



ENGAG

We engage in constructive dialogue with companies regarding important financial and non-financial risks and opportunities.

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. Here, we provide an overview of this policy.

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.

The definition of our engagement is to “exert an influence on companies based on a deep understanding of them so that they will be able to enhance their

corporate value and achieve sustainable growth by operating in desirable ways.” Merely seeking improvements from companies with ESG issues is not engagement. We believe that an important role of engagement is also to directly communicate our support and approval as an investor to companies that operate in desirable ways. We value our basic stance on engagement (see table on right).

We are convinced that supporting the enhancement of the corporate value and sustainable growth of companies through ongoing engagement activities will contribute to the medium- to long-term growth of assets entrusted to us by our clients.

EMENT

Basic stance on engagement

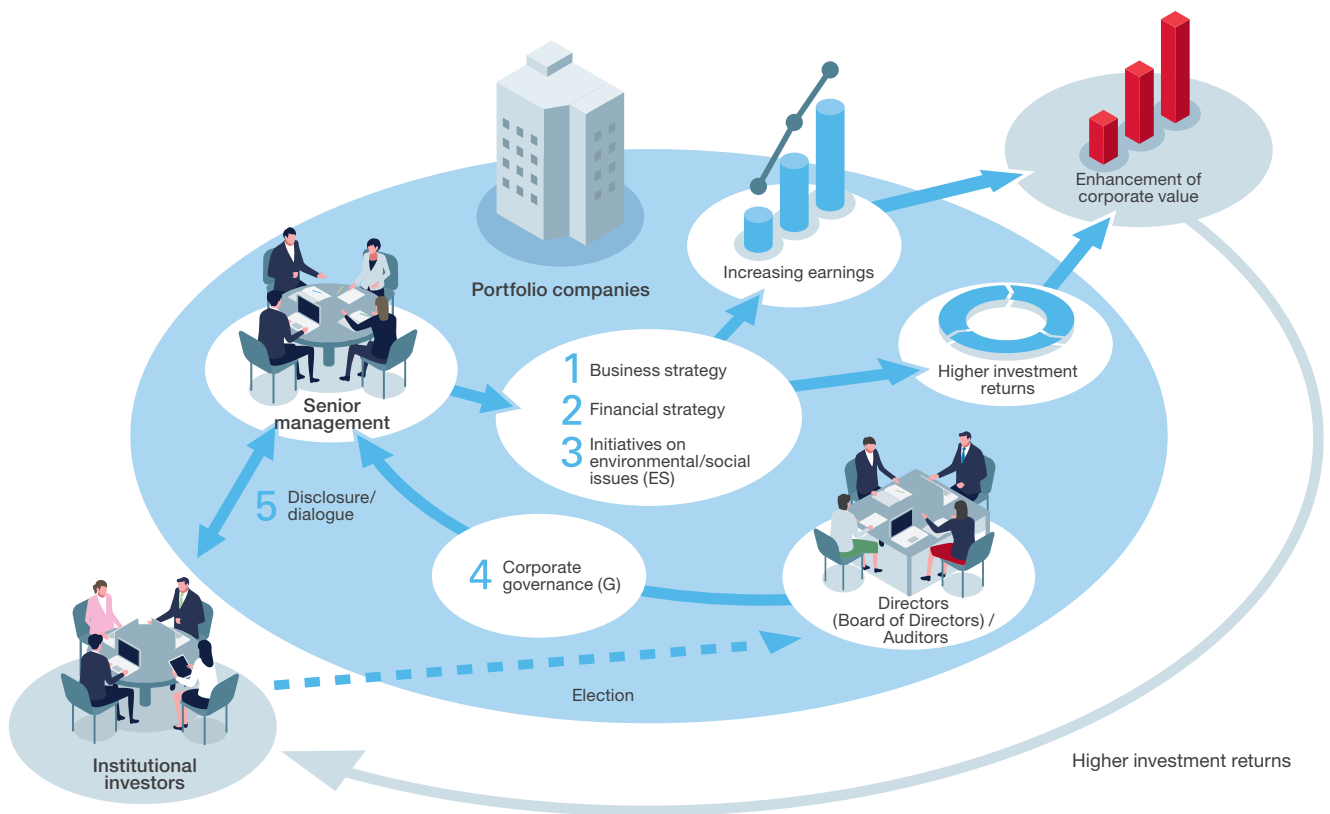
- 1 Engage in dialogue with a cordial and constructive attitude
- 2 Work to understand non-financial information, including companies' efforts to address ESG issues, and the strategies and philosophies behind them
- 3 Listen to the views of portfolio companies on the efficient use of capital, and communicate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



Engagement Process

In accordance with our responsible investment policy, we have divided engagement topics into five categories: ① Business strategy; ② Financial strategy; ③ Environmental and social issues; ④ Corporate governance; and ⑤ Disclosure and dialogue.

③ Environmental and social issues; ④ Corporate governance; and ⑤ Disclosure and dialogue.



Engagement Target Companies and Results

With respect to Japanese equities, the approximately 2,400 Japanese companies whose shares we hold (as of

December 31, 2020) are all targets for engagement.

Total number of contacts with portfolio companies

Japanese companies,
January – December 2020

Approximately **5,600**

Of these, number of 1-on-1
dialogues at company

Less **2,000**

Of these, number of dialogues
with executives and above

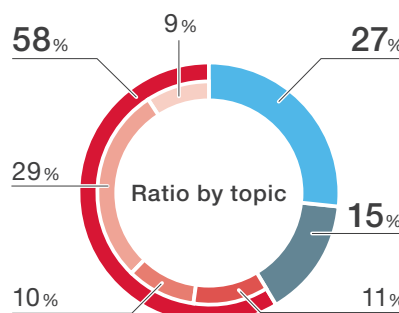
Approximately **900**

Engagement meetings

Total number of engagement topics
(total number of companies)

2020

1,215 topics
(399 companies)



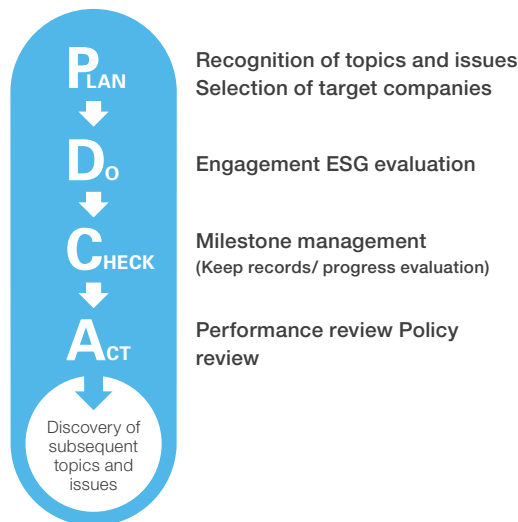
	Ratio	Number of topics
Business strategy	27%	326
Financial strategy	15%	180
ESG-related meetings	58%	709
Environmental	11%	129
Social	10%	126
Governance	29%	347
Proxy voting-related	9%	107
Total		1,215

Milestone Management

In order to manage our progress on engagement, we carry out “milestone management,” setting the period for individual engagement topics at three years. By managing PDCA (Plan, Do, Check, Action) progress using a fixed timeline, we can efficiently formulate a dialogue schedule for subsequent phases and evaluate the results. To measure results, we check whether a company has advanced to the next stage, in other words whether or not the improvement process for an issue is ongoing.

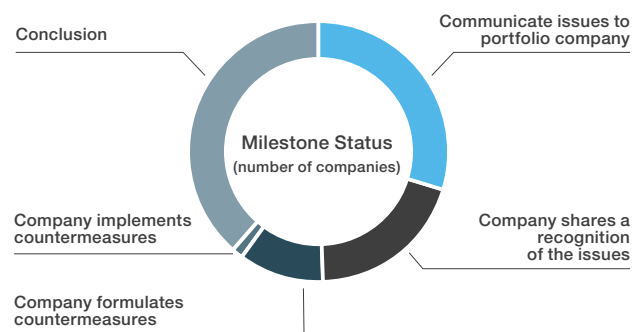
Milestone management requires setting goals, but goals cannot be established for all engagement. In particular, 1) business strategy and 2) financial strategy are directly linked with corporate value, but in many cases it is difficult to establish clear goals. Therefore, in addition to setting goals for the discussed topics themselves (Pattern 1 below), we also establish goals for 3) 4) ESG and 5) disclosure and dialogue after discussing 1) business strategy and 2) financial strategy (Pattern 2 below).

PDCA Cycle by Milestone Management

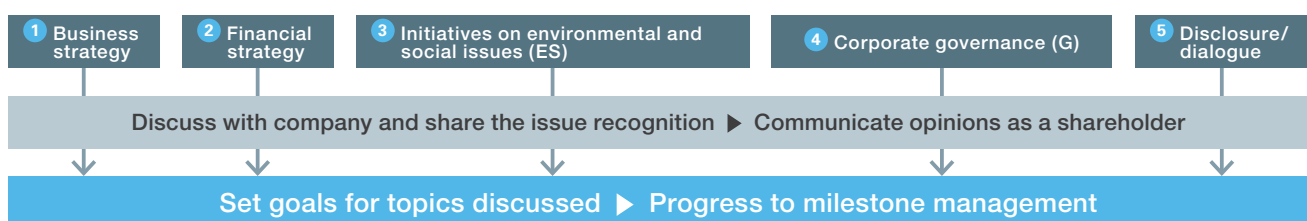


Status of Milestone Management (as of December 31, 2020)

In 2020, we carried out engagement across 1,215 topics. Currently, we are managing milestones for a total of 221 topics (147 companies). Of these, 84 topics are already at “Step 5: Conclusion.”



Pattern 1 (Hold discussions on individual topics and set goals for these same topics)



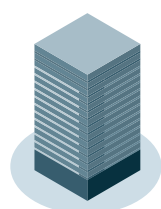
Pattern 2 (Hold discussions on 1, 2 business strategy and financial strategy, and set goals for 3~5)



Examples of Engagement

Here, we introduce some examples of engagement. Company A is an example that corresponds to Pattern 2

discussed on the previous page. We set multiple goals, and took our time to reach “Step 5: Conclusion.”



Interview Date : After February 20, 2017

Nomura Asset Management

Interviewee

Analysts, ESG specialists



Company A Electronics

Interviewee

Representative Director and Senior Corporate Managing Director, others

Root issue awareness

Decreasing capital efficiency. There are multiple background factors, including financial strategy, governance, and the stance towards dialogue.

- Continuously low ROE. Surplus financial assets (especially cross-shareholdings) and the vertically-divided organization are the background causes.
- The stance towards dialogue with institutional investors might be passive or even negative.
- Oversight and execution are not separated, and there is no system in place to select the top management successor(s).

Towards milestone management (right page)

- ROE is being pushed down by cross-shareholdings. In addition, turnover rate and operating margin are somewhat low.
- In order to show commitment to shareholders, we want you to publish numerical targets including ROE.
- We want you to clearly state that the Nomination Committee is in charge of successor planning.
- We want you to clarify the relationship between executive officers and directors. Outside directors with management experience are good in terms of overseeing management.
- We have a positive view on the course of action for strengthening corporate governance. Continuous efforts are needed, including the separation of oversight and execution.
- We want you to continue to provide meetings with the company president.

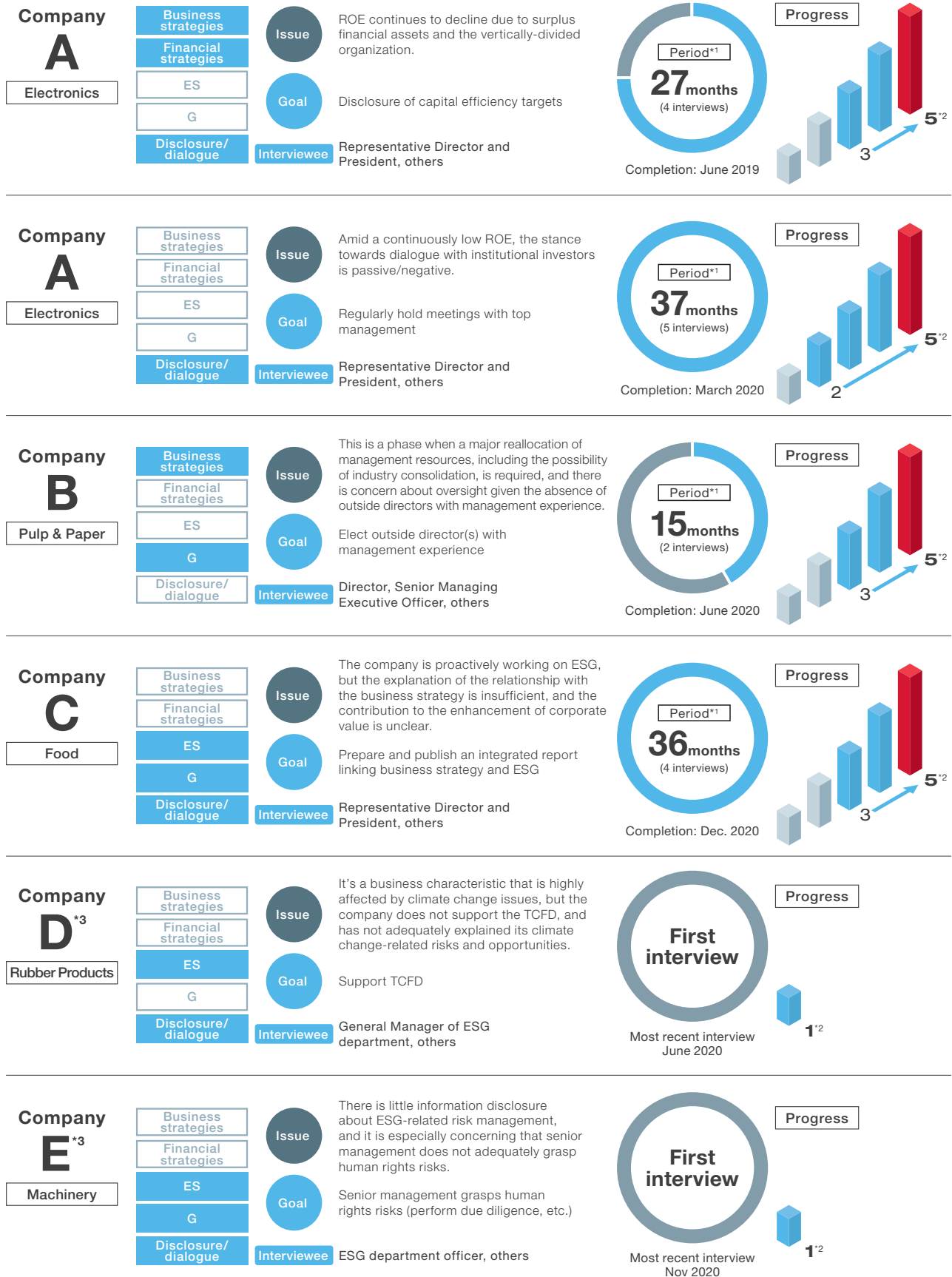
Future Plan

Convey our views as a shareholder, while monitoring the company's process towards achieving its ROE target and initiatives to strengthen corporate governance.

- We have not been intentionally building up financial assets. We plan to focus investment in key divisions.
- Since the time that the previous president was in office, we have been advancing organizational reforms to cross lines between business divisions and we have seen some examples of success.
- We are going to start creating a structure for successor planning.
- We will create a Nomination Committee and Compensation Committee. We are considering stock compensation.
- We understand that there are many directors from inside the company, and that there is a demand for one-third of the directors to be outside directors. We are considering this.
- In May 2019, we announced an ROE target (8%).
- In June 2019, an outside director for whom there was concern about independence retired from office.
- We understand that teamwork between departments is weak. We are focusing on organizational reforms. As a start, we consolidated the research and development division.
- We plan to gradually reduce the number of directors serving concurrently as executive officers.

- Strengthened shareholder returns (announced policy to increase the dividend payout ratio, return all free cash flow).
- Promised ongoing meetings with the company president.

Examples of Engagement (Milestone Management)



*1 Three years as a target

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

*3 We engage company D and E on Priority Topics for engagement.

FY2020 Priority Topics: Background Philosophy

Each year, the Responsible Investment Committee discusses priority topics for engagement. After sorting

out the issues for Japanese companies, we decided on the following nine topics in 2020.

1

Rational explanation of financial strategy

Ask companies to explain their use of cash on hand, shareholder return policy, etc.



Financial

2

Strengthen commitment to capital efficiency

Demand commitment to capital efficiency through executive compensation



Governance

3

Reduction of cross-shareholdings

Ask for a reduction in line with the Corporate Governance Code



Governance

4

Become a TCFD signatory, actions after becoming a signatory

Disclose data in accordance with TCFD regarding climate change impact and countermeasures



Environment

5

Business strategy amid new circumstances

Business strategy, supply chain management in age of COVID-19
Reconsider materiality (level of importance)



Business

6

Human resources amid new circumstances

Work style reform in response to the age of COVID-19
Consideration of human rights and workers



Social

7

Diversity

Focus on gender. Medium- to long-term increase in women in managerial positions, etc.



Social

8

Redefine the Board of Directors

Enhance effectiveness
Support the full-fledged transition to a monitoring board.



Governance

9

Risk management

Reconsideration of materiality (important management issues)
Disclosure of risk data based on materiality



Disclosure/dialogue

Engagement by Analysts

The Equity Research Department has adopted a long-term assignment system, and more than 20 highly experienced (over 20 years of experience, on average) sector analysts with expertise in analyzing specific sectors and companies are directly involved in engagement with portfolio companies.

Engagement (dialogue) undertaken by the Equity Research Department centers on business strategy and financial strategy. The content of engagement is proposals born from ordinary research work for active investment, that is, industry research, as well as investment decision-making based on corporate value calculations and stock price indicator evaluations in accordance with assessments of competitiveness.

In principle, our engagement aims to share an understanding of problems and align a general sense of direction with companies. Our basic philosophy is to support companies as they work to reform themselves on their own. On top of that, we try as much as possible to avoid abstract arguments, aiming to make concrete proposals through discussions.

Our engagement covers a wide range of areas, including information disclosure methods, business structural reforms and establishing financial KPI. There are sometimes discrepancies in the understanding of the timeline or the approach method, but the unique perspective of analysts (including a sense of speed as viewed by the capital markets, the sector view based on a medium- to long-term perspective, and the comparison with sector peers both in Japan and overseas) is essential in order to continue dialogue.



Head of Equity Research Department
Yosuke Uchida

	Engagement Content	Progress/Outcome/Future Plans
Company Y (Chemicals)	We have continuously been communicating the idea that in order to enhance its corporate value, the company needs to present its measures to reduce greenhouse gas emissions and reform its business portfolio.	<ul style="list-style-type: none"> ■ We feel that we have shared our awareness of the issue with the company. ■ The company has set out a policy of aiming to reduce greenhouse gas emissions by 80% by 2050. The company is also working on business portfolio reforms such as strengthening governance to speed up decision-making and pursuing alliances with other companies.
Company J (Transportation Equipment)	The company plans to allocate more than half of its cash flow to new businesses and M&A over the next 10 years, but the explanation about this was insufficient. In a one-on-one dialogue, we communicated to the company that appropriate information disclosure would lead to more positive evaluations from the capital markets.	<ul style="list-style-type: none"> ■ The company promised to continue to hold regular dialogue and consider holding briefings about new businesses, among other initiatives. We believe that the company understands the content of our engagement and has shown a positive stance. ■ We plan to continue dialogue with the company so that in addition to information disclosure the company ultimately allocates cash flow appropriately.

Global Equity Engagement

We continue to enhance our engagement activities for global equities as well. There are many global ESG issues for companies, 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 are characterized by a large number of target countries and companies, we are leveraging the expertise of each investment team around the globe, as well as utilizing outside resources, to create a more efficient system.

In 2020, our overseas offices conducted engagement on a total of 430 topics (the total number of engagements was 186). We divide engagement topics into a total of six topics: adding 3 new topics: business

strategy, financial strategy, and disclosure/dialogue to previous 3 topics: environment, social and corporate governance. 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 46). 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 47-48).

Engagements by Overseas Offices

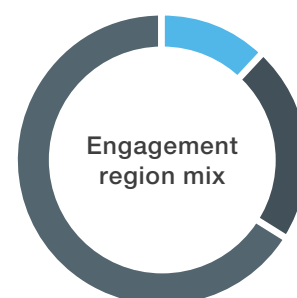
Engagement Topics (Total number)

2020

430 topics (186 engagements)



	Ratio	Number of topics
Business strategy	4%	18
Financial strategy	0%	2
Environmental	34%	145
Social	23%	97
Governance	17%	74
Disclosure/dialogue	22%	94
Total number of topics		430



	Ratio	Number of topics
Europe	12%	53
North America	22%	93
Asia and Emerging	66%	284
Total by Region		430

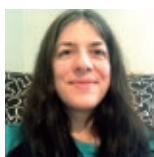
Engagements by Sustainalytics*(2020)

*Target universe: MSCI ACWI ex Japan

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Column

Introduction of members supporting engagement activities overseas



Portfolio and team assistant at UK office
Diana Frattali-Moreno



Global Utilities and ESG Analyst at UK office
Daniela Dorelova

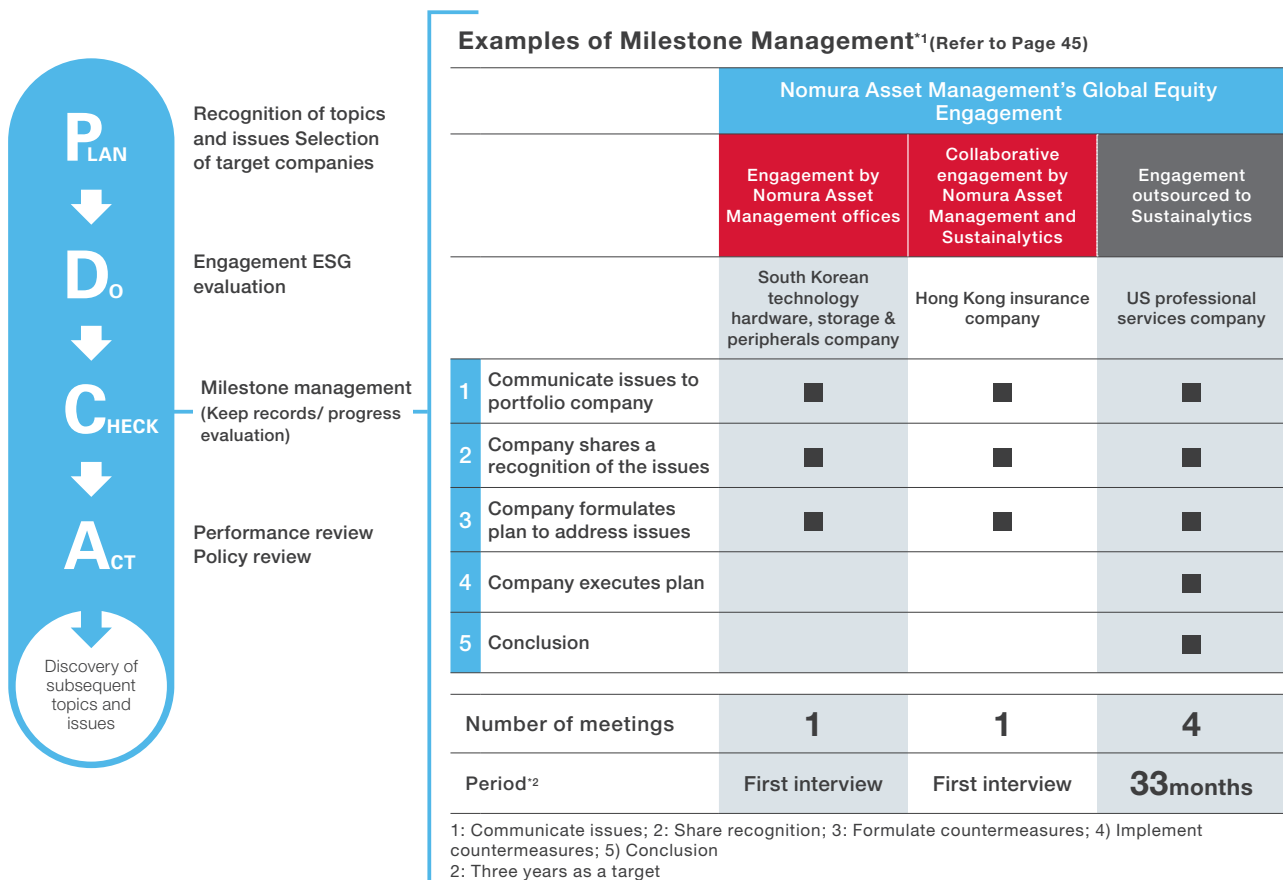
Diana and Daniela in the London office collate and manage the engagement data for global equities. In 2020, milestone tracking for foreign stocks was introduced, so that it can be maintained in a consistent manner globally

Engagement and Milestone Management

Since the middle of 2020, in global equity engagement we have been sharing our awareness of ESG issues with companies, setting specific goals, and carrying 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



Example of Engagement by Overseas Office

The UK Office felt that it was necessary to address issues such as child labor in Africa's cocoa plantations and among growers, as well as poverty and other problems that are the root causes of child labor. In December 2017, we started engaging with companies that procure cocoa, a raw ingredient used in chocolate and turn it into products. In addition to our independent engagement, through collaborative engagement with Sustainalytics, we work with many stakeholders to encourage multiple companies, including companies in

the supply chain, to tackle the problems in this industry and achieve sustainable growth. This is not a problem that can be resolved overnight, but support from the investor community is essential in order to improve the situation. Companies are actively implementing initiatives targeting improvements, such as reducing child labor on cocoa plantations and establishing key performance indicators (KPI) to increase farmers' living income. Going forward, we will continue to work with companies to solve these and other problems.

Examples of Global Equity Engagement (Milestone Management)

Swiss food company

ESG issues	Engagement overview	Company response	Goals	Milestone progress
Reduction of child labor, solution to poverty	Reduce child labor, promote children's rights. Strengthen efforts aimed at increasing living income.	Applying child labour monitoring and remediation systems. Implementing a strategy to monitor the improvement in living income.	Reduce child labor in cocoa procurement in Ghana and Côte d'Ivoire. Increase wages in these countries.	<div> <div>Period*¹</div> <div>36 months</div> <div>(10 interviews)</div> </div> <div>Dialogue timing Dec. 2020</div> <div> <div>Progress*²</div> <div>4</div> </div>

South Korean technology hardware, storage & peripherals company

ESG issues	Engagement overview	Company response	Goals	Milestone progress
Formulate measures to prevent corruption, ensure diversity and independence of directors, and strengthen the internal auditing system	Regarding initiatives to formulate measures to prevent corruption and monitor such measures, to ensure diversity and the independence of directors, and to strengthen the internal auditing system	In addition to formulating a global policy to prevent corruption and bribery, training is provided to all employees every year. Ensuring director diversity and independence and the independence of internal auditors, as part of efforts to strengthen governance	Diversity and independence of Board of Directors, independence of internal auditors	<div> <div>Period*¹</div> <div>First interview</div> <div>(1 interviews)</div> </div> <div>Dialogue timing September 2020</div> <div> <div>Progress*²</div> <div>3</div> </div>

Hong Kong insurance company

ESG issues	Engagement overview	Company response	Goals	Milestone progress
Establish and enhance disclosure of ESG risk-related KPI, improve the process for nominating directors, and strengthen gender diversity	Improve gender diversity in the Board of Directors. Enhance disclosure of ESG risk-related KPI.	Plans to work on gender diversity and disclosure of ESG risk-related KPI.	Board of Directors diversity, disclosure of ESG risk-related KPI	<div> <div>Period*¹</div> <div>First interview</div> <div>(1 interviews)</div> </div> <div>Dialogue timing November 2020</div> <div> <div>Progress*²</div> <div>3</div> </div>

Malaysian food company

ESG issues	Engagement overview	Company response	Goals	Milestone progress
Strengthen initiatives to prevent deforestation	Bolster initiatives to prevent deforestation and ensure traceability, such as strengthening supply chain monitoring and a having a support framework towards attaining certification	Plantation traceability has not reached 100%. If 100% of producers obtain Malaysia Sustainable Palm Oil (MSPO) certification (currently at 88%), there is a possibility that total traceability up to plantations could be achieved.	Initiatives to prevent deforestation, including in the supply chain	<div> <div>Period*¹</div> <div>First interview</div> <div>(1 interviews)</div> </div> <div>Dialogue timing November 2020</div> <div> <div>Progress*²</div> <div>3</div> </div>

*1 Three years as a target



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

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 as well as outsource engagement to Sustainalytics. The engagement services provided by Sustainalytics have become even more functionally advanced following the integration in 2019 with the former GES (with whom

we entered into an agreement with in 2017).

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 climate change, plastics or the circular economy from a global vantagepoint.

	Engagement Policy	Target companies	ESG
 Global Standards Engagement	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	<div>E</div> <div>S</div> <div>G</div>
 Material Risk Engagement	Encourages companies with financially-material 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	<div>E</div> <div>S</div> <div>G</div>

Thematic Engagement

	Engagement Policy	Target companies	ESG
 Engagement related to Climate Transition	Climate-related activity management in compliance with international disclosure standards, involvement in transitioning to 2°C (or lower) scenarios and initiatives to promote the SDGs	Steel and cement companies with high carbon emissions and carbon emission intensities	<div>E</div>
 Engagement related to Child Labour In Cocoa	Aiming to improve the problem of child labor on cocoa plantations, encourages companies to promote access to education and other children's rights, with the aim of solving poverty which is at the root of the child labor problem	Large cocoa and chocolate companies, companies in related supply chains	<div>S</div>
 Engagement related to Plastics and the Circular Economy	Encourages companies to recycle plastics, to shift their strategic focus towards redesign and innovation, to promote the re-usability of products, and transform the plastics market with the goal of enhancing sustainability	Companies in the automotive, electronics, packaging/consumer goods sectors	<div>E</div>
 Engagement related to Sustainable Seafood	Encourages companies to establish appropriate evaluation and management systems for marine products-related sustainability risks	Large companies involved in the procurement of marine products	<div>E</div>
 Engagement related to Tomorrow's Board	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	<div>G</div>
 Engagement related to The Governance of SDGs	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	<div>G</div>

Cooperation with Initiatives

Commitment to no-deforestation together with other financial institutions

A coalition of nine financial institutions including Nomura Asset Management, representing ¥1.8 trillion (as of October 2020) in assets under management asked companies to take action to end deforestation in their supply chains, as well as to enhance supply chain traceability. Initiated and coordinated by ACTIAM, a sustainable investment specialist, the collaborative engagement aims to reduce deforestation across our investments, in light of climate change and biodiversity loss, as well as financial risks connected to deforestation.

With this initiative, we investors reach out to companies that provide insufficient information about their supplier lists, as well as companies linked to deforestation cases in the palm oil sector in Malaysia. These cases have been unveiled through analysis of satellite imagery and artificial intelligence provided by Satelligence. We are asking these companies to publicly disclose supplier lists for soft commodities, as these products present high risks for deforestation.

Companies linked to cases of deforestation are being asked to mitigate the effects of deforestation and take actions to prevent future incidents.

The loss of biodiversity due to deforestation is one of the greatest risks to society and the economy. Scrutiny of the financial and non-financial material risks, as well as recent governmental and regulatory discussions, has brought analysis and risk management of deforestation to the forefront of investors' minds. Thus, traceability and transparency of companies' supply chains are crucial to investors in order to identify and reduce deforestation risks in their portfolios.

Companies are expected to meet the investors' requests in two to three years time. The use of innovative tools, such as satellite imagery and data analysis will allow investors to independently assess the progress made by the engaged companies, and whether their efforts are indeed leading to a reduction of deforestation in the monitored regions and suppliers.

Participant Investors, who took action towards no-deforestation:

ACTIAM N.V.
Achmea Investment Management
Aegon Nederland N.V.
a.s.r. Asset Management
Aviva Investors
Fidelity International
Nomura Asset Management
Robeco
Zwitserleven



Message



Daniela Dorelova

Global Utilities and ESG Analyst at UK office

This satellite-based engagement towards no-deforestation aligns well with our investment philosophy and our Impact Goals. Mitigate Natural Capital Depletion, along with our main KPI – Global Annual Tree Cover Loss – is one of the goals that we as investors believe we can have the greatest impact on through our investments and direct engagements. The initial collaborative engagement reviews the palm oil sector in Malaysia, however the methodology used could be expanded and applied to other soft commodities in the future.



Access to Medicine Foundation / Access to Medicine Index:

Commitment to access to medicine

Report published every two years

Since 2019, Nomura Asset Management is a signatory to the Access to Medicine Index (ATMI), which is conducted every two years by the Access to Medicine Foundation (ATMF: Access to Medicines Foundation), an independent non-profit research foundation. As a signatory, we continue to engage global pharmaceutical companies to responsibly enable and expand access to currently available medicines in low- and middle-income countries.

In April 2020, as the coronavirus continued to spread, in collaboration with Access to Medicine and a number of our fellow signatories, we supported the development of an open letter to the pharmaceutical industry urging companies to take a number of actions including: Proactively and innovatively reach out, collaborate and share relevant data in a timely manner with governments, the health sector, academia and peers Ensure that in the long term research and development processes sufficiently address infectious diseases Focus on international cooperation to ensure supply chains are up and running Enforcing patents, excessive price setting, non-disclosure of relevant findings or

- Proactively and innovatively reach out, collaborate and share relevant data in a timely manner with governments, the health sector, academia and peers
- Ensure that in the long term research and development processes sufficiently address infectious diseases
- Focus on international cooperation to ensure supply chains are up and running.
- Enforcing patents, excessive price setting, non-disclosure of relevant findings or securing extended market exclusivity through, for example, orphan drug designation, should not run counter to the responsibility to respond to Pandemic.

securing extended market exclusivity through, for example, orphan drug designation, should not run counter to the responsibility to respond to Pandemic.

Following the letter we co-led two individual company engagements to focus on the most relevant actions the respective companies should be taking. We engaged with a UK Pharmaceutical that is a world leader within vaccines but is not currently advanced in the race to develop a treatment (As of June 2020). Our conversation was therefore focused around how the company could use its vast resources and footprint to support peers that are currently more likely to develop a treatment. We also engaged with a US Pharmaceutical that was at the very forefront of developing a treatment for Covid-19 (As of June 2020). Here we focused on how the company would responsibly price the treatment and the actions being taken to ensure access in emerging economies through licensing agreements.

The New Coronavirus pandemic has also brought to light the severity of a lack of adequate access to medical oxygen within emerging economies given the role this can play in improving outcomes for those that experience severe symptoms. We participated in two roundtables led by Access to Medicine and the Every Breath Counts coalition, for companies, NGOs, donors and investors to openly discuss how stakeholders could work together to tackle this grave issue. Working collaboratively across our firm we were also able to use our influence to support bringing a key player within the medical oxygen space to the table to participate in the conversation. The initiative remains in the early stages but the first steps have been taken and highlight the important role institutional investors can play in supporting better outcomes.



Alex Rowe

Global Sustainable Equity Fund (GSE) Lead portfolio manager

Alex is the lead portfolio manager of Global Sustainable Equity strategies and plays a key role in the team's responsible investment activities as well as global industrial sector research.

At ATMI, he is actively involved in helping companies create impact, including co-chairing a collaborative engagement with GSK. Alex became a father shortly after the start of the Covid-19 pandemic and took parental leave. He is now happy to make the most of the free time he had and is even more passionate about creating a more sustainable future.