



ENGAGEMENT

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

Basic stance on engagement

Engage in dialogue with a cordial and constructive attitude

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

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.

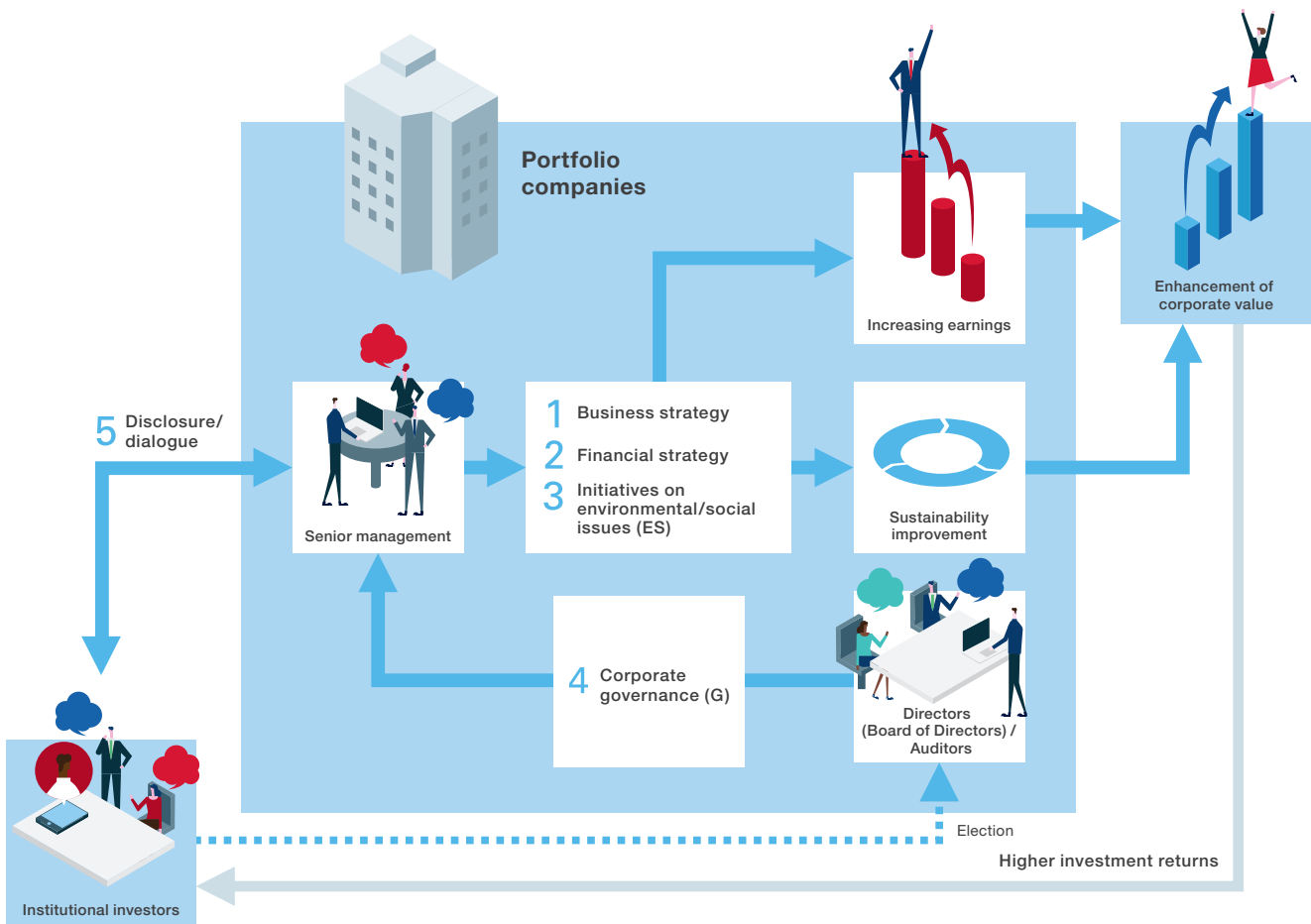
The definition of our engagement is to “exert an influence on companies based on a deep understanding of them so that they will be able to enhance their corporate value and achieve sustainable growth by operating in desirable ways.” Merely seeking improvements from companies with ESG issues is not engagement. 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 (lower part of the previous page).

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.

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.





Engagement Target Companies and Results

With respect to Japanese equities, the approximately 2,400 Japanese companies whose shares we hold (as of December 31, 2021) are all targets for engagement.

Total number of contacts with portfolio companies

Approximately **6,500**

Japanese companies, January – December 2021

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

Approximately **2,400**

Of these, number of dialogues with executives and above

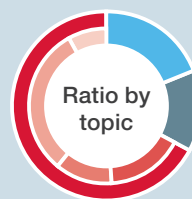
Approximately **1,000**

Engagement meetings

Total number of engagement topics (total number of companies)

1,690 topics (765 companies)

2021

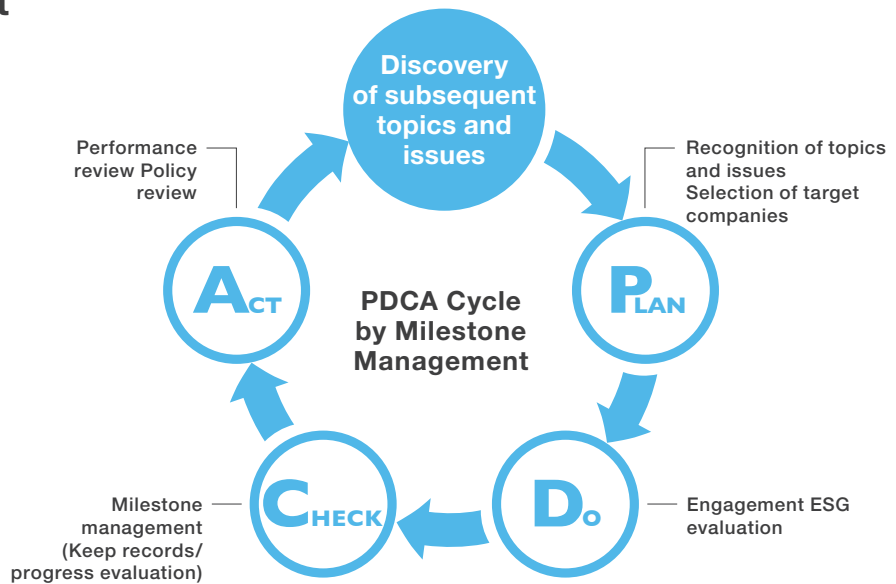


	Ratio	Number of topics
Business strategy	19%	315
Financial strategy	14%	232
ESG-related meetings	68%	1,143
Environmental	16%	271
Social	12%	201
Governance	32%	535
Proxy voting-related	8%	136
Total		1,690

Milestone Management

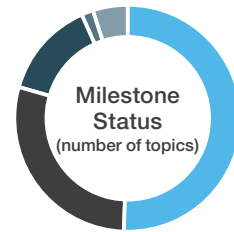
In order to manage our progress on engagement, we carry out "milestone management," setting the period for individual engagement topics at three years. By managing PDCA (Plan, Do, Check, Action) progress using a fixed timeline, we can efficiently formulate a dialogue schedule for subsequent phases and 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 ESG and ④ disclosure and dialogue after discussing ① business strategy and ② financial strategy (Pattern 2 below).



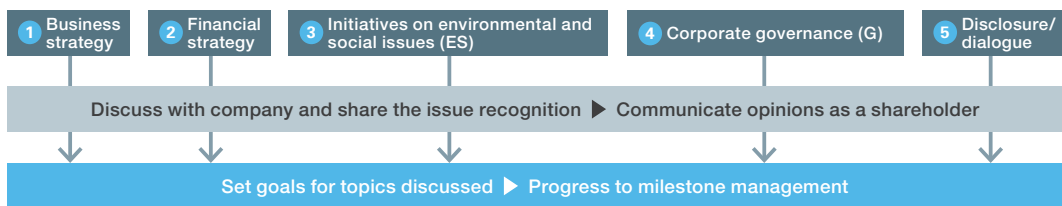
Status of Milestone Management (as of December 31, 2021)

In 2021, we carried out engagement across 1,690 topics. Currently, we are managing milestones for a total of 270 topics (106 companies). Of these, 13 topics are already at "Step 5: Conclusion." (refer to Pages 45-49).



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)



Engagement on Priority Topics

We carried out engagement in line with the nine key themes established by the Responsible Investment Committee. Here, we introduce some examples of engagement in 2021 in line with NAM's unique milestone management.



Financial

Rational Explanation of Financial Strategy

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

Examples of engagement

Company A

Food

Interviewee
Representative Director and President, others

Goal
Accountability related to Long-term Vision

- ▶ You made a large investment, but your accountability towards your vision is insufficient. This is leading to a stagnating share price.
- ▶ Your explanation has improved, but the relationship between the business domain and customers' needs is unclear.
- ▶ We determined that accountability improved significantly.

Nomura Asset Management
Company A

- ▶ We invested capital in a partner for new business. We will enhance our explanation about the business domain in our integrated report.
- ▶ We changed our integrated report to make it a story that starts with addressing health-related social issues. We are aiming for a repositioning.

Status of Milestone Management

Completion: May 2021



Company B

Construction Industry

Interviewee
Senior Managing Executive Officer and CFO, others

Goal
Accountability for the direction of the (shareholder) return policy

- ▶ Given the asset turnover rate, financial ratio, and revenue outlook, equity capital seems excessive.
- ▶ We appreciate your efforts to strengthen risk management. If you can control risk, you should be able to reduce your equity capital.
- ▶ The explanation is not sufficient. Please indicate the outlook for the inflow and outflow of funds during the period covered by the medium-term management plan.

Nomura Asset Management
Company B

- ▶ We anticipate an increase in orders, so it is not excessive.
- ▶ We will consider it in the next medium-term management plan. (Announced medium-term plan)
- ▶ We acknowledge that the current explanation is abstract. We want to improve it.



* The period is the number of months from start of interviews until December 2021



Governance

Strengthen Commitment to Capital Efficiency

Demand commitment to capital efficiency through executive compensation

Examples of engagement

Company C
Food
Interviewee
 Director and Senior Managing Executive Officer, others
Goal
 Executive compensation with capital efficiency indicators as KPIs

- ▶ You have used cash flow on investments to reduce interest-bearing debt, but the latter has come to an end. You are now moving to a stage where investment results and the efficient use of funds are expected.
- ▶ Linking executive compensation to sales and operating income, does not fit the current stage.

Nomura Asset Management
Company C

- ▶ You are right. Capital efficiency has also come to be emphasized in business management.
- ▶ We are studying this for the next medium-term management plan. We also want to reflect ESG.
- ▶ **Adopted ROE and ESG initiatives as KPIs for executive compensation.**

Status of Milestone Management

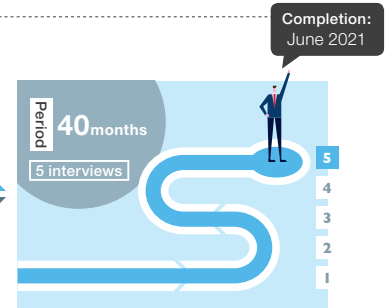


Company D
Textiles
Interviewee
 Director and Senior Managing Executive Officer, others
Goal
 Introduction of executive compensation based on business issues

- ▶ Due to the complexity of the business structure, it is important to manage capital efficiency. How about including it in the KPIs for executive compensation?
- ▶ To show management's commitment, we want it to be reflected in executive compensation.

Nomura Asset Management
Company D

- ▶ We are also listening to the opinions of outside directors. The current compensation structure may not reflect the characteristics of the business.
- ▶ Disclosure of the cost of capital expected by management. Aiming for capital efficiency that exceeds this.
- ▶ **Adopted ROIC as a KPI for executive compensation.**



Governance

Reduction of Cross-Shareholdings

Ask for a reduction in line with the Corporate Governance Code.

Examples of engagement

Company E
Construction Industry
Interviewee
 Senior Managing Executive Officer and Director, others
Goal
 Disclosure of significance of cross-shareholdings as well as reduction targets

- ▶ We want you to disclose the significance of cross-shareholdings and reduction targets. There are outside directors who have experience with reducing cross-shareholdings, so why not get some advice from them?
- ▶ Your disclosure of the reduction of cross-shareholdings and the purpose of holding them is insufficient, and the holdings are still increasing.

Nomura Asset Management
Company E

- ▶ The outside director you mentioned advised us that the cross-shareholdings constitute a management risk.
- ▶ We plan to reduce the holdings while allocating the proceeds to business investments.
- ▶ **We announced the target reduction amount and the timing in the medium-term management plan.**

Status of Milestone Management

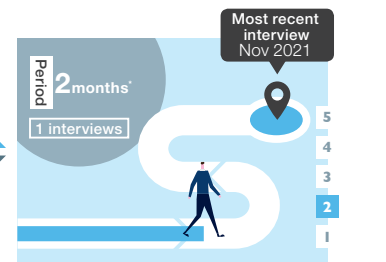


Company F
Warehouse/Transport Industry
Interviewee
 Managing Executive Officer and Director, others
Goal
 Executive compensation linked to capital efficiency

- ▶ You are slow to reduce cross-shareholdings and this is leading to a decline in ROE.
- ▶ Your KPI for executive compensation is recurring profit. This does not incentivize the effective use of capital (including cross-shareholdings). We think it would be more appropriate to link compensation to a capital efficiency indicator like ROE.

Nomura Asset Management
Company F

- ▶ We are discussing this internally. Our initial target was 5%, but we then started to think that this was the absolute minimum.
- ▶ The Compensation Committee is currently discussing this. We will provide feedback.



- 1 Communicate issues to company
- 2 Company shares a recognition of the issues
- 3 Company formulates measures to address issues
- 4 Company implements measures to address issues
- 5 Conclusion



Environmental

Becoming a TCFD (climate change) signatory, subsequent actions

Disclose data in accordance with the TCFD regarding climate change impacts and countermeasures

Examples of engagement

Company G

Rubber Products

Interviewee
Sustainability Dept. Head, others

Goal
Support for TCFD Recommendations

- Your specific business characteristics make the risks of climate change significant. Please consider supporting the TCFD Recommendations.
- This is an important issue in terms of competition.
- It's great that you agreed to this. However, the scenario analysis is not in line with TCFD. (Asked for scenario analysis in line with the Recommendations, and started new milestone management)

Nomura Asset Management
Company G

- We started to set targets for total greenhouse gas (GHG) emissions.
- We recognize the importance of this, but we have not reached an internal consensus regarding preparing the related data.
- We agreed with the TCFD, and provided disclosure in line with the Recommendations.

Status of Milestone Management



Company H

Chemicals

Interviewee
Representative Director and President, others

Goal
Setting and disclosing total reduction targets or reduction contribution amounts for GHG emissions

- Your GHG emissions reduction target is only on an intensity basis (per unit of sales). Is it possible for you to set and disclose a reduction target for total emissions?
- The total amount is the focus of attention for achieving the goals of the Paris Agreement. Considering your business characteristics, can you also disclose the amount of contribution to reductions?

Nomura Asset Management
Company H

- We are actively working to reduce emissions, but it is inevitable that total emissions will increase as sales (=production) increases.
- We understand what is being asked of us. However, our corporate culture is such that we do not set goals that we cannot achieve with certainty, so we need to study this internally.



Business

Business Strategy amid New Circumstances

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

Examples of engagement

Company I

Electrical Equipment

Interviewee
Representative Director and President, others

Goal
Establishing a structure to shift to being a service-based company

- Regarding the sales platform in particular, you need to switch from the conventional system of selling goods to a system of providing services and solutions. Shouldn't you consider strengthening your training program, devising creative sales methods, incentivizing sales personnel, and utilizing external resources (if necessary)?
- We want to check on the progress going forward on a regular basis.

Nomura Asset Management
Company I

- We are aiming to shift from being a manufacturer to being a service company amid major changes in demand and the industry structure due to the COVID-19 pandemic.
- We are making progress on skill-shifting in Japan, but things are still centered on sales overseas. We recognize that we need to revise the organization and acquire external resources.

Status of Milestone Management



Company J

Service Industry

Interviewee
Representative Director and President, others

Goal
Quantifying contributions to solving social issues and setting/disclosing targets

- Our business characteristics are such that you can contribute to solving social issues in the age of COVID-19. Can you quantify your contributions and show your targets?
- Your M&A and new business track records are good. If these lead to contributions to social issues, it is possible for you to show reproducibility and attract funds for impact investment.

Nomura Asset Management
Company J

- We view non-financial business as the driver, or the foundation, of our business. It has a natural strength, but we were not able to put it into words.
- Set and disclosed goals for solving social issues in line with the business.



* The period is the number of months from start of interviews until December 2021



Social

Human Resources amid New Circumstances

Work style reform amid the age of COVID-19. Consideration of human rights and workers

Examples of engagement

Company K

Machinery

Interviewee
Director, Representative Executive Officer and Vice President

Goal
Formulation of human rights policy and performing human rights due diligence

Nomura Asset Management

Company K

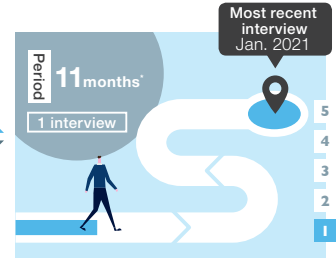
- You have made progress on environmental initiatives, but there is room for improvement on social issues, especially with respect to human rights risks.
- You are expected to manage human rights risks at your customers. Inadequate efforts can affect business. You need to formulate a policy and conduct due diligence.

Nomura Asset Management

Company K

- We manage the supply chain, but we have just started managing human rights.

Status of Milestone Management



Company L

Retail

Interviewee
Director, others

Goal
Implementation and disclosure of human rights due diligence

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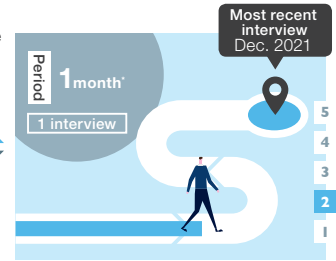
Company L

- Our integrated reports are heavily focused on business opportunities. Disclosure related to risks is insufficient.
- We see that disclosure has improved, but disclosure of human rights risks is insufficient. Given the nature of your business, these are risk factors that receive a lot of attention.
- We are expecting improvements. We would like you to conduct human rights due diligence and disclose the results.

Nomura Asset Management

Company L

- We reviewed our materiality and expanded the content/descriptions about risk.
- We recognize this as an issue. We have created a supplier management system.



Social

Diversity

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

Examples of engagement

Company M

Electrical Equipment

Interviewee
Representative Director and President, others

Goal
Setting targets for promoting the active participation of women

Nomura Asset Management

Company M

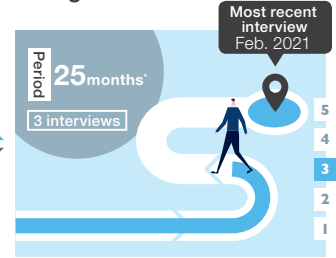
- You have not announced any targets for social issues such as promoting the active participation of women.
- The number of years of continuous service for women is close to that of men. The issue might be increasing the number of women who aim to rise into managerial positions.

Nomura Asset Management

Company M

- Instructed the department in charge to link it with SDGs and quantify it.
- In addition to creating the Diversity Promotion Department and appointing a woman as the department head, we are also working to target talented women and on developing them along with their superiors.

Status of Milestone Management



Company N

Electronics

Interviewee
Representative Director and President, others

Goal
Formulating and publicly disclosing medium- to long-term targets for social issues such as women managers

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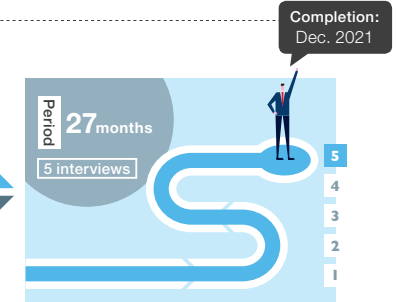
Company N

- You have not set targets for environmental or social issues other than climate change. In particular, promoting the active participation of women is an issue, is it not?
- To show management's long-term commitment, please disclose some medium- to long-term targets.

Nomura Asset Management

Company N

- We recognize that both the hiring stage and retention after joining the company are issues.
- The rate of returning to work after childbirth is high and no M-shape phenomenon has occurred. We are strategically working on this, both from the organizational design side and the talent management side.
- Disclosed targets for the ratio of women in managerial positions.



- 1 Communicate issues to company
- 2 Company shares a recognition of the issues
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- 4 Company implements measures to address issues
- 5 Conclusion



Governance

Redefine the Board of Directors

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

Examples of engagement

Company
O

Transport equipment

Interviewee
Senior Managing Executive Officer and Director, others

Goal
Establishment of Nomination and Compensation Committee

Supervisory functions centered on nominations and compensation are important, but you don't have a nomination or compensation committee.

You need to have a forum for outside directors to have discussions focused on nominations and compensation.

Nomura Asset Management Company O

The company president provides explanations to the Audit and Supervisory Committee, and the Committee gives its opinions to the board of directors.

The current process is working, but we are aware of what institutional investors want us to do. We are continuing discussions within the company.

Transitioned to a "company with committees" structure, and established both a Nominating Committee and a Compensation Committee.

Status of Milestone Management

Completion: June 2021



Company
P

Retail

Interviewee
Director and Senior Managing Executive Officer, Outside Director, others

Goal
Increasing the number of outside directors with management experience, or establishing Nomination and Compensation Committees

The function of supervising management (such as supervising nominations and compensation) is weak. There are no outside directors with management experience.

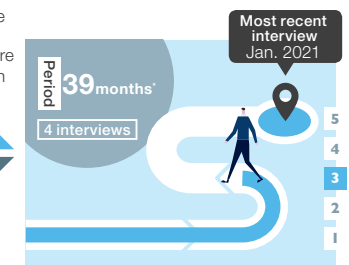
Your efforts to strengthen governance are late/slow. We would like to meet with outside director(s).

We want outside directors to supervise the senior management team through nominations and compensation. If there are not enough people, please bring in people with management experience.

Nomura Asset Management Company P

It is difficult because we are an owner-operator company, but we have reduced the number of internal directors in order to separate execution.

(Comment by outside director) I was appointed with the expectation that I would provide advice to senior management. There are few outside directors, so even if the company were to establish nomination/compensation committees, they wouldn't function well.



Disclosure/dialogue

Risk Management

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

Examples of engagement

Company
Q

Pharmaceuticals

Interviewee
Representative Director and President, others

Goal
Integrated report that summarizes risks and opportunities

The linkage between business and ESG is unclear in the integrated report.

It is important to classify key issues in terms of risks as well as opportunities.

Confirmation that risks and opportunities have been classified.

Nomura Asset Management Company Q

We believe that ESG can lead to business opportunities. We are aware that the relevance of ESG issues is weak because we discussed them after we formulated the medium-term management plan.

Reviewed key issues in conjunction with the formulation of the new medium-term management plan. The Integrated Report was also renewed.

Status of Milestone Management

Completion: August 2021



Company
R

Retail

Interviewee
Director and Managing Executive Officer, others

Goal
Classification and disclosure of risk factors

You have had a series of scandals, and risks have become apparent. The risks disclosed in the integrated report are not given levels of priority, and their relevance to the business is unclear.

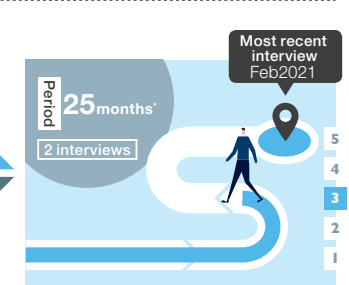
The way you organize your risks is still inadequate.

Nomura Asset Management Company R

We understand that we need to attach relative weightings to each risk factor. We are closely examining them.

(Renewed the Integrated Report)

We have provided feedback about what you pointed out. We are strengthening the group's risk management system, and this is being discussed by the board of directors, but we are aware that it is not sufficient, including our disclosure.













* The period is the number of months from start of interviews until December 2021

Review of Priority Topics

We believe that a mutual understanding of ESG issues and the promotion of proper initiatives are indispensable elements for increasing corporate value and achieving sustainable growth. Through engagement activities, we

continually urge portfolio companies' senior management to manage risks, and pursue business opportunities, related to ESG issues. We will also continue to actively communicate the importance of information disclosure in accordance

with global initiatives. Based on this approach, we have newly set 10 priority themes for engagement, with the approval of the Responsible Investment Committee (July 2021).

 <p>Financial Rational explanation of financial strategy Ask companies to explain their use of cash on hand, shareholder return policy, etc.</p>	 <p>Business Integrate Business Strategy and Sustainability Accountability for business strategy that integrates sustainability. This includes targets for sales of products that contribute to sustainability, etc.</p>
 <p>Governance Redefine the Board of Directors Improving effectiveness. Encourage a full-fledged transition to monitoring boards. (Discuss together with the revision of proxy voting standards)</p>	 <p>Governance Strengthen commitment to capital efficiency Demand commitment to capital efficiency through executive compensation</p>
 <p>Governance Reduction of cross-shareholdings Ask for a reduction in line with the Corporate Governance Code</p>	 <p>Environmental Climate Change Companies are expected to set GHG reduction targets aiming for net-zero, attain SBT certification, disclose Scope 3 emissions and amount of GHG absorption, etc.</p>
 <p>Environmental Natural Capital Work to preserve biodiversity, water resources, etc.</p>	 <p>Social Diversity Focus on gender. Medium- to long-term increase in the ratio of women in managerial positions, etc.</p>
 <p>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.</p>	 <p>ESG, Disclosure/dialogue Disclosure of Materiality and Risk Information Reconsideration of materiality (important management issues) Disclosure of risk data based on materiality</p>

Engagement Department

Enhancing ESG Engagement

Nomura Asset Management created the Engagement Department in November 2021. This department was established in order to enhance the understanding of the business environment surrounding portfolio companies and deepen constructive and “purposeful dialogue” (engagement) that contributes to sustainable growth, as well as to further reflect the outcomes of engagement in investment decisions and proxy voting.

For asset managers like us, engagement with portfolio companies is absolutely essential in order to understand a company’s business situation and its ability to create value over the medium to long term. It is also now widely understood that management under appropriate governance systems can contribute to a company’s sustainable growth. In order to create an investment chain (virtuous cycle of investment), asset management companies are expected to link ultimate beneficiaries with portfolio companies and support companies that can contribute to a prosperous society. I believe that engagement is an important means for achieving that.

Introduced in 2014 and 2015, the Stewardship Code and the Corporate Governance Code demand that asset managers engage in constructive dialogue based on a deep understanding of portfolio companies, and that companies actively and aggressively address ESG (Environment, Society, and Governance) issues. We have been diligently advancing similar initiatives for many years. However, as the economy and market environment change, so do the ideals of investors and portfolio companies. When the demands of different stakeholders are not uniform, we must determine what options are the best for fiduciaries and society. In order to fulfill our



Senior Managing Director
Chief Investment Officer (Equities)

Yuichi Murao

responsibility to the best of our abilities, I want for the Engagement Department to further enhance engagement, which is constructive and purposeful dialogue with portfolio companies.

The Engagement Department will act as a locus of collaboration between our ESG specialists (horizontal axis) who are well-versed in ESG issues for which initiatives at global standards are required, our corporate analysts (vertical axis) who conduct sector research and analyze and make recommendations for portfolio companies, and our credit analysts (vertical axis) who have expertise in bond issuance which is a major means that companies use to raise funds. I believe this concentration of expertise will further deepen our understanding of portfolio companies. (Refer to our engagement system on Page 52).

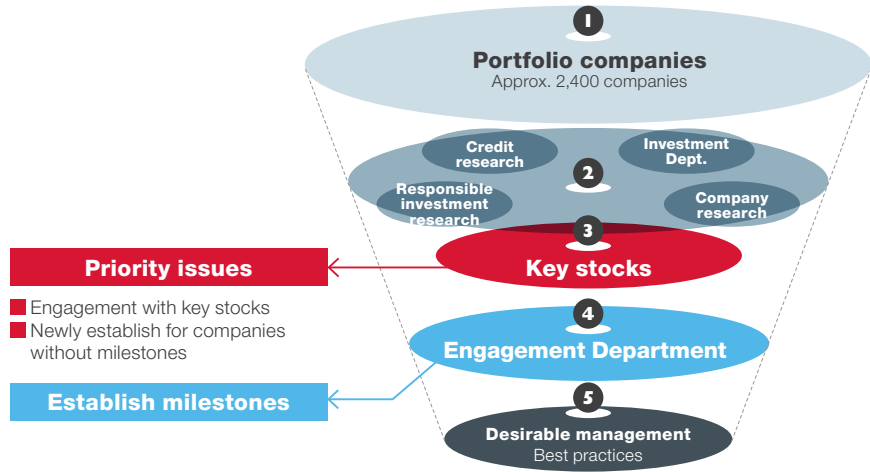
Through dialogue with portfolio companies based on such an understanding, we are able to communicate the “desirable management” that we expect of them, and let them know what actions we want them to take. This will likely help improve corporate value as companies tackle and solve ESG issues. I feel that our efforts have become more effective based on the collaborative engagement activities that we have been carrying out for nearly half a year now. By reflecting the results of engagement in investment decisions and proxy voting, not only will we see an improvement in corporate value, but as a responsible investor that invests in a variety of assets including stocks and bonds, Nomura Asset Management will aim to contribute to sustainable economic growth and the realization of a prosperous society by enhancing our stewardship activities.

Overview of Companies with which We Engage

Nomura Asset Management holds constructive dialogue (engagement) centered on approximately 300 companies, taking importance into consideration based on the value of our holdings in a company and our ownership ratio, combining both our actively-managed funds and our passive funds. The companies that we engage with, including those that the Investment Department asks us to engage with and portfolio companies that wish to have dialogue with us, have a combined market capitalization of just under 80% of the total market capitalization of the Tokyo Stock Exchange. In FY2021, we carried out engagement with almost all of the target companies. We also set milestones (see Page 44) for target companies and told portfolio companies what we see as their key issues. The

Engagement Department, which was established in the fall of 2021, is working to develop even closer cooperation with corporate analysts, ESG specialists, credit analysts, and equities and bond portfolio managers, and to make engagement themes more advanced along with

managing progress. We are also supporting the improvement of the corporate value of portfolio companies towards what we consider “desirable management,” as well as focusing on spreading awareness of the best practices which serve as good examples.



Relationship Between Engagement, Proxy Voting and Investment Decisions

In our engagement program, the Engagement Department manages milestones, and the details of that are reflected in investment decisions via portfolio managers and in proxy voting via the Responsible Investment Department. We also believe that this contributes to the virtuous cycle of the investment chain.

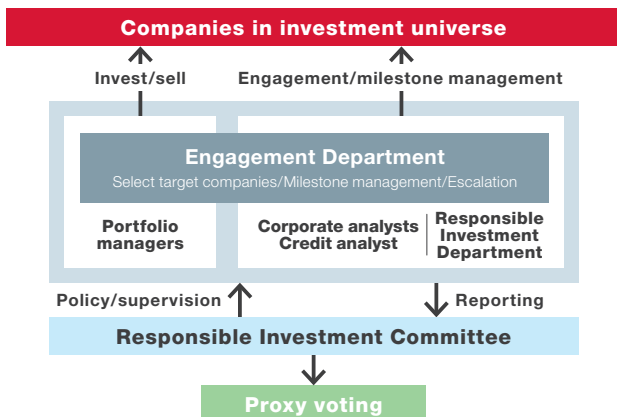
If we have communicated to a company through engagement that its efforts towards desirable management are inadequate and we have urged them to take action, yet still the company has not taken adequate action for a considerable period of time

and no improvements are expected, the Investment Policy Committee may decide on a company-wide course of action such as divestment. In addition, the Responsible Investment Committee may reflect this in proxy voting, such as opposing director appointment proposals, as necessary.

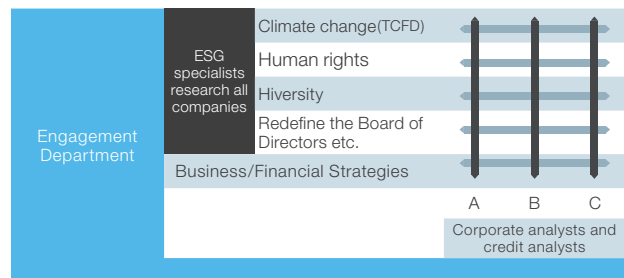
We are also strengthening the collaborative relationship between corporate analysts, credit analysts and ESG specialists. Analysts not only encourage portfolio companies to transform themselves on an individual industry and company basis, but also conduct ESG

research and carry out engagement. In addition, ESG specialists who have abundant and global knowledge about ESG themes support efforts to improve corporate value by digging deeper into ESG initiatives at portfolio companies for each theme. By having analysts and ESG specialists, who together possess a deep understanding of companies’ financial situations as well as their ESG initiatives, work together, we believe that we can boost synergies, and that this more advanced level of engagement will lead to improvements in corporate value.

Engagement, proxy voting, and investment decisions



Engagement System



Corporate analysts and credit analysts research and hold dialogue with individual companies about their business/financial strategies and ESG, and ESG specialists dig deep on key ESG themes across all companies. The Engagement Department monitors to make sure that there are no contradictions or gaps in our stance, and continually communicates with all parties involved.

Global Equity Engagement

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 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 2021 our overseas offices conducted engagement on a total of 628 topics (the total number of engagements was 213). We divide engagement topics into a total of six topics: business strategy, financial strategy, environment, 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 56). 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 57-60).

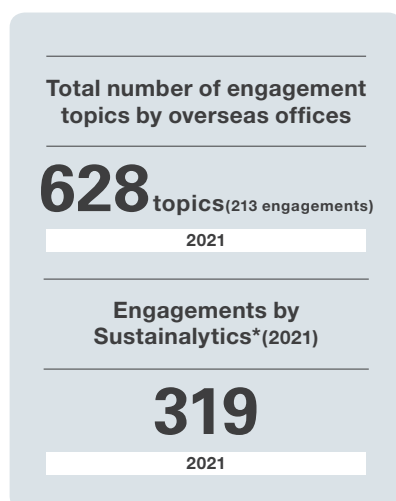
Example of Engagement by Overseas Office

In 2021, the UK office began a project to engage with companies that have not yet had their GHG emission reductions targets approved by the Science Based Targets Initiative (SBTi) or committed to doing so. Such targets align a company's objectives for the pathway of their emissions with what is required to meet the Paris Agreement – limiting global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels. The initial stage of the project was focused on analysing portfolio companies' GHG emission reduction targets and

determining, which companies either have not had targets approved by the SBTi or committed to working towards doing so. The next stage involved engaging with all those companies to understand their reasons for not having such targets, what the challenges they were facing and whether they were considering/working towards SBTi validated science-based targets. The SBTi validation of GHG emission reduction targets is considered the gold standard within the investment community and provides investors

with an opportunity for a more direct comparison between peers and across sectors. Nomura Asset Management announced its own commitment to the Net Zero Asset Managers initiative in Nov 2021 (participated in Aug 2021) and core to the impact we believe we can have as a firm will be engaging with companies and using our influence to push them towards committing and then in due course having their targets being validated by the Science Based Targets Initiative.

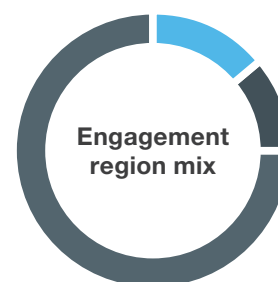
Engagements with Global Equities



*Target universe: MSCI ACWI ex Japan



	Ratio	Number of topics
Business strategy	9%	55
Financial strategy	3%	18
Environmental	26%	161
Social	24%	149
Governance	18%	111
Disclosure/dialogue	21%	134
Total number of topics		628



	Ratio	Number of topics
Europe	14%	86
North America	11%	68
Asia and Emerging	75%	474
Total number of topics		628

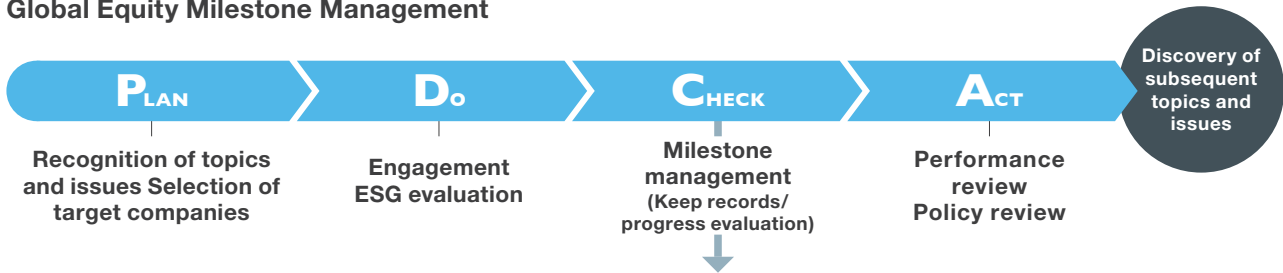
Engagement and Milestone Management

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



Examples of Milestone Management* (Refer to Page 55)

			①	②	③	④	⑤		
			Communicate issues to portfolio company	Company shares a recognition of the issues	Company formulates plan to address issues	Company executes plan	Conclusion	Number of meetings	Period
Nomura Asset Management's Global Equity Engagement	Engagement by Nomura Asset Management offices	US Electric Utilities company	■	■	■	■		2	3 months
	Collaborative engagement by Nomura Asset Management and Sustainalytics	Hong Kong insurance company	■	■	■	■		2	13 months
	Engagement outsourced to Sustainalytics	Germany Automobiles	■	■	■	■	■	2	30 months

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

COLUMN



Introduction of members supporting engagement activities overseas



Diana and Daniela based in the London office undertake the mammoth task of collating, checking and maintaining the central records of quarterly engagement data submitted by the various global equity teams. This data forms part of the quarterly Responsible Investment reports which are published on the NAMUK website and is also available on the interactive database on the NAMUK website which was launched in 2021.





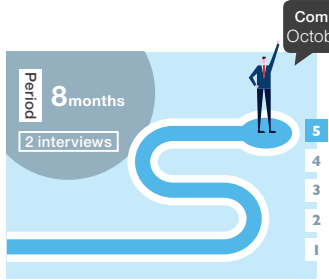
Global Equity Engagement

Examples of Global Equity Engagement (Milestone Management)

 Swiss food company	
ESG issues	Protection of natural capital, elimination of deforestation in the supply chain
Engagement overview	Monitoring system and traceability in the supply chain, initiatives to prevent deforestation
Company response	Using satellite image data and supply chain mapping, etc., to monitor that the supply chain is not involved in deforestation As of 2020, assessed that 90% of the purchases of key soft commodities that carry the risk of deforestation do not involve deforestation
Goals	Respond to instances of deforestation occurring in the supply chain, and curb future deforestation
Milestone progress	

 South Korean auto components company	
ESG issues	Diversification of directors and ensuring director independence, protection of minority shareholders' interests
Engagement overview	Policy and process for selecting directors, initiatives aimed at ensuring diversity and independence in the board of directors Bolster communication with shareholders, Shareholder return policy
Company response	Appointed independent directors elected by shareholders, and strengthened engagement with shareholders Appointed an independent woman director in 2021 Promoted the hiring of women on a company-wide basis
Goals	Ensure diversity and independence of board of directors Bolster governance aimed at protecting minority shareholders' interests
Milestone progress	

 Hong Kong insurance company	
ESG issues	Establishment and enhanced disclosure of KPI related to ESG risks, improvement of the director nomination process and bolstering of gender diversity
Engagement overview	Improve gender diversity in the Board of Directors Enhance disclosure of ESG risk-related KPI
Company response	Appointed an independent woman director in 2021 Plans to disclose KPI related to ESG risks and integrate into the compensation scheme
Goals	Diversity in the board of directors, disclosure of KPI related to ESG risks
Milestone progress	

 Australian material company	
ESG issues	Climate change risk management system, ensure safety of tailings storage facilities
Engagement overview	Analysis of climate change scenarios and disclosure related to plans for reducing Scope 3 emissions Strengthen risk management aimed at preventing accidents at tailings storage facilities
Company response	Formulated climate transition action plan and announced commitments, including Scope 3 Tied executive compensation to climate change indicators. Strengthened risk management of tailings storage facilities as well as community engagement
Goals	Disclosure of GHG emissions reduction plan (including Scope 3) Ensure safety of tailings storage facilities
Milestone progress	

Milestone status (progress) 1 Communicate issues 2 Share recognition 3 Formulate countermeasures 4 Implement countermeasures 5 Conclusion

* The period is the number of months from the start of interviews to December 2021.

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. 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.



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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



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Material Risk Engagement

Engagement Policy	Target companies
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


Thematic Engagement



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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



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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



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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



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Engagement related to Child Labour In Cocoa


Engagement Policy	Target companies
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	Cocoa and chocolate companies, companies in related supply chains



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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



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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



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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

Commitment to no-deforestation together with other financial institutions

2021 marked the first full year of continuous collaboration with investee companies towards achieving zero deforestation. Throughout this period we have seen the engagement activity and the number of productive discussions picking up significantly, with the addition of new companies and investors to the project.

In phase two of this initiative the investor group, with the help of our satellite monitoring partner – Satelligence – expanded the reach of the project to cover palm oil plantations and mills in Indonesia. The conversations we are having with companies has also started to include other key soft commodities depending on the relevance of those for different companies. As part of that expansion, a further 21 companies were identified to engage with on the topic of achieving zero deforestation. From the list of companies added, 3 belong to Group

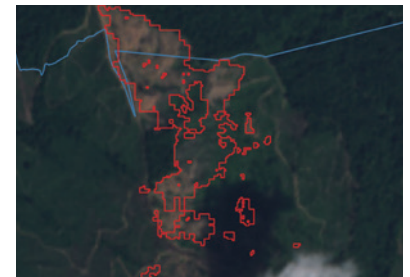
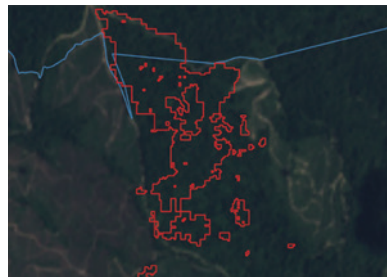
A, which are companies that at present show a lack of traceability efforts and/ or do not disclose their supplier lists and 18 in Group B, which are companies that provide disclosures of existing supply chains already, however have been connected to cases of deforestation in the recent year based on satellite imagery and artificial intelligence data.

Nomura Asset Management (NAM) committed to take the lead on two of those supplementary companies. The first engagement we led took place at the end of 3Q21 and resulted in a constructive conversation with a European Consumer Staples company. All flagged deforestation cases are currently being investigated on the ground by an NGO the company is partnering with and the investor group is awaiting an update in due course. The second engagement

NAM is co-leading with another asset manager has been scheduled for early 1Q22.

We are proud to announce that in June 2021, ACTIAM, the organiser of this collaborative engagement was recognised by the Environmental Finance Sustainable Investment Awards for ESG engagement of the year.

Looking ahead, the investor group is planning to further expand the list of companies, as well as carrying out follow ups on some of the initial conversations we had with participating companies. In addition, part of the investors involved in this engagement project towards no deforestation, including NAM, are currently exploring opportunities to use other innovative technologies in our collaboration with investee companies to address the growing importance of biodiversity loss.



Satellite image example of deforestation: Red boundaries is the deforested area. Left is Image before deforestation activity begun. Right is Image after deforestation activity begun.

Global Utilities and ESG Analyst

Daniela Dorelova





Report published every two years

2 Commitment to access to medicine



The level of vaccination rates in poorer nations has been extremely slow relative to richer nations, and the actions of certain companies with regards to the roles they have played in supporting access has been disappointing. We believe that prioritising access to vaccines over near-term profits is not only the right thing to do, but the most sustainable long-term approach for these businesses. This will help lower the risk that new variants develop, prolonging the pandemic, and also lowers the risk that vaccine developers face a change in societal perspective with regards to their role in tackling the pandemic. We strongly believe the investment management industry has a huge opportunity to have a more a positive impact, and see it of utmost important that we do what we can in continuing to engage with companies, our network and Access to Medicine to support a more equitable approach and have invested considerable time into this over the year.

In the first quarter of the year Nomura Asset Management co-signed an Access to Medicine statement supporting a fair and equitable response to the Coronavirus pandemic. The spread of new COVID strains has made it even more urgent to launch rapid vaccination programmes covering as many people as possible, including in low- and middle-income countries, and the statement represented further

commitment from Nomura Asset Management to continue to work with Access to Medicine to achieve more equitable outcomes. As co-leads of the Access to Medicine investor collaboration with one of the leading vaccine manufacturers globally, we also engaged with the company directly to discuss vaccine efforts and strategies for ensuring access.

In the second quarter we again worked with Access to Medicine and our Responsible Investor peers to engage with pharmaceutical companies directly involved in the Coronavirus pandemic response. Following on from the statement supporting a fair and equitable response to the Coronavirus pandemic that was signed in 1Q21, individual company specific letters were drafted and distributed that addressed the specific roles we expect the companies to play. In total we engaged with 8 companies. Over the quarter the WHO publically called for the price of one of our investee company's treatments – used to treat black fungus – to be lowered in India for patients suffering from Coronavirus. We engaged with the company to both better understand its licensing agreements in India and the levers it can pull to support access, reiterating our expectations to take a responsible approach to tackling

the fallout from the pandemic.

In the third quarter we engaged extensively with one of the pharmaceutical companies that we believe to have been the most responsible with regards to its COVID vaccine, which had at that date been priced at cost in developed markets and will be produced on a not for profit basis in lower income countries indefinitely. The company has also performed far better than peers with regards to supporting access to its vaccine in lower income countries. We engaged with the company to better understand both limitations on supporting even greater access and internal perceptions with regards to expectations of their investors. We strongly reiterated to the company that we believe its approach to not making a profit on vaccines and supporting access is the right thing to do and increases our view of the long term sustainability of the busines

In the fourth quarter we worked with peers and Access to Medicine to develop a further open letter to vaccine manufacturers (to be published in early 2022) supporting the WHO's policy on vaccine supply (see below). We recommend that vaccine access goals should be incorporated into management compensation and aligned with these goals.

WHO (World Health Organization) targets for vaccine supply

- A** Prioritise and fulfil COVAX and AVAT contracts as a matter of urgency
- B** Provide full transparency on the overall monthly production of COVID-19 vaccines and clear monthly schedules for supplies to COVAX, AVAT, and lower income countries.
- C** Actively engage and work with countries that have high coverage and that have contracted high volumes of vaccines to allow for the prioritisation of COVAX and AVAT contracts
- D** Commit to share know-how more rapidly, facilitate technology transfer, and provide transparent non-exclusive voluntary licenses.

Cooperation with Initiatives

Report published every two years



3

Access to Nutrition Initiative

ACCESS TO NUTRITION INITIATIVE

In May 2021, Nomura Asset Management became the first Japanese asset management firm to sign the Investor Expectations on Nutrition, Diets and Health developed by Access to Nutrition Initiative (ATNI).

About one in 10 people in the world are exposed to severe food insecurity, while at the same time, one in three people are overweight or obese. The “double burden of malnutrition” comprising undernutrition that hinders growth and overnutrition that causes lifestyle-related diseases is an issue

the entire world is facing. Malnutrition is a serious problem that not only affects human life and health, but also has a major impact on the economy and society, including a decline in productivity and an increase in medical expenses. Although Goal 2 and Goal 3 of the SDGs aim to eliminate all forms of malnutrition and ensure healthy lives for all by 2030, progress towards achieving nutrition-related goals has been slow. Further cooperation in the nutrition domain is needed.

ATNI is an independent non-profit organization, and performs globally-consistent analyses of initiatives related to improving accessibility to highly-nutritious foods and beverages in the food and beverage industry.

Financial institutions are expected to play a growing role in the effort to solve nutritional issues, and the total assets of asset management firms that support the ATNI Investor Pledge are rapidly increasing. As of December 2021, 76 asset managers with total investment assets of US\$16.6 trillion utilize ATNI’s index reports to jointly engage with food and beverage

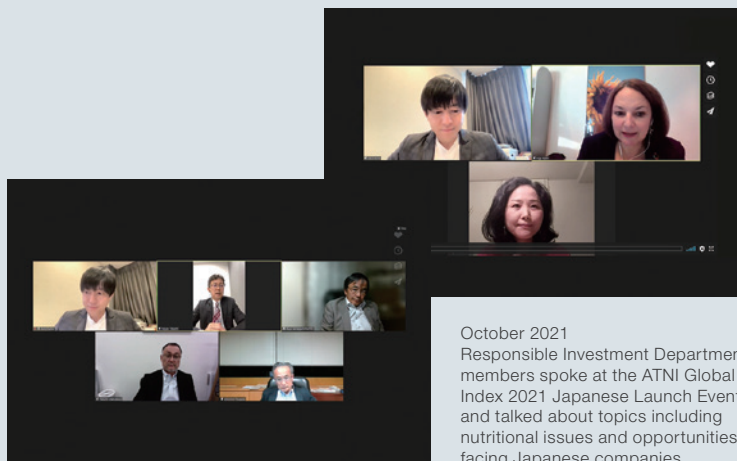
companies to urge them to enhance their governance, strategy and disclosure with respect to nutrition, with the aim of solving malnutrition, obesity and chronic disease problems related to diets, as well as utilize such information in making investment decisions. Nomura Asset Management decided to serve as co-chair for engagement with one Japanese food company. At the first meeting held in the third quarter of 2021, constructive discussions about company’s nutrition strategy took place.

Food companies and their supply chains are not only involved with nutritional issues, but also environmental issues such as biodiversity as well as human rights issues. By working with international initiatives such as ATNI and FAIRR, and engaging with food companies and companies in their supply chain on a wide range of social and environmental issues, we aim to realize a society with a healthy longevity and a sustainable food system, as well as to support the sustainable improvement in value of our portfolio companies.



Sponsored and took the stage at the ATNI Global Index 2021 Japanese Launch Event

Prior to the Tokyo Nutrition Summit held in December 2021, Nomura Asset Management sponsored the ATNI Global Index 2021 Japanese Launch Event in October 2021 with ATNI and Neural. At the event, together with the other participants comprising Japanese companies, institutional investors supporting the Investor Pledge, government officials and others, we considered the results of the Global Index 2021 study, and discussed topics including the issues and opportunities facing companies in the effort to advance healthy dietary lifestyles, and about the making the international nutritional standards consistent with Japan’s specific circumstances.



October 2021 Responsible Investment Department members spoke at the ATNI Global Index 2021 Japanese Launch Event, and talked about topics including nutritional issues and opportunities facing Japanese companies.

The Investor Expectations on Nutrition, Diets and Health developed by Access to Nutrition Initiative (ATNI)

The ATNI Investor Expectations encourages corporate actions in the following fields.

Governance

Introduce management systems that ensure the delivery of a comprehensive nutrition strategy. For example, assigning responsibility to the CEO and at the senior management level, and link remuneration to the delivery of the strategy, etc.

Strategy

Define healthy products in accordance with the nutrient profiling system (NPS), set comprehensive nutritional strategies including SMART (Specific, Measurable, Achievable, Relevant, and Time-bound) targets that improve affordability and accessibility.

Lobbying

Adopt the five principles of responsible lobbying activities (legitimacy, transparency, consistency, accountability and opportunity), declare that lobbying activities will be limited to promoting the health and diet of citizens

Transparency

Formally disclose nutritional strategy and targets, data on revenues from healthy products and other related information

Access to Nutrition Initiative Global Index 2021 Rankings

Ranking	Company name	ATNI Index score
1	Nestlé	6.7
2	Unilever	6.3
3	FrieslandCampina	5.9
4	Danone	5.8
5	Arla	5.1
6	Mars	4.8
7	PepsiCo	4.5
8	Kellogg	4.3
9	Grupo Bimbo	4.2
9	Mondelēz	4.2
11	The Coca-Cola Company	3.4
12	General Mills, Inc.	3.1
12	Meiji	3.1
14	Ajinomoto	3.0
14	Campbell Soup Company	3.0
16	Ferrero	2.9
17	ConAgra Brands	2.3
18	BRF	1.7
19	Keurig Dr Pepper	1.5
19	The Kraft Heinz Company	1.5
21	Suntory	1.1
21	Yili	1.1
23	Lactalis	0.9
23	Mengniu	0.9
25	Tingyi	0.7

Source : Access to Nutrition Initiative Global Index 2021



Took the stage at Tokyo Nutrition for Growth Summit official side event sponsored by ATNI

At an official side event at the Tokyo Nutrition for Growth Summit held in November 2021, we participated in a panel discussion with other institutional investors and discussed the contribution to nutritional issues expected of institutional investors.



November 2021 A portfolio manager from the U.K. office took center stage at an official side event of the Tokyo Nutrition for Growth Summit, and engaged in a discussion with other institutional investors about the contributions to nutritional issues expected of institutional investors.



Investor Pledge presented through ATNI at the Tokyo Nutrition Summit 2021 hosted by the Japanese government.

At the Nutrition for Growth Summit 2021, in light of the fact that the "double burden of malnutrition" which includes undernutrition that hinders growth and overnutrition that causes lifestyle-related diseases is a problem in both developing and developed countries, along with the fact that an increasing number of people are suffering from malnutrition due to the COVID-19 pandemic, leaders from national governments and international organizations held discussions, shared their thoughts of the direction of future actions, and announced stronger commitments. The Summit's concluding statement summarized the Tokyo Compact on Global Nutrition for Growth, and highlighted a way forward with respect to the five thematic areas to end malnutrition by 2030: health, food, resilience, accountability and financing. Nomura Asset Management, along with other institutional investors, has signed the Tokyo Nutrition for Growth Summit Investor Pledge and announced that it will utilize ATNI's Investor Expectations to tackle nutrition issues as a responsible investor.