alone, and more than 1,900 portfolio companies in these three months. Below, we discuss the approximate annual schedule for proxy voting, focusing on this period with a high concentration of shareholders' meetings.

Proxy Voting Annual schedule



1 Revisions to Proxy Voting Guidelines

July – October

As soon as the busy season for shareholders' meetings ends, we start reviewing our Proxy Voting Guidelines. Taking into consideration the actual conditions of Japanese companies, which we have learned through engagement and proxy voting, we make revisions to reflect changes in laws and regulations, such as revisions to the Corporate Governance Code.

2 Engagement to inform companies about the revisions to our Proxy Voting Guidelines

November – January

We conduct engagement mainly with the portfolio companies that we think will be significantly impacted by the revisions to our Proxy Voting Guidelines. We communicate our views and encourage them to strengthen their corporate governance. In addition to individual meetings with portfolio companies, we also explain our views at seminars.

3 Engagement in anticipation of the general shareholders' meeting.

February – May

As the busy season approaches, we ramp up engagement with an eye towards shareholders' meetings. This is the time when companies are finalizing the proposals they will make at shareholders' meetings (the proposals have already been finalized in some cases), so portfolio companies tend to be most interested in the prospects for individual proposals. However, we try to keep these discussions focused on strengthening corporate governance over the medium to long term.

4 Period when most general shareholders' meetings are held

March – June

This is a period when we need to accurately judge a large number of proposals. We exercise voting rights for roughly 100 companies per day during the peak period in June, so it also happens to be the period when we most want companies to provide information disclosures that are clear and easy to understand.

5 Engagement to strengthen corporate

All year, particularly November – March

We explain our proxy voting philosophy and let portfolio companies explain to us how they are working to strengthen their corporate governance, and we then talk with them about their efforts.

6 Disclosure of proxy voting results

January/April/July/October

After the end of each quarter, we disclose the results of our proxy voting, and the reasons behind our voting activities, on our corporate website.

ESG Integration

Nomura Asset Management recognizes risks and opportunities, and incorporates them into the investment process using different methods for each strategy based on our own ESG assessments.

Features of Integration

Equity Investment

When evaluating the ESG characteristics of portfolio companies, we focus not only on potential risks but also on opportunities to generate future earnings. Although each equity strategy integrates ESG considerations into its investment philosophy and process in a different way, a common ESG evaluation platform is shared by all strategies.

Fix Income Investment

We select and model ESG factors that are material for credit investment based on a variety of research. In addition to this ESG factor model integration, qualitative evaluations by credit analysts are also considered within the investment process to improve the portfolio's risk-adjusted return and sustainability.

Integrating ESG factors into the investment process is critical, as we believe financial performance and ESG efforts (non-financial information) are closely related and influence one another. We utilize proprietary ESG evaluations of portfolio companies when making investment decisions. In order to effectively incorporate ESG considerations and other nonfinancial information into the investment process to supplement the analysis of a company's fundamentals (financial information used to evaluate a company), we conduct our own ESG assessment for both equity investing and fixed income investing. This integration of ESG factors into the investment process not only helps reduce downside risk, but is also an essential component to improve returns. ESG assessment is not limited to Japanese companies, as the scope also includes companies in developed countries in Europe and the Americas, as well as companies in Asia and emerging countries. In addition to global themes such as climate change and human rights, we assess specific material ESG considerations for individual industries and companies, and utilize information from multiple external sources to create our proprietary ESG scores. These ratings are made available to all portfolio managers for integration into the investment decision-making process.

Equity Integration

Equity Integration Approach

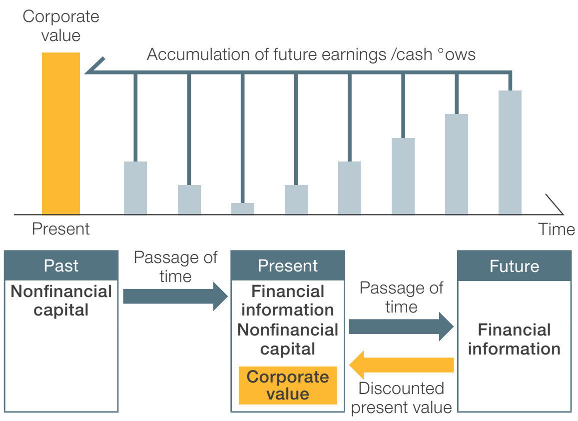
Corporate value is essentially the discounted present value of future free cash °ows. The business assets that generate future free cash °ow include not only ÿxed assets such as production facilities, but also various types of intangible assets (capital) not found in ÿnancial statements, including human capital, natural capital and social capital. Evaluating such capital, or business assets including non-ÿnancial information, is necessary in order to analyze corporate value. We believe that, in addition to ÿnancial data, re°ecting non-ÿnancial data in company evaluations, and making investment decisions based on these evaluations, is essential in order to increase the added value of our investments.

There are two aspects to evaluating intangible assets that do not appear in a company's ÿnancial information. The ÿrst is evaluating the proÿts that intangible assets can bring, or a "growth evaluation," and the other is a "business risk evaluation" related to the risks to which a company's proÿts are exposed.

For "growth evaluation", the business impact of climate change, supply chain resilience, intellectual property, R&D capabilities and organizational strength, quality of human resources and diversity are among the sources of competitiveness that help differentiate a company from its peers. We consider these factors to be materialized in the future as ÿnancial information such as corporate proÿts and growth.

"Business risk evaluation" aims to ascertain the stability and sustainability of future proÿts based on whether or not the company is able to accumulate intangible assets, and to determine whether or not future proÿts will °uctuate sharply due to changes in the business environment. In other words, this "business risk evaluation" is looking at how to evaluate the discount rate when discounting future cash °ows to the present value. To put it another way, the valuation of intangible assets is an important aspect of determining whether the valuation (relative price metric for the stock price) of the investment target company is too high or too low.

Investors' Basic Philosophy on Corporate Value

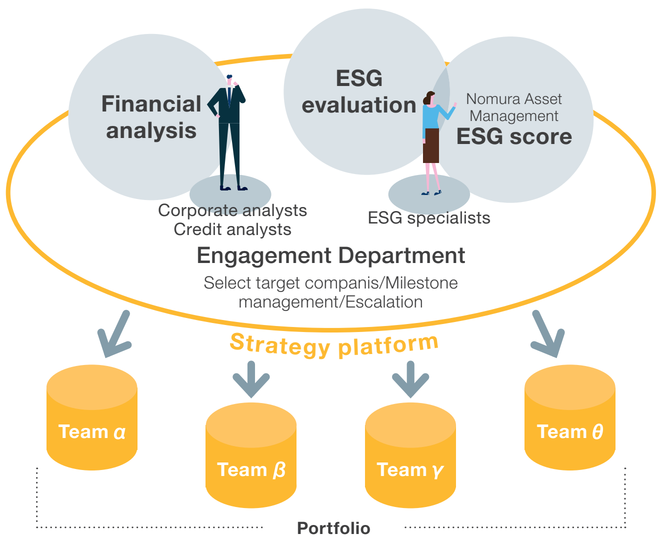


"Continuity between financial and non-financial" and the "Impact on long-term profits/cash flow generation" are of the upmost importance.

Equity Investment Process

An in-house proprietary ESG score, which is jointly produced by corporate analysts and ESG specialists, is utilized for ESG integration into our equity investments. The ESG score includes environmental, social, governance, and SDG-related considerations, and is a quantified representation of our analysis and evaluation of risks, opportunities, and other factors. These scores serve as an important piece of information utilized by investment decision makers within the investment process/platforms for each investment product (see diagram below). While individual stocks in the portfolio are bought and sold according to their investment ratings, the same score serves as a common language for discussion among corporate analysts, ESG specialists, and portfolio managers, allowing for more effective ESG integration into operations. If additional ESG research is deemed necessary, the Engagement Department takes the lead in conducting the necessary engagement activities in collaboration with corporate analysts and ESG specialists.

Our ESG evaluation framework is also applied to our global equities investment. In addition to global themes such as climate change and human rights, we assess specific material ESG considerations for individual industries and companies and utilize information from multiple external sources to create our proprietary ESG ratings. These ratings are made available to all portfolio managers for incorporation into the investment decision-making process. For example, at our Singapore Office, country specialists (CS) are assigned to cover each country in this diverse region, and the main source of added value is the bottom up research conducted by meeting with companies (2393 meetings in 2022). Investment ratings are assigned to individual stocks based on the fundamental research carried out by CSs as well as the ESG evaluation. The portfolio is constructed based on these ratings.



Right Portfolio Manager
Shunnosuke Tochimoto

Middle Portfolio Manager
Shanshan Wang

Left Senior Portfolio Manager
Yasuhiro Mimbuta

Efforts to Advance ESG Integration

Issues such as climate change, human rights problems, and diversity are common issues that need to be addressed globally and over the long term, and they also have a major impact on our portfolio management. Our investment teams manage portfolios based on a stock selection process that takes various ESG factors into consideration (qualitative and quantitative decisions about ESG). When assessing a company as an investment target, managers of actively-managed portfolios must consistently ask “Is this a company that controls ESG risks and opportunities and can continue to grow in five or 10 years?” and manage the portfolio by examining its constituent companies from a long term perspective. In our investment process, in addition to ESG specialists, ESG investment managers and investment teams including portfolio managers are partially responsible for ESG assessments. When selecting or trading stocks, our portfolio managers make investment decisions after both referencing a variety of ESG data and information within the company as well as holding internal discussions.

Each investment manager controls the ESG risks and opportunities in the portfolio based on the ESG integration policy of the fund for which they are responsible. For example, when selecting a stock, we check the carbon footprint of the company in question and always strive to keep the carbon footprint of the portfolio lower than the benchmark. In fact, there have been cases where we have chosen to invest in a different company in the same industry with the same investment grade, if that other company is actively working towards net zero. Moreover, in addition to improving our ESG governance score, we also sometimes evaluate the provision of sporting goods to promote people’s health and a company’s stance on building an ecosystem centered on health promotion as ESG opportunities, and increase the weight of that stock in the portfolio.

Coordination with engagement activities is also an important element of ESG integration. The reaction of top management during engagement meetings and the status of milestone achievements are also important signals for managers evaluating “opportunities.” Therefore, many of our investment managers attend meetings with top executives, where they discuss ESG issues. By accumulating more experience and case studies of gathering information to make proper decisions on ESG-related risks and opportunities, performing ESG evaluations of individual companies, managing portfolios, and carrying out engagement, we are able to select strong companies that can continuously grow amid the rapid changes in society for our customers.

Portfolio Manager’s ESG Viewpoint

Business risks and opportunities	Current and future segment mix	Assessment of M&A strategy
Geographic risks and opportunities	Status of production and sales in regions with enhanced regulations	Changes in the supply chain structure
Growth of environmental/social solutions businesses	Profitability of environmental/social solutions businesses Current customer and market development strategy	Growth targets Assessment of R&D
ESG track record	Environmental performance (CO_2 emissions, stranded asset exposure, eco-friendly procurement ratio, etc.) Social performance (employee turnover rate, diversity, safety indicators, actions on human rights, etc.) Governance (governance structure, compensation, misconduct/scandals, etc.)	

ESG Scores for Japanese Equities

At Nomura Asset Management, our analysts and ESG specialists collaborate to compute proprietary ESG scores which represent Japanese companies' true ESG abilities. ESG and other non-financial information are extremely important in predicting corporate value based on future cash flows. Researching, analyzing, and then scoring a portfolio company's non-financial information makes it possible to measure corporate value while taking ESG into account, and we believe doing so leads to higher added value of our investments.

ESG Score Content

The following is an overview of ESG scoring. The assessment comprises four items each with a weighting of 25%. These four items are Environment, Social, Governance, and SDGs. There are a total of approximately 100 evaluation items, with a good balance between risks and opportunities. In terms of opportunities, we evaluate items including management's vision and commitment with respect to ESG issues (ability to explain, plan, and execute initiatives, as well as past achievements), along with the future growth potential of companies that contribute to the achievement of SDGs, as well as the management resources that contribute to this. Meanwhile, for risks, our evaluations emphasize items that can be quantitatively analyzed, such as whether or not a company has provided disclosure and/or obtained certification, as well as the data disclosed and trends for such data. Furthermore, in order to take unique sector characteristics and other factors into consideration, we use materiality to reflect the differences in the unique characteristics of each sector into our evaluations.

For "Environment," we look at whether a company is managing transition risks and physical risks related to climate change and incorporating such risks into its business strategy. We also look at whether the company's management has expressed a commitment to the environment. With respect to matters such as the TCFD, we analyze and evaluate based on a company's integrated report and materials posted on its website. With respect to evaluating natural capital and other environmental assessments, we evaluate items such as those related to waste management, conservation of river and marine resources, and biodiversity (including preventing marine pollution).

For "Social" factors, our evaluation is divided into looking at a company's internal and external risks as well as measures to address such risks. The former includes assessments such as those related to employees' human rights and the utilization of human capital, while the latter relates to the issues surrounding the quality of products and services as well as supply chain management. Recently, much attention around the world has been given to human rights initiatives. For Japanese companies in particular, we emphasize the evaluation of supply chain management at business sites both in Japan and overseas.

In "Governance," we evaluate multiple items to make sure that companies have put appropriate structures/systems in place, such as the composition of the board, outside director independence, and whether nomination and compensation committees have been established. Meanwhile, we also evaluate qualitative issues such as dialogue with top management and successor planning. The unique strengths of our corporate analysts, who have been studying and analyzing companies extensively for many years, are reflected in our evaluations. In "SDGs", we proactively evaluate a company's stance vis-à-vis working on future opportunities. We evaluate whether a company considers solutions to SDG issues as business opportunities and appropriately incorporates them into its business strategies. In doing so, rather than simply looking at whether or not a company has businesses that enable it to contribute to the achievement of each goal, we conduct extensive research and forecast future sales mixes capable of contributing to SDGs goals, and look at whether or not a company has excellent human and technological resources to differentiate itself from industry peers.

To determine ESG scores, corporate analysts who have frequent contact with companies and know the companies they cover inside and out collaborate with ESG specialists who analyze ESG from a cross-industry perspective. They work together, identifying items where one or the other possess particular expertise. Ultimately, the Responsible Investment Department is responsible for the final scores, which are then shared with the related departments.

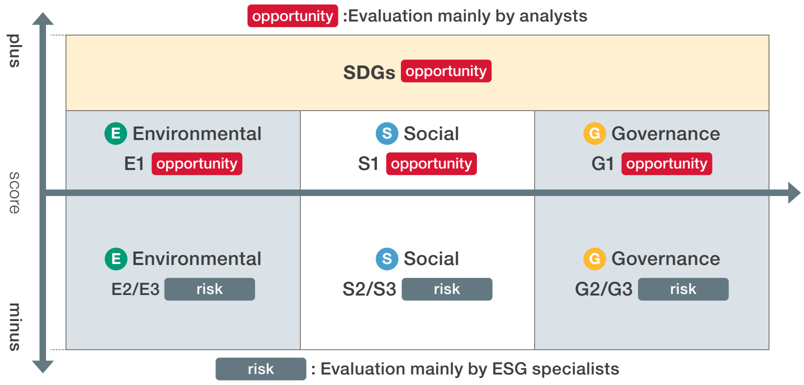
ESG Score Revisions

Since our portfolio companies are improving their ESG-related disclosures and their actual initiatives, we revise the ESG scores for Japanese equities on a regular basis, thereby raising the effectiveness of company evaluations using ESG scores. In the 2021 revisions, we started financial analyses using carbon pricing, and in the 2022 revision we included the amount of GHG absorption (the total of GHG removals, avoided emissions, and offsets using carbon credits) in the evaluation. Furthermore, in the 2023 revision, we are taking it a step further by estimating the economic value of the GHG removals and avoided emissions, and reflecting this in the climate change assessment. In addition, we are reviewing some of the other environmental, social, and governance evaluation items, taking into consideration changes in regulations, etc., based on the current situation of Japanese companies attained through engagement and proxy voting.

New ESG Scoring Framework

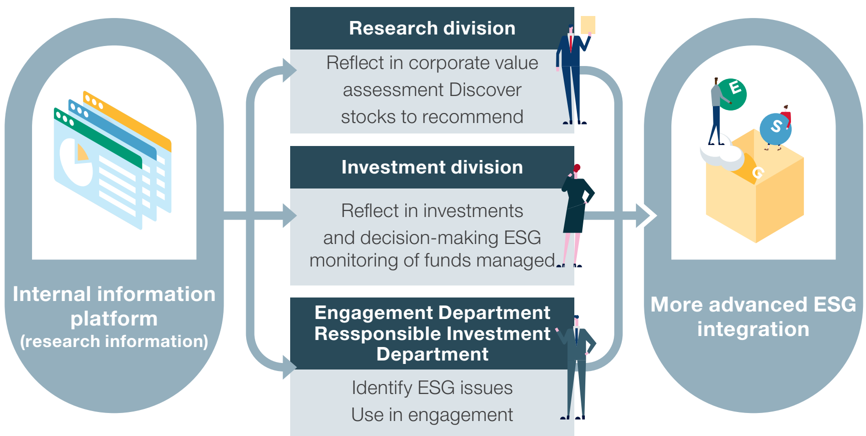
Main category	Sub-category		Sub-items
E Environmental 25% of total	E1: Environmental strategy, senior management's initiatives	opportunity	Evaluate individual subitems in line with the theme of the larger grouping Reflect importance (materiality) in score, taking industry characteristics into account for each company.
	E2: climate change	risk	
	E3: Natural capital, other environmental issues	risk	
S Social 25% of total	S1: Social strategy, senior management's initiatives	opportunity	
	S2: Working environment, human capital	risk	
	S3: Human rights, other social issues	risk	
G Governance 25% of total	G1: Top management (evaluation of senior management)	opportunity	
	G2: Evaluation of board of directors	risk	
	G3: Other governance items	risk	
SDGs 25% of total		opportunity	

Note: Sub-items are individually evaluated in accordance with sub-category themes. Importance (materiality) is reflected in scores, taking into account the specific characteristics of the industry for each company.



Utilizing ESG Scores

ESG scores generated by quantification of non-financial information are used not only for investment decisions and new product development in investment portfolios, but also for client reporting and our ESG investment management.



Utilizing ESG score data in engagement

ESG scores are determined not only based on disclosed data but also using information on future risks and opportunities. By using this ESG score, we can compare the strengths and weaknesses of portfolio companies' ESG efforts, and use the scores in engagement such as discussing future course of action.

Utilizing ESG score data in investment activity

ESG scores are posted on an internal research-sharing system. The materials used by investment committees and others to evaluate investment value for individual companies contain usual financial indicators as well as ESG scores and ESG comments by the analysts in charge. These scores are actively utilized in making investment decisions.

Utilizing ESG scores in portfolio construction and monitoring

When building and reviewing portfolios, we check scores for individual companies, use them to make comparisons with industry peers and see how a company's score has changed, as well as to check the ESG quality of the portfolio. Investment managers can also use the items comprising the ESG scores of individual companies as a standalone data. Additionally, by regularly comparing the portfolio's overall ESG score to the benchmark, they can use ESG scores to check ESG risk bias and other factors.

IMPACT INVESTING

What is impact investing?

At Nomura Asset Management, we believe that impact investing is not limited to simply having an impact on the environment or society. We feel it is important for our impact to generate earnings and cash °ows, which will ultimately be returned to asset owners and other stakeholders. In carrying out impact investing, we extensively analyze the impact that a portfolio company has on the environment and society, as well as the portfolio company's earnings/cash °ows generated. At the same time, we engage with the portfolio company to help it set KPI and targets that generate impact, as well as proactively support business activities aimed at achieving them.

Impact investment is generally deÿned as investment that aims to create environmental and/or social impact and an economic return on investment at the same time. As opposed to the conventional two-dimensional evaluation of risk and return, impact investment requires the advanced skill of three-dimensional evaluation covering risk, return and impact. Impact investing is deÿned as one category of ESG investment and sustainable investment given the fact that it is expected to bring about environmental and social improvements.

The United Nations SDGs are often used as a framework for impact investing. Adopted by the United Nations in 2015, the SDGs set forth 17 goals and 169 targets. The SDGs indicate the enormous needs of the global market and effective risk management methods that lead to returns on investments in portfolio companies, and are viewed as useful indicators for measuring the impact on the environment and society.

Proactive impact investing and accompanying engagement activities create outputs and outcomes from the business activities of portfolio companies, generate impact on the environment and society related to SDGs, etc., and return both economic value and social value to asset owners and other stakeholders.

Our Impact Investment Process

Our ESG Statement is the starting point for our approach to impact investing.

The statement identifies issues such as climate change, natural capital, and social responsibility (human rights, diversity, equity, inclusion and belonging, as well as value creation to realize well-being within society) as important topics.

Through internal discussions on the above, we have set impact goals which we aim to achieve through our impact investment. These goals target urgent issues facing the world including climate change, natural capital depletion, access to healthcare, and social responsibility (for example, access to financial services and to drinking water). We then establish indicators (KPI) to measure the degree of improvement for each established impact goal. For example, for the impact goal "Eliminate Communicable Disease," we can evaluate the global progress by monitoring indicators such as mortality rates for HIV, tuberculosis, malaria, and other illnesses published by World Health Organization (WHO). Additionally, we specify further segmented areas of investment linked to these indicators, and then select companies in which to invest in that area. Companies included in the investment universe are linked with the 17 goals of the SDGs, and more detailed CPIs (Company Performance Indicators) are then set. Carrying out detailed and continuous monitoring of the established CPIs allows us to not only appraise each company's impact, but also measure the extent of the improvement of the overall portfolio and the impact itself.

Moreover, we are encouraging efforts to address issues by engaging with portfolio companies based on what we learn from monitoring. By repeating this process, we will be able to continue to generate impact that addresses social issues while also pursuing economic returns.

Our impact investment fund is constructed based on the so-called "outside-in" concept, whereby these kinds of social issues are applied to portfolio companies, and this concept is shared within our domestic and overseas impact investment strategies. In addition, we believe that publicly disclosing these initiatives in our Impact Report and sharing them with our stakeholders is essential in order to generate impact and address social issues.

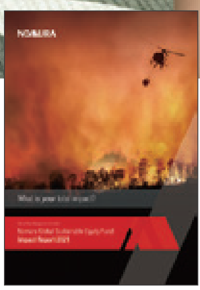
Examples: Environment	Examples: Society	Social issues that should be solved
Goal: Mitigate climate change Indicator: Atmospheric CO_2 level	Goal: Mitigate the Obesity Epidemic/ Eliminate Communicable Disease Indicator: WHO's mortality rate for illnesses and communicable diseases	Establish impact goals and monitoring indicators (KPI)
■ Renewable energy developers ■ Manufacturers possessing technologies ■ EV/OEM manufacturers ■ Highly-efficient office building construction and management	■ Medicine-related businesses ■ Companies related to the healthcare value chain	Identify investment field Select/ Define portfolio companies
SDGs 7.2: Increase global percentage of renewable energy SDGs 7.3: Double the improvement in energy efficiency	SDGs 3.3: End the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat other communicable diseases SDGs 3.4: Reduce premature mortality from noncommunicable diseases through prevention and treatment	Identify SDGs topics
■ Secure clean energy ■ Carbon emissions reductions	■ Status of development and widespread use of drugs combatting the three main communicable diseases ■ Increase in R&D spending	Establish CPI for individual companies
Continuous dialogue utilizing monitoring indicators and KPI	Continuous dialogue utilizing monitoring indicators and KPI	Engagement with portfolio companies

GSE IMPACT INVESTING

GLOBAL SUSTAINABLE EQUITY STRATEGY (GSE)

Nomura Asset Management's UK Office manages the Equity Strategy Nomura Global Sustainable Equity Fund based on the concept of impact investing. This fund not only encourages companies to tackle the key challenges facing the world today, but also imparts social impact on a variety stakeholders by encouraging them to address the sustainability of their businesses. The key is establishing impact goals and measuring their impact.

We believe we can create a high degree of social impact by establishing monitoring indicators related to impact goals (KPIs) and by monitoring both these and CPIs (Company Performance Indicators) of individual companies tied to the actual portfolio. Also, we support actions that generate impact through actual engagement with portfolio companies, centered on the details of the monitoring of individual companies' CPIs. The investment team pays close attention to what kinds of changes in actual corporate activities these engagements have caused, and what kind of impacts those changes have actually had on our society. We believe that engagement by investment managers with portfolio companies in various ways through CPI monitoring is an important process towards achieving the impact goals we have established.



Global Sustainable Equity Fund Impact Report 2021

Meanwhile, due to the growth of sustainable investing, it has become challenging to understand the outcomes achieved through investment. To better understand these outcomes going forward, we believe that “impact awareness” will be important. Impact awareness is defined as understanding both the impact that a company has on stakeholders through its products and services (or the business of the company as a whole) and the impact that asset management firms have on a company through engagement activities (dialogue with companies). We believe that asset management firms have an important role to play in first fully understanding efforts on both fronts, and then communicating these efforts to investors in an easy-to-understand manner. To help with this, we publish an Impact Report about our initiatives under this strategy and share this report with our stakeholders.

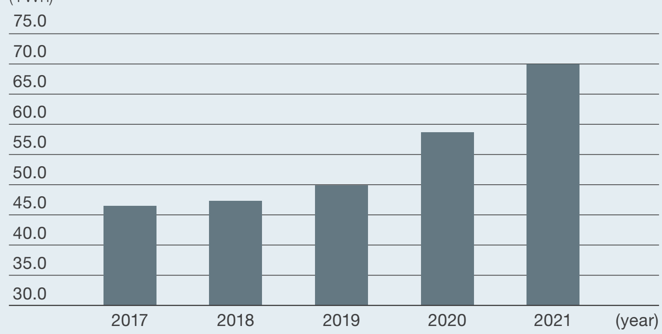
We believe that we will be able to reach our impact goals by working with multiple stakeholders to solve and share the many challenges facing society.

Impact Goal	%	Count
Mitigate Climate Change	33%	20
Eliminate Communicable Disease	7%	4
Global Access to Clean Drinking Water	8%	5
Mitigate Natural Capital Depletion	13%	8
Global Access to Basic Financial Services	3%	2
Mitigate the Obesity Epidemic	3%	2
Other Sustainability	32%	19
Total		**60**

GSE individual company’s CPI

Investment Perspective	Headquartered in the US, this is the world’s largest wind power generation company. It is also expanding its solar power generation business, and renewable energy alone accounts for more than 30% of its power generation. Including nuclear power, more than 50% of the electricity it generates is carbon free.
Alignment with SDGs	Contributes to GHG emission reductions through ongoing investment in clean energy
Individual company’s CPI	Clean energy and carbon-free power generation
Impact	Supplied 70TWh of clean energy

Annual clean energy generation



(Source): Prepared by Nomura Asset Management based on data from the company’s website

The Global Sustainable Equity Fund Investee Company Impact

The Global Sustainable Equity strategy’s portfolio companies have achieved the following environmental and social impacts through their business activities (FY2021).

Environment

Mitigate Climate Change

Energy generation output by wind power generation equipment

Supplied 70TWh of renewable energy

Contributed to 351.1 million tons of CO_2 emission reductions through the provision of services to customers

Mitigate Natural Capital Depletion

Reduced the use of 185,000 tons of raw material consumption

Eliminate Communicable Disease/ Mitigate the Obesity Epidemic

Provided obesity-related treatment (heart disease, diabetes) to 106.6 million patients in 2021

Society

Financial inclusion (support that includes providing access to financial services)

28.3 million people in Kenya are using mobile payments

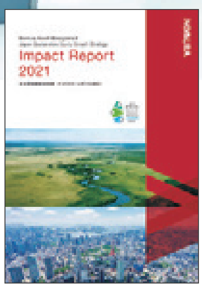
JSEG IMPACT INVESTING

JAPAN SUSTAINABLE EQUITY GROWTH STRATEGY (JSEG)

Right Portfolio Manager **Shintaro Harada**

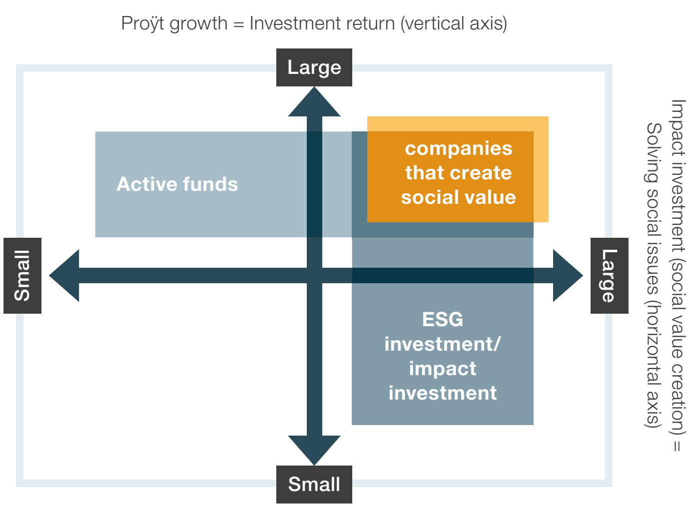
Middle Main Portfolio Manager **Jun Takahashi**

Left Portfolio Manager **Kodai Sasaki**



JSEG Impact Report 2021

Concept of “Japan Sustainable Equity Strategy” investment



We began managing this strategy in 2016 based on the philosophy of companies addressing social issues through their core businesses. In the 2010s, a wide range of stakeholders started to become aware of the need for sustainability with respect to the environment and society.

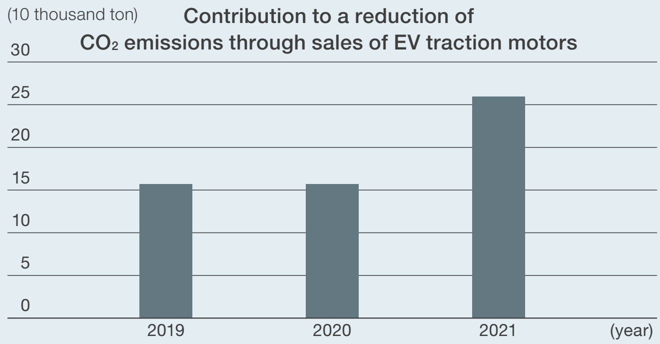
While the global turmoil spurred by the 2020 COVID-19 pandemic is settling down and society is adjusting as the disease becomes endemic, other disruptions arising from geopolitical risks are expected to continue for a prolonged period. Therefore it is important not only to pay attention to various social issues caused by such turmoil, but also to take immediate action to address those social issues.

As a part of this, “impact investing” is attracting attention as an investment method that addresses the environmental and social problems that we face. This is an investment method that, in asset management products, in addition to earning the usual investment returns, seeks to solve issues in society through the long-term holding of shares of companies engaged in business activities with an eye towards addressing social issues.

Because ESG issues involve many topics to be addressed over the medium- to long-term, we believe that investing in companies on the premise of long-term ownership will allow us to make investments that seek both excess returns and aim to address ESG issues. Utilizing NAM’s proprietary ESG scoring, this strategy invests in companies that, in addition to passing our fundamentals evaluation, we view as being able to create social value to contribute to achieving the SDGs. On top of the two dimensions of risk and return used in conventional equity investment, we are able to add a third dimension of impact creation (addressing social issues) to our evaluation process. Furthermore, we believe that sharing portfolio companies’ outcomes and broad and cumulative impacts is an essential process expected by investors looking for us to address social issues. Going forward, we want to help build a prosperous society by addressing social issues through impact investing.

JSEG individual company’s CPI

Investment Perspective	Supplies a variety of efÿcient motors, as motor drives account for a large amount of electric power consumption. Allows the company to solve social issues like increasing energy efÿciency and increasing the use of EVs while at the same time also growing proÿts by expanding motor sales.
Alignment with SDGs	Helping to increase the rate of improvement of energy efÿciency throughout the entire world and contributing to the increased use of electric vehicles which emit zero greenhouse gases during operation
Individual company’s CPI	Number of sales of efÿcient motors, EV motors
Impact	Reduced CO_2 emissions by 259,000 tons with EV traction motor systems



(Source): Prepared by Nomura Asset Management based on data from the company’s website

Impact from JSEG Portfolio Companies

JSEG portfolio companies have achieved the following environmental and social impacts through their business activities (FY2021)

Environment

Mitigate Climate Change

Contributed to the reduction of **33.23 million tons** of CO_2 by selling products with strong environmental performance

Sold approximately **226,000 EV** traction motors, which strongly curb greenhouse gas emissions

Mitigate Natural Capital Depletion

Procured **254,000m³** of ecosystem-friendly certified lumber

The resource recycling business handled **6.34 million tons** of materials for metals, including collection and processing of renewable materials from discarded vehicles as well as scrap metal in the market and from factories

Society

Eliminate Communicable Disease

Provided **30 million tablets** of antifilarial medicine for neglected tropical diseases to **12 million people**

Invested **¥383.8 billion** in R&D costs to promote development of new drugs

Improving Living Standards

Used disinfectant to provide drinking water for **760 thousand people**

Maintaining Social Infrastructure and Improving Productivity

Provided intermediary services to **453** small- and medium-sized enterprises facing business succession problems due to the aging of executives and other issues, thereby helping to avoid **¥349.3 billion** in economic losses.

ASE /IMPACT INVESTING

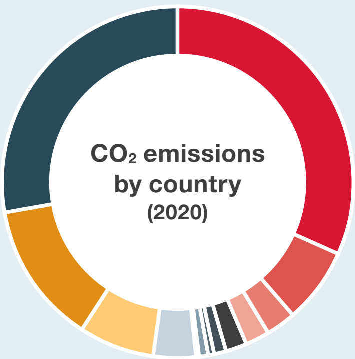
ASIA SUSTAINABLE EQUITY STRATEGY (ASE)

In April 2022, NAM's Singapore office began managing the Asia Sustainable Equity Strategy based on our impact investing philosophy. This fund invests in companies, primarily those in Asia, that have an overall positive impact.

Approximately one-half of the world's population lives in Asia, and Asia is both an important manufacturing hub as well as an indispensable region in global supply chains.

As ESG investing and impact investing receive attention globally, focusing on companies' activities to solve social problems in Asia, where growth is expected going forward, represents an important investment opportunity. In addition, we believe that this will generate positive impact over the long term, and thereby contribute significantly to solving social challenges.

In addition, the impact goals for portfolio companies in order to achieve the goal of solving such social issues are tied to the Sustainable Development Goals (SDGs).



China	32%
India	7%
Japan	3%
South Korea	2%
Indonesia	2%
Australia	1.1%
Thailand	0.7%
Malaysia	0.7%
Singapore	0.2%
New Zealand	0.1%
Rest of APAC	4%
EU	7%
US	13%
Row	28%

(Source): Prepared by Nomura Asset Management based on data from The EDGAR (Emissions Database for Global Atmospheric Research) by European Commission Joint Research Centre

Impact by Asia Sustainable Equity Strategy (ASE) portfolio companies

Environment

Mitigate Climate Change

Contributed to the reduction of **54.96 million tons** of CO_2 by selling products with strong environmental performance

Sold approximately **3 million** EVs, which strongly curb greenhouse gas emissions

Energy generation output by Wind power and Solar power generation equipments
Supplied **142GWh** of renewable energy

Mitigate Natural Capital Depletion

Contributed to the recycling of **97 million tons** of water through water treatment facilities (anaerobic treatment, sedimentation treatment, disinfection, etc.)

ESG Investing in Asia and ASE’s Approach

To achieve our sustainable investment goals, our impact investing approach involves making investments in sustainable companies that contribute to, or are deemed to contribute to, addressing social or environmental problems. We focus on maximizing the impact on all stakeholders (the environment, customers, suppliers, employees, society and investors) when making investment decisions. The positive impact of a company is relevant to a wide range of stakeholders and has both ÿnancial and non-ÿnancial dimensions. We are conÿdent that we can achieve our impact goals by collaborating with multiple stakeholders to address the many challenges facing society.

Given the fact that Asia is a manufacturing hub and a key region in global supply chains, social issues related to the environment are a top priority sustainability theme for the region. For example, China alone accounts for one-third of global greenhouse gas emissions. At the same time, it means that there are many areas where we can contribute to addressing social issues while also capturing new business opportunities, such as the expansion of renewable energy and water treatment initiatives.

In addition, as Asia is home to nearly half of the world’s population, social responsibility, which is one of our impact goals, is also an important theme in achieving well-being in our society. Companies that adopt best practices and focus on improving social issues in areas such as providing a comfortable working environment, improving labor practices, promoting diversity and inclusion, and respecting human rights deliver positive changes that help address social issues and also represent important investment opportunities. The reality is that around 1.4 billion adults worldwide are still unbanked, and a signiÿcant proportion of the unbanked population resides in Asia, making ÿnancial inclusion (access to basic ÿnancial services) one of the key impact goals for us to achieve. In order to improve ÿnancial access for the unbanked, it is necessary to build platforms such as micro-lending and mobile banking (providing ÿnancial services such as small loans and savings at brick-and-mortar locations or online), and upgrade the infrastructure to enable comprehensive ÿnancial services, and we believe that there is signiÿcant room for growth for companies aiming to solve social issues in this area.

However, ESG initiatives by companies in Asia (excluding Japan), including the disclosure of related information and the details of the initiatives themselves, are inadequate compared to those in developed countries, and the level varies greatly depending on the country and company. Given the diversity of the Asian market, our Singapore oÿce employs a country-speciÿc approach to portfolio management using country specialists, enabling us to conduct detailed and differentiated analysis of ESG factors and portfolio stocks. To incorporate these stocks into their portfolios, our country specialists conduct research focusing on their respective areas of expertise, based on an understanding of country-speciÿc dynamics, including ESG issues. We believe that a country-centric, bottom-up approach to research and investment, combined with our ongoing engagement with companies, will help raise ESG awareness and responsibility among Asian companies. We conducted 19 engagements with this strategy’s portfolio companies over the course of the year.

Asia Sustainable Equity Strategy (ASE) portfolio companies provide impact through their business activities on environmental and social issues as discussed below. (2021)

Society

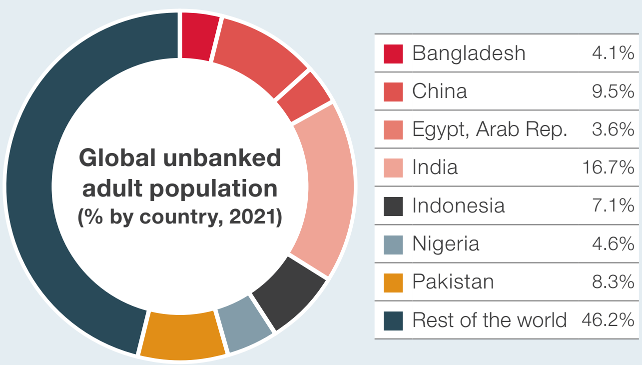
Eliminate Communicable Disease/ Mitigate the Obesity Epidemic

Invested US$16 billion in R&D aimed at developing new drugs and bolstering existing drugs

Mitigate Natural Capital Depletion

Provided US$35 billion to small- and medium-sized companies

Provided US$1.4 billion in home loans to low-income households



(Source): Prepared by Nomura Asset Management based on data from Global Findex database

Fixed Income Integration

Portfolio alignment metrics for credit investment in the transition to net-zero emissions

A comprehensive approach towards a future in which climate investments are aligned with the Paris Agreement

In recent years, bond investors have been taking climate and carbon risks into consideration much more than before. However, traditional approaches to integrating GHG emissions data are facing limitations. Not only must integration effectively identify risks arising in the transition to a low-carbon society, it must evolve to enable cooperation with bond issuers in terms of allocation of capital and other matters.

While divesting from high-carbon-emitting sectors theoretically increases the funding costs of such companies, it reduces exposure to carbon emissions in investment portfolios. In practice, however, divesting or excluding such sectors from the investment universe simply shifts ownership of those GHG emissions from one investor to another, and divesting investors also lose the right to engage with issuers in such industries.

A carbon emissions footprint analysis helps in quantifying and managing the carbon risk of a portfolio. However historical emissions data on its own is a backwards-looking indicator. Investors relying on GHG emissions alone will miss transition opportunities in issuers with credible decarbonization plans. Low-carbon investment strategies can offer "virtual" portfolio decarbonization, but cannot indicate the extent to which investments are actually aligned to 1.5°C or Well Below 2°C scenarios.

The innovative nature of net-zero portfolio alignment metrics in fixed income investment

At NAM, we believe highly-granular, comprehensive, and forward-looking metrics are necessary to align credit portfolios with the actual climate change targets sought by the Paris Agreement. Recently, new methodologies for investors to more accurately assess a company's decarbonization prospects, the Implied Temperature Rise (ITR[*1]) and the Net Zero Alignment, have been devised.

The ITR model aggregates a large amount of data related to climate change disclosed by companies and converts the data into a metric shown as a temperature score in units of temperature, thereby making it easier to intuitively understand how well aligned companies are with the climate targets of the Paris Agreement. With the ITR model, various settings can give different results, but standardization of the model analysis is expected to improve the results. With data demonstrating alignment with net-zero targets and ITR models, investors can obtain a more comprehensive framework and data. In addition, investors can both incorporate these in conventional corporate analyses in a consistent manner, as well as use them to make capital allocation decisions that do not conflict with climate targets aligned with the real world. In this way, compared to prior GHG emissions, the measure of the ambition and credibility of a company's net-zero plan becomes a forward-looking indicator of investment appeal. It is also a beneficial theme for investors to incorporate into engagement activities targeting issuers.

The concept of net-zero alignment is based on science-based, time-bound pathways to reduce the net increase in global GHG emissions to zero. In order to make these pathways, which aim to reduce emissions on a global scale, comprehensively aligned with the Paris Agreement target of limiting global warming to well below 2°C, and preferably to 1.5°C by 2050, individual carbon emissions targets at the country, industrial sector and company level are integrated into the pathways. Initiatives like SBTi[*2] provide a scientifically rigorous verification of companies' net-zero goals. Current carbon emissions trajectories and ambitious net-zero commitments can be compared to a company's sectoral carbon budget[*3], tracked over time, and measured against industry peers. Directly comparing the results to the Paris Agreement targets leads to more intuitive and refined assessments of the level of alignment of a company's net-zero targets.

*1 A tool that converts current and future GHG emissions from companies into estimates of global temperature rise considering each company's emissions reduction targets.
*2 An initiative that encourages companies to set reduction targets aligned with scientific knowledge, with the goal of limiting the increase in global average temperature due to climate change to 1.5°C above pre-industrial levels.
*3 The upper limit of cumulative GHG emissions (past emissions + future emissions) if seeking to limit temperature rise to a certain level.

From concept to a megatrend that can be invested in

In addition to scope 1, 2 and 3 GHG emissions data, a key piece of information for assessing climate alignment is an issuer's commitment and plan to achieve net zero. Policymakers, bond issuers and investors have made net-zero commitments a central imperative for setting, managing and tracking progress towards GHG reduction targets. This has led to an exponential increase in planning and target-setting to reach net-zero since the Paris Agreement was signed in 2015. At the end of 2022, over 160 countries representing 91% of global GHG emissions and over 4,000 companies accounting for more than one-third of global stock market capitalization have either submitted or committed to net-zero targets. In addition, more than 300 global investors, including NAM, are participating in the Net Zero Asset Managers initiative (NZAM), which supports investments consistent with net-zero emissions by 2050. Together, these investors manage assets totaling US$59 trillion.

However, the Emissions Gap Report 2022 published by the United Nations Environment Program (UNEP) states that even with the most recent commitments to net-zero targets, temperatures will rise by 2.4°C to 2.6°C by 2100. This is a temperature rise that far exceeds the Paris target of limiting the worst impacts of climate change. Credit investors like us are being asked to meet this challenge by allocating capital to bond issuers with net-zero targets and plans aligned with the Paris Agreement.

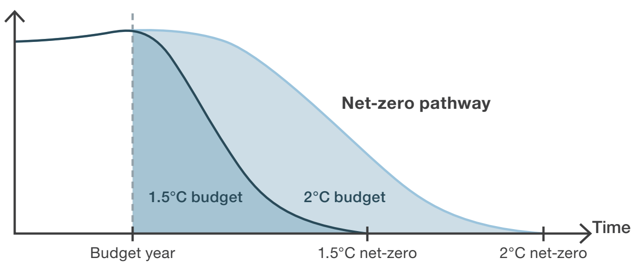
Investment Department,
Head of Sustainable Investment, Fixed Income
Jason Mortimer

Achieving Net-Zero

In order to limit the rise in temperature, cumulative GHG emissions must be kept below an upper limit referred to as the "carbon budget."

Need for net-zero GHG emissions by 2050

Carbon emissions for each temperature scenario

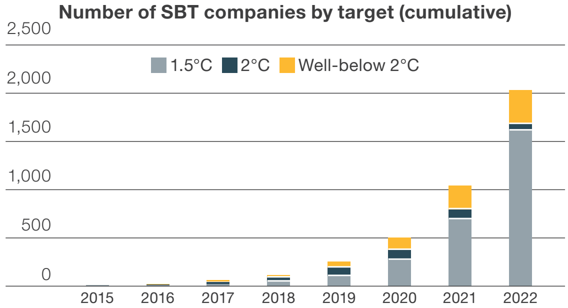


(Source) Prepared by Nomura Asset Management based on the SBT Progress Report

Efforts to Achieve Targets

A growing movement to incorporate decarbonization into company management and further promotion of decarbonization through investment in such companies.

Number of SBT companies by target (cumulative)



Global Net-Zero Bond Product

Our Global Net Zero Bond Product employs an ESG investment strategy with a particular focus on climate change mitigation among all of the environmental areas. We select and invest in bonds based on considerations of our own in-house fixed income ESG score and from the perspective of net-zero (efforts to achieve net-zero GHG emissions by balancing the amount of GHGs emitted into the atmosphere and the amount of GHGs removed from the atmosphere, effectively resulting in zero GHG emissions).

For this product, as a part of impact investing we emphasize generating impacts that will result in the resolution of social issues and the monitoring and disclosure of these impacts. Specifically, we utilize a "temperature score" which is a monitoring metric that includes the efforts by issuers to contribute to achieving the global common goal by 2050 stipulated in the Paris Agreement, which is to work to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

The "temperature score" we use in our fixed income ESG strategy is assessed based on the extent to which individual companies can achieve the emissions reductions required to achieve the targets set by the Paris Agreement. If the global average temperature rise in 2050 can be kept below 2°C above pre-industrial levels, the issuer's temperature score will be calculated as below 2°C. Under this strategy, investee bonds are selected so as to keep the average temperature score of the entire portfolio below 2°C. We believe that we can make an impact to mitigate climate change by providing the investment capital (through bond investing) necessary for companies to carry out business activities that contribute to mitigating climate change.

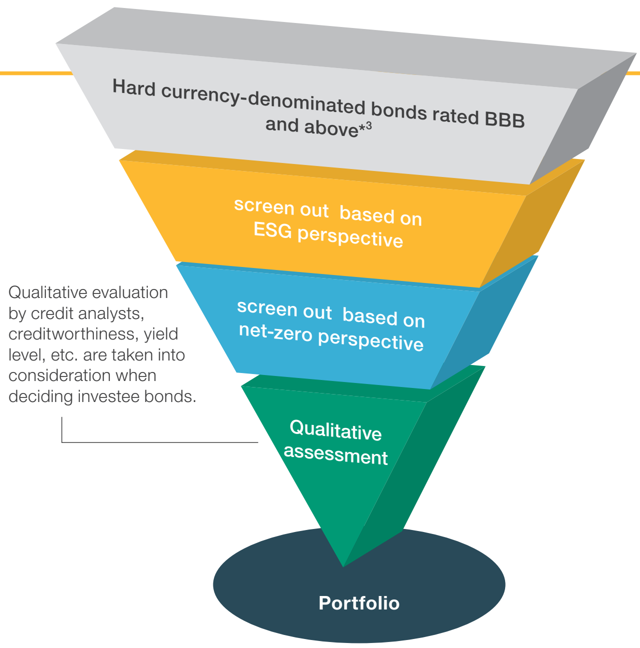
This product is being adopted as a strategy for investing in corporate bonds denominated in developed country currencies in NAM's ESG Balance Product.

Senior Portfolio Manager

Matsumoto Hiroshi

Investment Process

By investing in bonds, we seek to realize a net-zero society and mitigate climate change while pursuing investment returns. Aiming to keep the average temperature score of the portfolio below 2°C, we promote the realization of a net-zero society through investments in green bonds and companies transitioning to decarbonization, while we also seek sustainable asset growth by evaluating the investment attractiveness of individual bonds. We invest in bonds we select from among hard currency-denominated corporate bonds with a BBB or higher rating at the time of investment, taking net zero*1 and ESG*2 into consideration.



ESG score — From the perspective of fixed income investment, we aim to reduce downside risk by quantitatively calculating the ESG score of each issuer and excluding those issuers with comparatively low scores.

Net-zero perspective — We select bonds with a focus on climate change mitigation, invest in green bonds, etc., and companies that will decarbonize*4. We select bonds based on efforts to achieve net zero emissions by balancing GHG emissions and absorption.

ESG integration — We determine investee bonds based on consideration of factors including qualitative assessments including ESG initiatives, creditworthiness, and yield level.

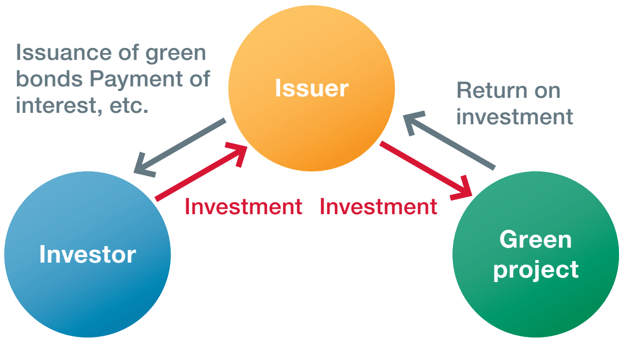
*1 Net-zero refers to efforts to have zero effective emissions by balancing GHG emissions and absorption.
*2 ESG stands for Environment, Social, and Corporate Governance.
*3 Rating at the time of investment
*4 This refers to companies that, even if they currently emit a large amount of carbon, have been evaluated by us as being companies that will make greater contributions to climate change in the future through efforts to reduce carbon emissions.

Portfolio Manager
Takeda Konoka

Portfolio Manager
Nakano Shuhei

Creating Impact through Green Bond Investment

Being able to invest in green bonds is an appealing aspect unique to fixed income investing. Three key characteristics of green bonds include that the use of proceeds is limited to green projects, the management of procured funds, and ensuring transparency through reporting after the bond issuance. As environmental issues attract attention as social problems, the issuance of green bonds has been increasing in many regions. Because the use of bond proceeds is limited to projects expected to benefit the environment, such as measures to counter global warming, investments in green bonds have a high affinity with impact investing. We believe that investing in green bonds allows us to make a significant contribution to solving social issues such as improving the environment. Under the Global Net Zero Bond Strategy, by actively investing in green bonds, we will promote efforts to curb GHG emissions through investment, and we can more directly create impact to address the global issue of mitigating climate change.



Public utility

As a public utility, this company focuses on wind power generation in the renewable energy ÿeld, especially offshore wind power generation, and is a leading company in this area. The company is expected to contribute to the reduction of GHGs by supplying renewable energy. In addition to aligning with the policy needs of European countries to move away from fossil fuels and advance renewable energy, this business is also attracting increasing attention from the perspective of the energy security issue in Europe.
In the past, the company used a lot of coal and oil, but in 2017 it announced that it would concentrate on the green energy business. It has continued to issue green bonds to develop and operate offshore wind power plants, thereby accelerating its supply of electricity from renewables.

Prepared by Nomura Asset Management based on data from the company's website

Example of reducing GHGs with green bonds

Example of green bond issued in 2017

Use of proceeds	Multiple offshore wind power projects
Amount issued	750 million euro (Approx. ¥106.7 billion)

Example
Hornsea 1
One of the largest offshore wind power plants in the world

Area
407km²
(approximately the size of 10 Tokyo Domes)

Replacing fossil fuels with wind power through investment in the project is estimated to reduce CO_2 emissions by 551,000 tons in 2021.

Global ESG Balance Product

Our Global ESG Balance Product engages in diversified investment in three assets: fixed income, equities, and REITs, and we integrate our own ESG methodology in the investment process for all three assets. We have developed our proprietry ESG score model specifically for fixed income, and use this score in our assessments of issuers. Our ESG developed countries corporate bond Product and ESG emerging country sovereign Bond Product, which both utilize this fixed income ESG score, are included in our ESG Balance Product's fixed income portion.

Utilization of fixed income ESG assessment

Developed country corporate bonds	Emerging country government bonds	Small-cap equities	REIT

Investment Highlights

The ÿxed income portion, which makes up half of the fund, 70% invested in USD-denominated corporate bonds issued by companies in developed countries and 30% invested in USD-denominated sovereign bonds issued by emerging countries. In each investment process, we exclude issuers that score in the bottom 30% based on the ESG scoring of the companies and countries in terms of their efforts to address environmental issues (negative screening). In addition to ÿnancial analysis and fundamentals analysis, we also conduct an ESG analysis, including on efforts to address environmental issues such as reducing GHGs and conserving water resources (ESG integration). By investing in bonds issued by companies and governments with high ESG assessments, we aim to generate stable investment returns from sustainable growth.

Developed countries …. U.S. dollar-denominated developed country corporate bonds rated BBB or higher

Evaluate companies from an ESG perspective

- Environmental score
- Climate change risk score

Remove bond issuers with scores in the bottom 30% from the investment universe

Emerging countries …. U.S. dollar-denominated emerging market government bonds rated B or higher

Evaluate countries and government-affiliated institutions from an ESG perspective

- Environmental score
- Policy continuity score

Remove bond issuers with scores in the bottom 30% from the investment universe

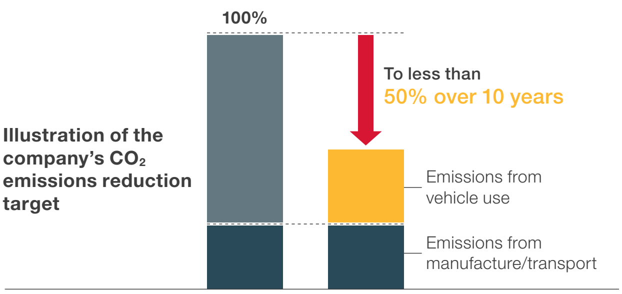
Portfolio construction

Example of Using ESG Evaluation in Developed Country Corporate Bonds

European Transportation Equipment Company

This company is an automaker that boasts high name recognition and a strong global brand. Starting with Germany, the company does business all over the world, including in European countries, North America, and Asia, and has solidiÿed its brand. The company is now actively working to address environmental issues, such as investing in electric vehicle technology and using clean energy in its manufacturing processes.

Vehicle exhaust gas regulations in Europe are stringent, and sales of gasoline-powered vehicles are expected to be banned in the future. Under these circumstances, the company is focusing on sales of electric vehicles as a decarbonization initiative, and has set a goal of selling only electric vehicles in the future. In addition, in the manufacturing process, the company identiÿes parts that emit a large amount of CO_2 and sets CO_2 emission standards for the selection of parts, and has achieved carbon neutrality (a balance between GHG emissions and sequestration) at its manufacturing plants by installing solar PV panels. Through these activities, the company has set a goal of reducing the amount of CO_2 emitted per vehicle 50% by 2030 compared to 2020. By gaining an advantage over its competitors through the rapid transformation of its business structure in response to environmental regulations, the company is expected to maintain and expand its market share and business base over the medium to long term.



The funds mentioned in this report are each registered for distribution only in certain countries. They are not intended for distribution to or use by any person or entity in any jurisdiction or country in which such distribution or use would be contrary to law or regulation.

ESG Emerging country sovereign Bonds Product

For our emerging market debt strategies, we invest in U.S. dollar denominated bonds issued by EM governments and state-owned enterprises.

When analyzing emerging markets, evaluating them from a broad perspective, such as their long-term environmental efforts and their political risks, leads to better identification of a country's potential risks and to reducing downside risks particular to investment in emerging markets, which is extremely important in improving long-term investment performance.

In this context, ESG evaluation is an absolutely essential element in considering downside risk of a sovereign issuer.

Traditional fundamental analysis and ESG evaluation complement one another, and we believe that integrating ESG evaluation into the traditional investment process reinforces our evaluation of an issuing country's creditworthiness.

For example, countries working to mitigate climate change will be viewed positively by investors, and can enjoy the benefits of being able to keep financing costs down over the medium to long term, while countries that are not making adequate efforts might suffer economic losses in the future, including running the risk of being subject to carbon taxes.

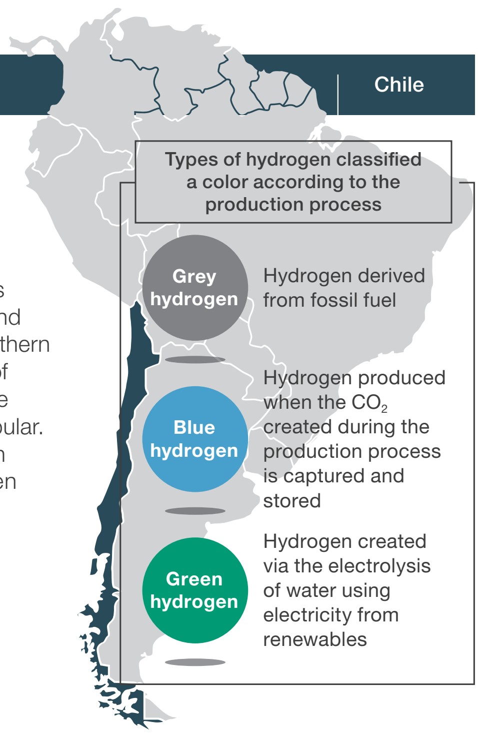
Taking ESG factors into consideration allows us to reflect issuing countries' potential risks into our credit evaluations.

Example of Using ESG Evaluation in Emerging Markets

Chile

The Republic of Chile is a country located along the Pacific Ocean coastline in South America. The country is long and narrow, oriented in a north-south direction, and contains both a desert region in the north and glaciers in the south, making it a country with large differences in climate depending on the region of the country. Because the country has a variety of climatic zones, it is working on renewable energy projects taking advantage of the unique climate and characteristics of each region. In recent years, the share of renewable energy such as solar power and wind power in the country's power supply mix has increased. For example, in the northern desert region of the country, solar PV generation takes advantage of the long hours of sunlight, while in the south, which is famous for its year-round strong winds due to the influence of the prevailing westerly winds, wind power generation becomes more popular.

Taking advantage of these strengths, the Republic of Chile announced a "Green Hydrogen National Strategy" in 2020 regarding initiatives related to green hydrogen generated from renewable energy and announced a number of goals, including: 1. Increase hydrogen electrolysis capacity to 5 gigawatts; 2. Establish the world's lowest cost green hydrogen production system by 2030 and; 3. Become one of the world's top three hydrogen exporters by 2040. We believe that environmental measures such as the development and diversification of new sources of electric power and the development of the green hydrogen business will contribute to improving the country's long-term creditworthiness.



Fixed Income Engagement

Our Fixed Income Group engages with issuers in our investable universe, and hold dialogues with a particular emphasis on perspectives unique to fixed income investment. Financing aiming to address climate change has high affinity with bond issuances, enabling fixed income investors to seize potential opportunities. However, bond investment requires the certainty of repayment at face value, hence a strong focus to manage downside risk is also necessary. Our Fixed Income Group's engagement focuses not only to capture future opportunities, but also to discuss potential risk factors that could have a particular serious impact on the creditworthiness of issuers, as well as on new downside risks such as cybersecurity risks.

Engagement with Sovereigns, Government agencies, and Supranational organizations.

Recently, we have been actively holding direct dialogues (engagements) not only with companies that issue corporate bonds, but also with sovereigns, government agencies, and supranational organizations.
In our engagement on green bonds and other labeled bonds, while considering the unique characteristics of each issuer, we compare frameworks, use of proceeds, and the impact etc. with similar issuers. We engage in constructive discussions with issuers based on our own research.
Our engagement not only encompasses Japanese government agencies, but also with other sovereigns and public institutions overseas.
One example is an engagement we carried out with a sovereign issuer in the Oceania region prior to its green bond issuance.
In our preliminary research, we compare factors such as the difference between green bond frameworks of sovereigns and the actual or expected use of the labeled bond proceeds etc. For green bonds, the relative impact on the environment etc., can vary greatly depending on the intentions of the project and actual allocation of proceeds.

Left Senior Credit Analyst **Toshihiko Suzuki**
Right Senior Portfolio Manager **Nanako Iwasaki**

For example, there are labeled bond issuances where green buildings (buildings with a low environmental impact) are aimed as the main use of the proceeds, while on the other hand, there may be issuances that fund large-scale projects which contributes to establishing a clean transportation system through the development of a new railway network system.

In our engagement, we take into account the regional characteristics of the issuer as well as the scale and impact of the funds being raised, and hold discussions with an emphasis on creating strong and lasting impacts which further advances the decarbonization of the economy.

In the fall of 2022, we conducted direct engagement with around 20 supra-nationals and government agencies that visited Japan. Because the missions and mandates of each issuer differ considerably, details of the dialogue varied among issuers, but we mainly discussed themes including governance quality, strategic coherency and potential impacts.

Also, in regards to cybersecurity risk which is a new downside risk factor, we had discussions upon the possibility of cybersecurity risks materializing, and their impact based on objective data, pointing out to the possibility that governance risk for the issuer may also be high in cases where the vulnerability of systems, etc. to cyberattacks are presumed to be high.

Many of the issuers recognized that the discussion upon these new type of risks was something they had not anticipated.

The reaction to the discussion was overall positive in many cases, and we carried out additional engagement with some of the issuers.

For our fixed income engagements, we will continue with a strong focus on identifying new downside risk factors, alongside existing risk factors.

Engagement with Transition Bond Issuers

In corporate credit investment, one of the important process is reflecting the issuer's efforts on ESG issues into the fundamentals evaluation. In particular, for companies where decarbonization is part of its materiality, consistency with the scale of investment and the financial strategy to achieving net-zero by 2050 and interim targets is an important point to monitor as a part of credit analysis. This is also one of the engagement themes that the fixed income group focuses on during its engagement with issuers.

When engaging with an issuer on their green bond issuance, the discussions are mainly upon the use of proceeds, which finances a wide range of environmentally-friendly projects, such as green buildings and solar projects etc. Albeit the fact that in some cases where the issuer's finance and ESG people are sitting at the same table, we tend to observe they often discuss ESG issues and financial strategy separately.

In contrast, the use of proceeds from transition bonds is generally limited to the issuer's medium- to long-term decarbonization investments. For this reason, during individual engagement prior to the bond issuance, ESG issues and financial strategies tend to be discussed in an integrated manner, and the details of these discussions is extremely useful in fundamentals analysis.

We also participate in tours of cutting edge facilities which aims to play a vital role in achieving the net-zero goals of transition bond issuer. By actually visiting facilities from the perspective of an ESG credit analyst, and having direct dialogues with on-site personnel, we are able to better understand and evaluate whether the issuers' transition efforts towards decarbonization are feasible. These types of communication with transition bond issuers, will enable us to properly incorporate a company's efforts to address ESG issues into our fundamentals evaluation, which is directly linked to our investment portfolio.

Japanese companies are leading the world when it comes to issuing transition bonds. As a global investor, our Fixed Income Group, including our overseas offices, holds individual meetings with overseas issuers regarding the need for transition and related initiatives.

In addition, diversification of financing methods is extremely important with Japanese companies expanding their overseas business operations.

In fact, we believe that the potential demand for transition bonds supporting decarbonization is extremely high overseas as well, and we believe there is also significant room for Japanese issuers to issue bonds overseas.

The growth of the transition bond market overseas will likely provide a major boost not only to Japanese companies but also to Asian companies building decarbonized economies.

These discussions through engagements by the Fixed Income Group is essential in the development and growth of the ESG bond market.

About transition bonds

Transition bonds are bonds that aim to support a gradual transition to a decarbonized economy. In order to achieve carbon neutrality, it is necessary to support not only green finance such as promotion of renewable energy, but also efforts by companies to reduce their GHG emissions in line with their long-term strategies. It is challenging for hard-to-abate industries to decarbonize in a single leap, thus supporting the transition to decarbonization is the key. Such efforts include for example, switching from heavy oil and coal to LNG and adopting highly-efficient combustion methods for LNG.
Engagement by investors is crucial in ensuring issuers take meaningful actions, and avoid them taking actions that look good on the surface.

Messages from the Responsible Investment Council

Akiko Kimura
Outside director
Appointed in 2016

"I expect Nomura Asset Management to play a role in solving ESG issues, undeterred by any headwinds."

Members of the Responsible Investment Council attend Responsible Investment Committee meetings, and when the Committee deliberates on proxy voting on general shareholders meeting proposals involving Nomura Group companies, they adhere to the "customers-first principle" and make decisions that are in the best interest of our clients. Recently, when it comes to portfolio companies' M&A-related proposals, conflicts of interest between large and minority shareholders are often the topic of deliberations. As transaction structures become increasingly complex, there are a growing number of cases requiring difficult judgments.

ESG has become an important theme in our engagement with portfolio companies and in proxy voting, and is significantly impacting conventional asset management thinking. The business objective of an asset management firm is to invest as efficiently as possible and provide the largest returns possible to investors, and this objective remains unchanged today. Currently, however, asset management firms are also taking on the role of urging their portfolio companies to increase their corporate value by addressing ESG issues. The sharp rise in energy prices since last year has become a headwind for addressing ESG issues. However, if companies continue to only pursue profits, they will destroy the natural environment, widen the gap between the rich and poor, and even threaten the earth's survival. In this context, we hope that Nomura Asset Management will be undeterred by such headwinds and continue to push forward with addressing ESG issues.

April 1973 Certified as an attorney (Dai-Ichi Tokyo Bar Association)
Joined Nishimura, Komatsu & Tomotsune (now Anderson Mori &Tomotsune)
January 1977 Partner, Nishimura, Komatsu & Tomotsune
June 1978 Harvard Law School (LL.M.)
January 2011 Of Counsel, Anderson Mori & Tomotsune (present post)
June 2015 Outside Director, Nomura Asset Manaagement Co., Ltd. (present post)

Member composition

The Responsible Investment Council comprises only the Chief Conflict Officer and persons in independent positions in Nomura Asset Management, including independent outside directors. Currently, the Responsible Investment Council has four members: one Chief Conflict Officer; two independent outside directors; and one outside expert.

Positioning

The Responsible Investment Council is positioned under the Audit and Supervisory Committee. As necessary, the Responsible Investment Council recommends improvements to the Executive Management Committee and/ or the Responsible Investment Committee, and reports such recommendations to the Board of Directors and the Audit and Supervisory Committee (Refer to "System to Manage Conflicts of Interest" on Page 62).

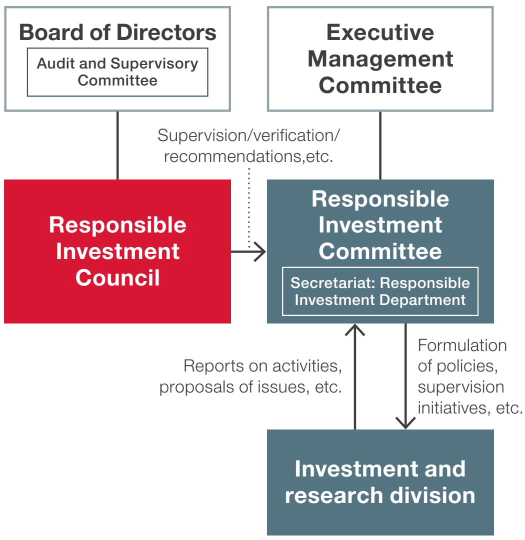
Meetings held

Since its establishment in September 2016, the Responsible Investment Council has met a total of 46 times through December 31, 2022. The Responsible Investment Committee is attended by the members of the Responsible Investment Council, who promptly provide their opinions.

About the Responsible Investment Council

The Responsible Investment Council verifies the appropriateness and validity of stewardship activities, including the formulation of proxy voting guidelines, proxy voting decisions, the formulation of engagement policies and engagement activities, thereby aiming to prevent adverse impacts on clients' interests due to conflicts of interest or other issues.

Organizational Structure for Responsible Investment



Main activities	
Dialogue with portfolio companies (engagement)	Integration into investment decisions (ESG integration)
Proxy voting	Collaborative/public activities

Ryoji Maeda
Outside director
Appointed in 2021

Yumiko Miwa
Outside director
Appointed in 2020

"I expect Nomura Asset Management to strengthen structures for executing stewardship activities."

This year marks my second year as a member of the Responsible Investment Council, and I attended the June Responsible Investment Committee meeting for the first time where we deliberated on general shareholders' meeting proposals. Our main responsibility is to manage conflicts of interest, and with respect to proposals involving Group affiliates, we confirmed that the Committee is appropriately identifying areas in which conflicts of interest could arise and making judgments rigorously in accordance with our proxy voting standards. In addition, the details of shareholder proposals related to environmental and social issues are becoming increasingly diverse, and we confirmed that the Committee's judgments are based on an understanding of portfolio companies' situations through engagement and other means, and are made following sufficient discussion. Regarding our proxy voting standards, which we revised in November 2022, key points of debate were the growing interest in gender diversity and efforts to address cross-shareholdings, and the standards were quickly revised after considering societal demands, the situation at portfolio companies, and other factors.

With increasing numbers of requests for companies to disclose sustainability information, it is important to further strengthen cooperation within the entire Research and Investment Unit in order to accurately grasp the situation of portfolio companies. I hope that further enhancing the structure for systematically carrying out stewardship activities, led by the Engagement Department, will result in a higher level of investment quality. In addition, I hope that as a company itself, Nomura Asset Management will work with the Sustainability Development Department established in April 2022 to address sustainability issues.

April 1977 Joined Sumitomo Life Insurance Company
April 2002 Executive Officer, CIO of Investment Headquarters, Sumitomo Life Investment Co.,Ltd.
December 2002 Operating officer, Sumitomo Mitsui Asset Management Co., Ltd.
June 2007 President and CEO, (Chairman of the company from April 2014) , Sumitomo Mitsui Asset Management Co., Ltd.
April 2018 Permanent Audit & Supervisory Board Member, Allianz Global Investors Japan Co., Ltd.
June 2021 Outside Director, Nomura Asset Management Co., Ltd.

"As a responsible investor, I expect Nomura Asset Management to become an industry leader for social change."

The Responsible Investment Council is tasked with managing conflicts of interest by verifying overall stewardship activities. Like other members, I attend every Responsible Investment Committee meetings regardless of whether or not a conflict of interest is being discussed. Nomura Asset Management established the Engagement Department in November 2021, and has been working to build an effective engagement system, including reviewing the desirable management style of portfolio companies in December 2021 and November 2022. At the Responsible Investment Committee, members of the Responsible Investment Council, including myself, actively express our opinions regarding reports from the Engagement Department, as we strive to carry out more effective engagement. I believe that both the Responsible Investment Committee and the Responsible Investment Council functioned in a highly-effective manner.

ESG has become increasingly important in investment decision-making and engagement. In recent years, in addition to climate change, environmental issues such as biodiversity and water resources, and social issues including diversity, human rights and well-being of society have become important themes. Companies are being urged to identify risks and business opportunities in these areas, and to go a step further by practicing sustainability management taking geopolitical risks into consideration.

Nomura Asset Management is proactively working on these kinds of ESG issues, including revising the key engagement themes in July 2022.

As a responsible investor, I would like to see Nomura Asset Management become an industry leader for social change.

April 1996 Full-time Assistant, School of Commerce, Meiji University (Assistant Professor from April 2000)
April 2002 Member, Fund Management Committee, Pension Fund Association for Local Government Officials
October 2005 Professor, School of Commerce, Meiji University (current)
April 2006 Visiting Professor, School of Business, University of Michigan
April 2020 Member, Fund Management Committee, National Federation of Mutual Aid Associations for Municipal Personnel (current)
June 2020 Outside Director, Eisai Co., Ltd. (current)
March 2022 Outside Director, Pigeon Corporation (current)

Results of Self-Evaluation of 2022 Stewardship Activities

We actively engaged in stewardship activities in order to encourage portfolio companies to increase their corporate value and promote sustainable growth, and to increase medium- to long-term investment returns for clients and beneficiaries.

To further enhance our activities, we performed a self-evaluation of our stewardship activities in 2022 (January to December), the results of which are in this section.

This self-evaluation corresponds to the self-evaluation required by Guideline 7-4 of the Japan Stewardship Code revision on March 24, 2020.

Self-Evaluation Methodology

We distributed a questionnaire mainly to members of the Responsible Investment Committee, the highest decision-making body for our stewardship activities, and held discussions based on the results of the questionnaire.

Members of the Responsible Investment Council, which monitors the Responsible Investment Committee, particularly with regards to matters related to conflicts of interest, also participated in the questionnaire and in subsequent discussions.

Questionnaire Overview

Target	The following people responded according to the questions. Responsible Investment Committee[*1] members – 5 Responsible Investment Committee Secretariat members – 7 Responsible Investment Council[*2] members – 4
Questionnaire timing	January-December 2022
Period covered	January-December 2022
Response format	Signed (not anonymous) Multiple choice (4 choices) Write comments freely

Questionnaire	Total of 14 questions: Addressing each of the principles of Japan's Stewardship Code	
	Principle 1 (Formulate and publicly disclose policy)	2 questions
	Principle 2 (Manage conflicts of interest)	3 questions
	Principle 3 (Monitor investee companies)	1 question
	Principle 4 (Engagement)	3 questions
	Principle 5 (Proxy voting)	3 questions
	Principle 6 (Report to clients and beneficiaries)	1 question
	Principle 7 (Skills for stewardship activities)	1 question

2 Results of self-assessment (overall)

More than 90% of respondents indicated that stewardship activities in our company were appropriate.

The Responsible Investment Committee held discussions based on the results of the questionnaire and comments received, and the ÿnal assessment was we were generally able to carry out appropriate stewardship activities, including our response to the points identiÿed in the previous year as areas to be strengthened.

- Consider a policy to increase the diversity of the Responsible Investment Committee in order to incorporate diverse opinions into discussions.
- Increase the awareness and level of understanding of the Basic Policy for Responsible Investment, which was revised in December 2021, within the Investment and Research Unit, which is responsible for stewardship activities.
- Establish an implementation system for stewardship activities, centering on the Engagement Department created in November 2021.

Among our stewardship activities in 2022, the following were brought up as particularly effective initiatives.

- The deliberation process and output related to the basic policy for responsible investment management.
- Robust deliberations and management of con°icts of interest at Responsible Investment Council meetings.
- Progress on bolstering systems with the creation of the Engagement Department
- Process for discussions about proxy voting, details of revisions to proxy voting standards.
- Disclosure related to Responsible Investment Report and proxy voting results, etc.

3 Future Actions

The Responsible Investment Committee will deepen discussions on the points that need to be enhanced as identiÿed through this self-evaluation, and work to further improve stewardship activities.

The following points were identiÿed as areas that need bolstering to further enhance the effectiveness of our stewardship activities.

- Continuing from the previous year, consider strategies to increase the diversity of the Responsible Investment Committee.
- Further enhance engagement by cultivating new ESG issues and elaborating processes, etc., and bolster information disclosure.
- Endeavor to revise forward-looking proxy voting standards based on domestic and international trends.

*1 Comprises members from the investment and research functions
*2 Comprises one Chief Con°ict Ofÿcer, two independent outside directors and one outside expert

Nomura Asset Management's ESG Communication Activities

Nomura Asset Management is also focusing on delivering information related to ESG. NAM employees give presentations and participate as panelists at seminars to help people gain a better understanding of ESG.

Also, we work with initiatives as well as public institutions to discuss ESG issues.

Furthermore, by participating in efforts to establish standards for ESG reporting, we convey our knowledge and insights about ESG to various stakeholders in an easy-to-understand manner.

Collaboration with initiatives, domestic and overseas public institutions, etc.

- Japan Stewardship Initiative (JSI) Steering Committee member
- Member of the Industry Advisory Panel (IAP) and Working Group on the ASEAN Taxonomy established by the ASEAN regulatory authority
- Chair, Constructive Dialogue Promotion Working Group, Committee on Financial and Capital Markets, Japan Business Federation (Keidanren)
- Committee member, "Impact Investing Roundtable" cohosted by GSG and FSA
- Member of JPX's Study Panel on the Use of Digital Bonds in ESG Investing
- Advisory Committee member for "Advance," the PRI's collaborative initiative for human rights and social issues

Internal Seminars in NAM

- In-house study session on the revision of our own ESG score
- Internal seminars about ESG (topics included our proxy voting standards revisions and human rights engagement activities)
- Held internal seminar where human rights expert and Human Rights Watch Japan Director Kanae Doi presented on the topic of "Global Human Rights Issues and Efforts Towards Solutions"
- Held internal seminar where Dr. Mari Miura of Sophia University, an expert in gender and politics research, presented on the topic of "Gender Equality"

External Activities in 2022	
Jan.	■ Participated in a panel discussion about ESG at a working group for non-financial companies organized by a consulting firm
Feb.	■ Presented at "The Role and Future of Transition Finance - Aiming to Realize Carbon Neutrality," a webinar jointly held by Nomura Securities and Bloomberg
Mar.	■ Lectured on academic research using ESG on the topic of "The Latest in AI/ Fintech - ESG Quants" at a Waseda University fund management course ■ Reported at the Association for Natural Language Processing under the title of "Quantification of Stakeholder Evaluation by ECS-BERT Model" ■ Presented and participated in panel discussion at the Ministry of Environment's online seminar "Changes in Environmental Management and Measures Expected of Companies" ■ Participated in panel discussion for Green and Blue Bonds Seminar jointly organized by the Asia Development Bank and the Thai Bond Market Association ■ Participated in a panel discussion at a seminar on impact investment ■ Presented at a seminar hosted by the Financial SDGs Study Group ■ Participated in a panel discussion on stewardship responsibilities at a JSI-sponsored seminar
Apr.	■ Spoke at NIKKEI LIVE "Deep Debate – Decarbonization Disclosure – The Focus of ESG Investors"
May.	■ Contributed the paper titled "The Value of Reputation Capital During the COVID-19 Crisis: Evidence from Japan" to Finance Research Letters ■ Participated in a panel discussion at Nikkei SDGs Forum Symposium with executives of unlisted venture companies focused on solving social issues ■ Participated in a panel discussion about corporate governance at RI Japan 2022
Jun.	■ Reported under the title of "Automated Extraction of ESG Data from Integrated Reports" at a Japanese Society for Artificial Intelligence event ■ Participated in a panel discussion titled "Japan's Path to Net Zero/ Carbon Neutrality" which was a jointly organized webinar by JPX Market Innovation & Research and FTSE Russel
Jul.	■ Participated in a panel discussion titled "Workshop on Transition Finance in Asia" organized by the Asian Development Bank Institute

External Activities in 2022	
Sep.	■ Lectured on academic research using ESG on the topic of "The Latest in AI/ Fintech - ESG Quants" at a Waseda University fund management course ■ Participated in a panel discussion at the Japan Electrical Manufacturers' Association "Webinar on Responding to Climate Change Non-Financial Information Disclosure in the Electrical Industry" ■ The GX League's "GX Management Promotion Working Group" was established, and Nomura Holdings was appointed as the chair (NAM is active as a chair member) ■ Presented at ESG seminar for municipal governments ■ Participated in a panel discussion about shareholder activism at a ESG seminar for overseas private equity investors
Oct.	■ Participated in a panel discussion on "Concerns about ESG Investment for Asset Owners" at Nomura Sustainability Day 2022 ■ Participated in a panel discussion at METI's "TCFD Summit 2022" ■ Presented on "Net Zero Bond Investment Philosophy and Evaluation Methodology" at CIO Conference 2022 held by S&P Global ■ Participated in a panel discussion at "Financial Risk Management & Cyber Security Forum 2022" organized by JTB Communication Design ■ Participated in a panel discussion titled "Making Impact Visible" at Nomura Sustainability Day 2022 ■ Lectured at a university class about sustainable finance
Nov.	■ Presented on "Building Sustainable Equity Portfolios for Investors" stressing engagement to enhance corporate value and participated in panel discussions at the Global Pension Symposium ■ Participated in a panel discussion on sustainable investing at Japan Investor Forum 2022 organized by Asia Risk ■ Contributed an article titled "Integrating Cybersecurity Evaluations in ESG/Credit Risk Analysis for Sustainable and Resilient Investment" to Nomura Sustainability Quarterly, a quarterly publication from Nomura Institute of Capital Markets Research ■ Participated in a panel discussion on "Investors' and Underwriters' Perspectives on Sustainable Finance in ASEAN" at the Impact Webinar Series organized by the Asian Development Bank ■ Participated in a panel discussion on ESG regulations at a CFA Society Japan seminar ■ Participated in a panel discussion on proxy voting at the Osaka Kabukon
Dec.	■ Contributed an article titled "The Need for Quantitative Opportunity Evaluation by Investors Utilizing Climate-Related Non-Financial Information Disclosure and Future Issues" in the December 2022 issue of Denki, the journal of the Japan Electrical Manufacturers' Association. ■ Participated in a discussion at Access to Medicine Index investor event held in Tokyo

Review of 2022

In recent years, many different ESG-related movements have been sprouting up around the world.

In particular, in 2022, the tightening of ESG investment-related regulations sped up in many countries, and asset management firms are now being strongly urged to both comply with regulations and be accountable to end investors.

At the same time, the roles and responsibilities of institutional investors are also undergoing significant changes.

In short, there is growing demand for “investment with spirit ,” which involves proactively addressing these ESG issues, complying with regulations and being accountable.

Behind this, there is the fact that what society wants from investment and what it should be aiming for have become clear.

For example, the Green Deal policy that has begun in Europe aims to transition to a new society in which sustainable growth is enabled. Taxonomies are now being built and regulations strengthened as part of efforts to generate significant investment flows aimed at transforming society.

If we view the current ESG regulations as mere regulatory compliance, one could misread the large flow of investments.

At the same time, we may be seen as carrying out investment without spirit and lose the confidence of our end investors, which might cause us to no longer be sustainable as an asset management firm.

To demonstrate this spirit, in 2022 we focused on enhancing our own ESG product governance.

In addition to earning the confidence of our clients around the world by demonstrating our ability to comply with global ESG regulations both domestically and internationally, we also continued our efforts to enhance our own sustainability.

Head of the Responsible Investment Department
Toshiyuki Imamura

2023 and Beyond

At a bare minimum, we believe there are three conditions we must meet in order to be accepted by clients around the world and to grow sustainably as an asset management firm.

First, we must respond to the changing needs of end investors.

Right now, there is a clear and growing movement to aspire for sustainable investment. This investment is also aimed at creating a more ideal society.

This sustainable investment movement has been progressing in stages. It began with Stage 1.0 which emphasized economic value, and then transitioned to Stage 2.0 which aimed to achieve both economic value as well as environmental and social value in a balanced manner. Sustainable investment is now in the process of advancing to Stage 3.0, in which more emphasis is placed on environmental and social value.

This does not mean that economic value is neglected, but rather, investment now aims to achieve greater social value while securing economic value. We must respond to these new investor needs.

Second, countries around the world are now adopting ESG regulations in order to attract sustainable investment.

If we do not comply with ESG regulations, our asset management business will fail. At the same time, we will lose the confidence of end investors.

We must establish advanced ESG product governance to remain in compliance with these regulations.

To this end, it is critical to stay in compliance with the most rigorous standards. In our view, this will allow us to ultimately remain in compliance with the different regulations of each country.

Third, we must further foster the spirit of ESG within Nomura Asset Management. Going forward, we will need to continue to comply with a wide range of ESG regulations and client guidelines.

While doing this, we must not forget why these regulations and guidelines exist in the first place.

If we forget what we are aiming for and fail to invest with spirit, our compliance efforts will end up being merely procedural, which will diminish our value in the eyes of end investors.

If our investment lacks spirit, we will certainly find it difficult to survive going forward.

Sustainable investment is also an issue that is directly linked to our national interest. If Japanese companies and asset management firms are left behind in this global trend, it means that Japan will not be able to attract risk money, which will result in the decline of Japan as a whole.

To prevent this from happening, we must be sensitive to the demands of end investors and society, and change ourselves as needed.

As we move forward, Nomura Asset Management will continue striving to be a sustainable asset management company.

Expertise to Exceed

https://global.nomura-am.co.jp/

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