

# **Basic Policy for Responsible Investment Management**

**NOMURA ASSET MANAGEMENT**  
**Responsible Investment Committee**

**November 1, 2024**

## 1. Basic Principles for Responsible Investment

The mission of NOMURA ASSET MANAGEMENT ("NAM" or "we" hereafter) is to continuously offer our clients high-quality asset management services to meet the needs of our clients, thereby contributing to the development of society and gaining strong trust through the asset management business.

Based on its fiduciary duties (i.e., the duty of an investment manager to give highest priority to customer's interests) as a fiduciary asset manager, NAM is committed to act at all times in the best interest of our clients based on our expertise with care required to carry out the duties. We ensure that conflicts of interest are handled ensuring independency and in such a manner so that client interests will never be damaged.

We have been entrusted with our clients' proxy rights and other rights on securities investment, as well as with securities transactions. We must properly exercise these rights in an effort to maximize the interests of our clients. We cannot achieve the growth of our clients' assets over the medium to long term unless investee companies achieve sustainable growth and create corporate value. To this end, we are committed to performing stewardship-related activities, including purposeful dialogue with investees (engagement) and proxy voting, to assume the important responsibility as a fiduciary asset manager.

ESG issues are basic concerns to be addressed by companies to continuously engage in business activities as a member of society and create corporate value. ESG considerations are integral to our investment stewardship. Thus, in compliance with the ESG Statement, we will strive to have a dialogue with investee companies to constantly identify how they address ESG issues and encourage them to properly take on these challenges through stewardship-related activities. We will also reflect the result of such engagement in our investment decisions.

NAM understands and recognizes that the overall actions as stated above are practices to be performed as a "responsible investor" as these actions will eventually lead to a virtuous cycle of investment and also to the expansion of "the earnings power of corporations" and "the formation of national wealth" as well as to the realization of a sound and sustainable society. From this perspective, NAM defines investment involving these actions as "responsible investment" and will make active efforts to ensure such responsibility. Our investment strategies include both active management and passive management, and we see no difference between them in terms of responsible investment.

Note: ESG is an abbreviation for Environment, Society, and Corporate Governance.

## 2. Concrete Actions

NAM specifies concrete actions that help attain the basic policy for responsible investment:

### (1) Understanding Investee Companies

- Strive to deepen understanding on business model and strategy, business environment, business management and other important conditions of investee companies.
- When conducting fundamental research and analysis of a company, focus not only on financial information, but also on non-financial information such their ESG practices and the background to certain strategies and management philosophy.
- Render investment judgments on asset management and perform stewardship-related activities, such as engagement with investee companies which includes proxy voting, based on the deep understanding of the company.

### (2) Approach to Investee Companies

- In order for investee companies to enhance corporate value and achieve sustainable growth, stipulate the "Ideal Form of Business Management of Investee Companies" (refer to [Appendix 1]) and encourage investee companies to realize it.
- Stipulate "Basic Principles of Engagement" (refer to [Appendix 2]) and "Global Proxy Voting Policy" (refer to [Appendix 3]) and give encouragement to investee companies from a fair and consistent posture.
- Reflect the status of engagement in proxy voting.

### (3) Reflection in investment decisions

- Assess our investee companies' initiatives to realize their ideal form of business management based on our own standards from the perspectives of both risks and opportunities and reflect the assessment results in our investment decisions.
- Reflect the status of engagement and proxy voting in investment decisions.
- Delegate the Investment Policy Committee to determine the corporate policy on divestment and exclusion from investment universe based on the ESG Statement.
- Regularly monitor the investee companies' initiatives to realize their appropriate management practices in order to understand the status of the entire investment portfolio.

### (4) Control Conflicts of Interests

- Exercise due caution on the possibility of conflicts of interests to assume fiduciary duties and always

give priority to client interests.

- Establish a highly transparent system and processes in order to ensure independence and properly control conflicts of interests.

#### (5) Collaboration and Outside Activities

- Properly perform duties on the understanding that collaboration with other institutional investors, etc., and outside activities will help enhance efficiency to give encouragement to investee companies.
- With regard to collaboration on individual projects, careful judgment should be made in consideration of the duty of confidentiality.
- Continue to collect information regarding responsible investment and reflect it in our business on an as-needed basis.

#### (6) Information Disclosure and Accountability

- Properly fulfill the duty of accountability regarding our actions as a fiduciary asset manager through information disclosure and reports to clients.

#### (7) Organization and Actions

- Establish and operate a proper organizational structure so as to promote the above actions in an effective manner.
- Foster our ability on responsible investment by securing experts and strengthening our initiatives.

[Appendix 1]

## **Appropriate management practices of Investee Companies**

NOMURA ASSET MANAGEMENT ("NAM" or "we" hereafter) stipulates the appropriate management practices of investee companies in order for investee companies to enhance corporate value and achieve sustainable growth, which is a driver of investment performance, and actively encourages investees through stewardship-related activities.

### **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 are particularly important and efforts on them that investee companies need to make are as follows:

- (1) Basic policy: Establishment of a basic policy regarding the company's efforts on ESG issues and establishment of a system to promote and supervise the efforts;
- (2) Key issues (materiality): Identification of key issues by the management, responses to and disclosure of risks that are identified as key issues (e.g., product liability, etc., as well as those listed in (3) through (8)), disclosure of business opportunities that are identified as key issues;
- (3) Climate change: Verification of business portfolio and promotion of technological innovation to respond to the climate change issue, information disclosure on governance, strategy, risk management, metrics & targets concerning the climate change issue, setting of a net zero target for medium- to long-term greenhouse gas (GHG) emissions and approval of or commitment to science based targets (SBTs), measurement of GHG emissions and absorption including Scope 3 under the international standards for the accounting and reporting of GHG emissions, and introduction of internal carbon pricing;
- (4) Natural capital: Setting of policies and targets to respond to risks and opportunities associated with biodiversity and circular economy toward the realization of nature positive business practices and information disclosure in line with the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD);
- (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) Human capital with diverse values: Strategies to improve and maximize the values of human capital, setting a medium- to long-term target for the percentage of women among board members, senior executives, or managers, developing a personnel system to enhance diversity, equity, inclusion, and the sense of belonging (including measures to prevent employees from leaving employment due to

a life event, provision of fair opportunities, measures to improve employee engagement, etc.), and creation of a corporate culture that embraces diversity and inclusion;

- (7) Well-being society: Formulation and disclosure of strategies (including innovation driven by digital technologies) that incorporate contribution to the resolution of social issues, such as access to medicine, health and nutrition, antimicrobial resistance, animal welfare, and regional revitalization, as business opportunities, and measurement and disclosure of impact toward the resolution of social issues;
- (8) Risk management in digital society: Establishment of a cybersecurity management system (e.g. appointment of an officer in charge of cybersecurity, development and assignment of dedicated employees, and development of processes to respond to any incidents), as well as ethical and safe design, development, implementation, and use of artificial intelligence (AI) throughout its life cycle; and
- (9) 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; To determine the cost of capital in due consideration of opinions of investors obtained through dialogue with them as well as stock price levels and changes thereof;
- (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 postulate the appropriate corporate governance to realize this as follows:

- (1) The board consists of an adequate number of qualified and diverse members who have the ability and experience, including those in the areas of management, finance, and ESG, for supervising 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 of directors makes appropriate judgment from the perspective of the best interest of minority shareholders on any transaction involving a conflict of interest or a 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 common interest of shareholders.
- (7) The board of directors monitors environmental and social issues and business and other risks and oversees initiatives by senior executives, and corporate governance systems are in place to ensure sufficient internal control in terms of compliance and internal auditing
- (8) Business operations comply with laws and regulations, market rules, etc., and requirements of the Corporate Governance Code, etc., are properly addressed.

#### 4. Adequate information disclosure and a dialogue with investors

NAM believes that it is important for companies to fulfill their accountability for the matters stated in 1. through 3. To this end, we consider that the following efforts are particularly important:

- (1) To disclose information appropriately on a timely basis in compliance with relevant standards, etc., based on developments in national regulators and international initiatives and to obtain third party audits or assurances as much as possible particularly for quantitative information;

(2) To actively hold dialogue with each investor in order to appropriately reflect investors' opinions in corporate management; and

(3) If a company is found to have engaged in any activity that is materially harmful to corporate value, it is important for the company to provide sufficient disclosure and explanations on investigations of cause, clarification of where responsibility lies, and the formulation and dissemination of effective recurrence countermeasures.



## **Basic Principles of Engagement**

NOMURA ASSET MANAGEMENT ("NAM" or "we" hereafter) considers that engagement (constructive "purposeful dialogue") with investee companies is an effective way to fulfill its stewardship responsibility, and we intend to do so proactively.

NAM believes that engagement should be held based on the deep understanding of investee companies and their business environment. In this way, we will strive to grasp companies' specific circumstances. We then encourage companies to realize increase in corporate value and sustainable growth through their appropriate management practices and properly manage their progress toward the realization of such appropriate management practices through engagement. At the same time, we do not believe that encouraging companies with management issues to improve them is the only method of engagement. We believe it is also very important to reassure well-managed companies of our support as investors.

Because NAM's operation underlies medium-to-long term investment based on thorough research and analysis of fundamentals, we believe that medium-to-long term fundamentals are key to engagement. However, we expect the contents of the dialogue with each investee company to vary depending on the business environment and the companies' specific business circumstances.

Based on the above principles, we set forth the basic stance on performing engagement as shown below, with an intent to fulfill our stewardship responsibilities by deepening mutual understanding through our day-to-day dialogue with investee companies:

- (1) Maintain an amicable and constructive stance when communicating with investee companies.
- (2) Deepen understanding not only on financial information, but also on non-financial information of the investee companies, which includes ESG issues, the background to certain strategies and management philosophy.
- (3) Exchange ideas and opinions with investee companies regarding capital efficiency.
- (4) Exchange ideas and opinions regarding the cause and recurrence countermeasures in the event of incidents that breach accepted standards and promote effective corporate management.

NAM will promote investee companies to create value and achieve sustainable growth through such activities. We will also reflect the status of engagement in our proxy voting and investment decisions.

There may be some cases where we receive material facts that have not been disclosed under the insider trading regulations or information that has a risk of being considered insider trading in the course of performing engagement. Such fact or information must, if received, be treated properly in accordance with laws and regulations, applicable rules and internal rules.

## **Global Proxy Voting Policy**

### **1. Policy for Proxy Voting**

NOMURA ASSET MANAGEMENT (“NAM” or “we” hereafter) has the fiduciary duty (a duty to manage our business activities in the best interest of our clients) to do our best to enhance returns for our clients as an investment manager. To fulfill our duties as well as our role, we will encourage investee companies to realize appropriate management practices (including initiatives directed at ESG issues) and thereby encourage them to enhance corporate value and achieve sustainable growth by engaging with them and exercising our proxy voting rights in a proper manner based on this Policy we have established. We also encourage investee companies to operate their businesses in the best interests of their shareholders over the long term through our proper proxy voting activity.

(Note) ESG refers to environment, social and corporate governance. We place emphasis on ESG issues, as they need to be considered in the context of corporate social responsibility and sustainability.

### **2. Proxy Voting Guidelines**

When exercising proxy voting rights, we will vote for resolutions that are deemed to enhance shareholder value, while voting against those that are deemed harmful to shareholder value. We do not exercise our proxy voting rights solely as a means to address specific social or political issues, irrespective of the investment returns of the company.

When making a judgment on the exercise of proxy voting rights, we regard any misconduct, violation of laws and regulations and rules of stock exchanges, or any act that is deemed questionable in view of initiatives directed at ESG issues or social norms, as being harmful to shareholder value.

We closely examine voting resolutions that meet one or more of the conditions listed below. Where we believe that a specific resolution is not in the best interest of shareholders, we will, in principle, decide to vote against the resolution.

- (1) The company continuously reports sluggish business performance. Sluggish business performance indicators that are considered when judging the exercise of proxy voting rights, include performance that leads to a significant decline in the investment returns of the company, such as recording a deficit for three consecutive years. Business performance is based on consolidated accounts. However, if consolidated accounts are not reported, business performance is based on non-consolidated accounts. (The same shall apply hereafter.)
- (2) The company accumulates a large amount of excess funds that are deemed not to be used effectively and/or are not distributed to shareholders adequately.
- (3) The company’s disclosure is considered inadequate and harmful to shareholder value.
- (4) The auditor’s opinion on the issuer is qualified.

- (5) The composition and/or size of the company's board of directors, or the composition and/or size of its board of statutory auditors, audit committee or any other committee is deemed to be inadequate and may harm shareholder value.
- (6) Extraordinary resolutions that are deemed highly likely to harm shareholder value.

### 3. Positions on Specific Issues

#### (1) Election of Directors

The board of directors is expected to consist of a diverse range of persons who are qualified for the position with sufficient skills and experience and the capability to supervise the execution of the business on behalf of shareholders.

If the company is found to have engaged in any activity that is materially harmful to shareholder value, or if the company's business performance remains sluggish over a long period, or if any similar issue is found with regard to the company, we will in principle vote against the election of directors who are deemed to be responsible for such issues/activities. Also, if the investee company had been encouraged by us to address the inadequacy in its initiatives to realize appropriate management practices pointed out by us through engagement but failed to engage adequately in initiatives and is not expected to make improvements, and if this is deemed to be hindering, or highly likely to hinder in the medium/long run, the enhancement of corporate value and sustainable growth, we will in principle vote against the election of directors who are deemed to be responsible for such inadequacy.

#### (2) Election of Auditors

Auditors are expected to be qualified to audit the business on behalf of shareholders, and are also expected to function adequately for that purpose.

Where the company is found to have engaged in any activity that is materially harmful to shareholder value or if any similar issue is found with regard to the company in question, and an auditor is found responsible for any part thereof, or is deemed to have failed to fully perform his/her duties, we will vote against the reelection of the auditor.

It is desirable that outside auditors are independent of management. It is not desirable to have a board of statutory auditors and an audit committee composed of outside auditors, all of whom lack independence. We determine the independence of the outside auditors from a comprehensive perspective on whether they are representatives of major shareholders, have received a large amount of income other than executive remuneration from the company in question, and are related to other executive members.

Where a reduction in the number of auditors is proposed, there should be proper justification for such a reduction.

#### (3) Election of Accounting Auditors

In principle, we will vote for the election of accounting auditors except where it is found that:

- The accounting auditor has an interest in the company and lacks independence.

- Excessive non-audit remuneration has been paid to the accounting auditor by the company.
- The accounting auditor has expressed inaccurate opinions on the company's financial conditions.

#### (4) Executive Remuneration

It is desirable that executive remuneration plans are reasonable and are aligned with the long-term performance of the company.

We vote against remuneration plans, if the company is found to have engaged in any activity that is materially harmful to shareholder value, or the amount of remuneration is inconsistent with or inequitable compared to the company's overall financial condition, or plans are deemed to substantially harm shareholder value. In particular, we will vote against resolutions on executive bonuses when there is a significant decline in business performance, or when the bonus payment amount is found to be unreasonably large in relation to past achievements and the current financial conditions of the company, or as compared with other competitors.

In particular, we will vote against resolutions on offering company stocks (including stock options) when there is a significant decline in business performance, or when the value of stock remuneration is found to be unreasonably high in view of past achievements and the current financial conditions of the company, or as compared with other competitors. In principle, we vote for stock remuneration plans when the terms and conditions of the plan, such as eligibility and scale, are properly set forth for the purpose of incentivizing executives. However, we vote against such plans when the terms and conditions of the plan, including eligibility and scale, are deemed to be improper.

We will determine whether to vote for or against resolutions on the granting of stock remuneration to the company's employees or outside parties by applying mutatis mutandis the rules on stock remuneration plans for executives mentioned above. We will require sufficient explanation on stocks offered to outside parties in light of whether it leads to the enhancement of shareholder value.

#### (5) Retirement Bonus for Directors and Auditors

We will vote against resolutions on retirement bonuses for retiring executives when the company is found to have engaged in any activity that is materially harmful to shareholder value, or when there is a significant decline in business performance or share price, or when the amount of the retirement bonus payment is found to be unreasonably large considering past achievements and the current financial conditions of the company, or as compared with other competitors.

#### (6) Allocation of Dividends and Profits

In deciding on distributions to its shareholders, the company should ensure that such distributions are consistent with its long-term investment plan and capital policies. In principle, it is desirable that excess funds are distributed to shareholders.

While considering whether the company's allocation of dividends and profits is consistent with its long-term investment plan and capital policies, we shall vote against allocation policies that are deemed to be significantly inadequate and harmful to shareholder value.

(7) Acquisition of the Company's Own Stock

While we view the acquisition of the company's own stock positively as a means to enhance shareholder value, we would oppose such a resolution when it is deemed to be inappropriate for the sake of the company's capital structure.

(8) Change in Number of Authorized Shares

When said purposes are inappropriate, NAM will in principle vote against a company's proposed increase in the number of authorized shares.

(9) Issuance of Preferred and Other Classes of Shares

We will in principle vote for resolutions if the purpose is deemed to be clear and appropriate, and the issuance of such shares is deemed not to harm the interests of general shareholders in consideration of appropriate application requirements, the fairness of voting rights, beneficiaries and other relevant matters. Otherwise, we would oppose the resolution in principle.

(10) Corporate Restructuring and Capital Policy (Mergers, Acquisitions, Sale/Transfer of Business, Corporate Separation, Capital Increase, etc.)

We will vote for proposed corporate restructuring and capital policies, if they are deemed appropriate after considering the contents of the respective resolutions, financial conditions (including premiums), effects on shareholder value, basis and rationality of management judgment, fair disclosure, etc., from an overall perspective. Otherwise, we would oppose the resolutions. When general shareholders receive a consideration, whether in the form of shares, money or otherwise, in relation to corporate restructuring or capital policy, we would emphasize the appropriateness of the consideration when forming a judgment on whether to vote for or against the resolutions.

(11) Anti-Takeover Measures

We individually analyze anti-takeover measures. We would oppose such resolutions unless shareholder value is protected.

(12) Amendment of Articles

We will determine whether to vote for or against resolutions on amendments to the articles of incorporation on a case by case basis from the perspective of the long-term enhancement of shareholder value or the protection of shareholder value from impairment. We will vote for (against) such resolutions if we find them appropriate (inappropriate) from these perspectives.

(13) Shareholder Resolution

We will determine whether to vote for or against shareholder resolutions on a case by case basis from the perspective of long-term enhancement of shareholder value or the protection of shareholder value

from impairment. We will vote for (against) such resolutions if we find them appropriate (inappropriate) from these perspectives.

(14) Other

NAM will determine whether to vote for or against resolutions on any other issues on a case by case basis from the perspective of the long-term enhancement of shareholder value or the protection of shareholder value from impairment. We will vote for (against) such resolutions if we find them appropriate (inappropriate) from these perspectives.

4. Conflict-of-Interest Management Policy

We conduct business in good faith and consider the fair treatment of our clients, and we appropriately manage conflicts of interest based on our “Conflict-of-Interest Management Policy.”

To manage the risk of a conflict of interest arising, we conduct our business in an appropriate manner by giving first priority to the clients’ interests.

With regard to proxy voting, the Responsible Investment Committee which consists of members who are independent of the investment division, is in charge of policy-makings and final proxy voting decisions. In cases where we exercise proxy voting rights for securities issued by Group Companies and subsidiaries or affiliates of Nomura Holdings Inc., and/or concerning the Group Companies’ interests, after making such facts clear, we refer to opinions from multiple proxy advisors and make decisions at the Responsible Investment Committee to protect the clients’ interests. The Responsible Investment Council validates whether such decisions are adequate and if necessary may make a recommendation to the Responsible Investment Committee. When receiving the recommendation, the Responsible Investment Committee reviews the related proxy voting decision again and makes the final decision.

5. Other

NAM may be unable to vote or may decide to abstain from voting in certain circumstances. The following list, although not exhaustive, highlights some potential instances in which a proxy may not be voted:

(1) Securities Lending

When securities are offered for loan as of the record date of exercising a proxy vote, they need to be collected before exercising the vote. We may not exercise a proxy vote after considering the practical implications of such an exercise and the cost incurred for collecting such securities.

(2) Share Blocking

Some countries and regions require shareholders to deposit their shares with a designated depository during a specific period shortly before a shareholders’ meeting as a condition for exercising a proxy vote. Shares cannot be sold during this blocking period. In such a case, we may not exercise the proxy vote due to practical considerations and the potential for opportunity loss.

(3) Re-registration

In some countries and regions, re-registration of shares is required to exercise a proxy vote. We may choose not to exercise a proxy vote in consideration of the fact that the shares cannot be sold during the re-registration period.

(4) Other

For example, when we are unable to obtain adequate information, e.g., if the period between receipt of the resolutions and the exercise of voting is insufficient. Also, if the cost of voting the proxy outweighs the possible benefit to the client, we may also choose not to exercise the proxy vote.