Nomura Asset Management ESG Statement

1. Corporate and Fiduciary Responsibility

At Nomura Asset Management, we believe the essence of our business lies in providing high quality products and investment solutions that meet the performance and service expectations of our clients. As a fiduciary asset manager, we strive to ensure our business contributes broadly to the development of society by abiding by high ethical standards, building a deep, trusting relationship with our clients, and seeking sound business operations. We recognize that corporations must properly manage risks associated with Environmental, Social, and Governance (ESG) issues, while also viewing solutions to such issues as new business opportunities and incorporating them into management strategies in order to achieve sustainable improvement of corporate value. Additionally, we recognize that these same actions are an essential factor to drive investment returns. Based on this recognition, we work to resolve ESG issues as a responsible investor to fulfill our fiduciary duties, while promoting business operations that emphasize ESG in order to realize a sustainable society through the virtuous cycle of investment.

2. High Priority ESG Issues

There are various ESG issues that companies should address from the perspectives of risks and business opportunities in order to achieve sustainable improvement of corporate value. Though the importance of specific ESG issues varies depending on the business characteristics of each company, we have identified the following ESG issues as those of particularly high priority that are common to many companies.

- Climate Change

Corporate value is significantly affected by both risks and opportunities related to climate change. The risks include those accompanying the transition to a carbon-free society such as carbon pricing, stranded assets, and changes in consumer preferences, as well as physical risks such as extreme weather caused by greenhouse gas. Meanwhile, business opportunities exist in areas like technological innovation and new products and services to mitigate or address climate change. The Paris Agreement, which was concluded in 2015 as the shared global response to climate change, stipulates that efforts shall be made to limit the increase in the global average temperature to well below 2℃, and preferably to 1.5℃. To achieve this goal, it is necessary to reach net zero global greenhouse gas emissions by 2050, based on scientific evidence. 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.

- Natural Capital

Companies benefit from biodiversity through the utilization of forests, water sources, and other natural capital in their business activities. However, the impairment of natural capital brought about by human activities has become a serious problem, from the pollution of seas, rivers, air, and soil to deforestation. Overdevelopment, overfishing, and destruction of natural habitats continue to drive the loss of biodiversity. 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 in the preservation of natural capital and biodiversity.

- Human Rights

Corporate business activities involve a large number of people including employees and local residents, which is even larger 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, and there have been moves to introduce legislation requiring companies to perform human rights due diligence. 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.

- Diversity and Inclusion

Companies can achieve sustainable improvement of corporate value by developing the skills of their employees to their maximum potential. We believe that companies must build a workforce made up of people with diverse values without regard to factors such as gender, nationality, race, or age to create a corporate culture that embraces diversity and inclusion. Furthermore, companies must ensure that their employees are able to engage in rewarding work at their respective workplaces to contribute to business activities at their full potential, with no risk of discrimination in relation to their work or advancement.

- Value Creation to Realize Well-Being Within Society

Well-being refers to a state in which all people can seek their own happiness and lead a healthy life. Realizing well-being within society will also lead to the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. Well-being within society can be realized by addressing social issues in a variety of fields, for example, health and safety (access to nutrition and medical services, health/hygiene/safety management, etc.), education and intelligence (artificial intelligence (AI), disruptive innovation), and regional revitalization (access to financial services, access to communication technologies, etc.). In our view, the development and provision of products and services that contribute to addressing these social issues represents important business opportunities for companies, which could lead to sustainable improvement of corporate value.

- Corporate governance

Corporate governance is a structure for transparent, fair, timely and decisive decision-making by companies. In our view, decisions are transparent if a company's management is accountable for them and fair if the interests of management are aligned with the interests of shareholders and other stakeholders. When these requirements are met, the board of directors can properly delegate its management execution authority to management, and management can then make decisions in a timely and decisive manner. From this perspective, the board of directors is responsible for the supervision of management, and 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.

3. Our Initiatives

- Stewardship activities: Through our stewardship activities, including proxy voting and constructive dialogue (engagement), we encourage the management of investee companies to manage risks and pursue business opportunities that are associated with ESG issues and also to disclose information in accordance with relevant international initiatives.
- Business opportunities: We focus particularly on the realization of well-being within society when viewing business opportunities associated with ESG issues. We encourage investee companies to properly incorporate the realization of well-being within society into their management strategies and to quantify outcomes and disclose them together with the relevant targets.
- Investment decisions: We assess our investee 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. Our assessment that a company's initiatives to address ESG issues are insufficient, which may prevent sustainable improvement of its corporate value, and cannot be corrected through engagement, may result in divestment or exclusion from the investment universe.

We believe that addressing ESG issues through engagement is more desirable than divestment. For example, greenhouse gas emissions reduction in response to climate change should be considered from the perspective of the whole supply chain, not limited to specific industries and companies. We recognize that environmental and social issues are interconnected and "trade-offs" may be required as addressing one issue may result in other ESG issues arising. For this reason, we believe that it is important for us to continue engagement with our investee companies and various stakeholders to encourage the entire supply chain to properly manage ESG-related risks and work to address ESG issues.

- Monitoring: We monitor the status of ESG issues in our investment portfolio in accordance with relevant international initiatives. For example, we monitor greenhouse gas emissions based on the final report published by the Task Force on Climate-related Financial Disclosures (TCFD) in 2017.

- Our 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. We also proactively seek to expand the investment base through measures such as financial education.

- Initiatives: We participate in international initiatives and actively embrace accepted standards and norms. For example, we support the final report on climate change published by the TCFD and the Guiding Principles on Business and Human Rights endorsed by the UN Human Rights Council in 2011. Through these initiatives, we conduct engagement jointly with other institutional investors and share best practices by actively cooperating with a wide range of stakeholders including asset owners and government officials.

4. Governance and Information Disclosure for ESG Promotion

At Nomura Asset Management, important decisions on management execution including this Statement are made by the Executive Management Committee, which consists of senior executives (executive directors and executive officers selected by executive directors) to whom the proper authority has been delegated by the board of directors. We fully recognize the importance of ESG issues for company management and 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 and systematic 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.

To properly ensure our accountability, we actively disclose information on our initiatives outlined in 3. above. More specifically, we have established our material issues and policies on initiatives undertaken by the investment management and research divisions and regularly prepare stewardship activity reports, all of which are made available for public inspection on our website. We also disclose our initiatives on the ESG issues listed in 2. above in accordance with relevant international initiatives.

Our corporate philosophy requires that we “maximize added value,” “pursue advanced expertise,” and “earn confidence and contribute to society.” Therefore, in addition to our approach to the companies in which we invest, we will continue to strengthen our own governance and information disclosure to contribute to a sustainable society through our asset management business.

5. Revision

To appropriately reflect changes in the external environment and our approach to stakeholder engagement, we will review this statement as necessary.

（Revised on December 30, 2021）