



ENGAGEMENT

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

Basic stance on engagement

Engage in dialogue with a cordial and constructive attitude



Our Idea of Constructive Dialogue with Portfolio Companies

We have established a basic policy for engagement as part of our responsible investment policy formulated by the Responsible Investment Committee, the highest decision-making body for responsible investment. We believe that engagement, or constructive dialogue with portfolio companies, starts with a thorough understanding of the target company and its business environment as well as its future. We also view engagement as one of the most powerful means to fulfill our stewardship responsibility.

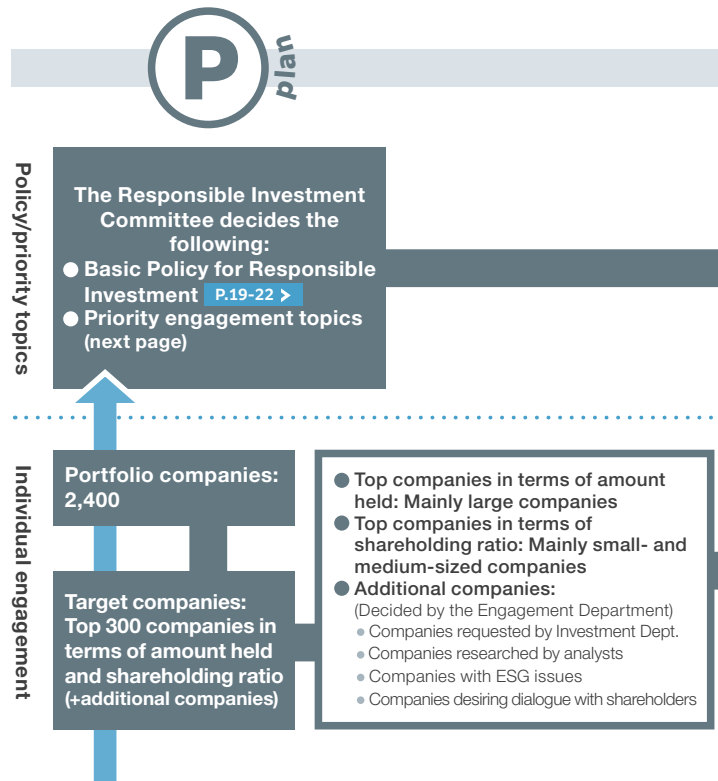
Work to understand non-financial information, including companies' efforts to address ESG issues, and the strategies and philosophies behind them

Listen to the views of portfolio companies on the efficient use of capital, and communicate our thoughts

When a serious scandal or accident has occurred, promote sound management by hearing the causes and measures to prevent recurrence

Engagement Process

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



Engagement policy and priority topics

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

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

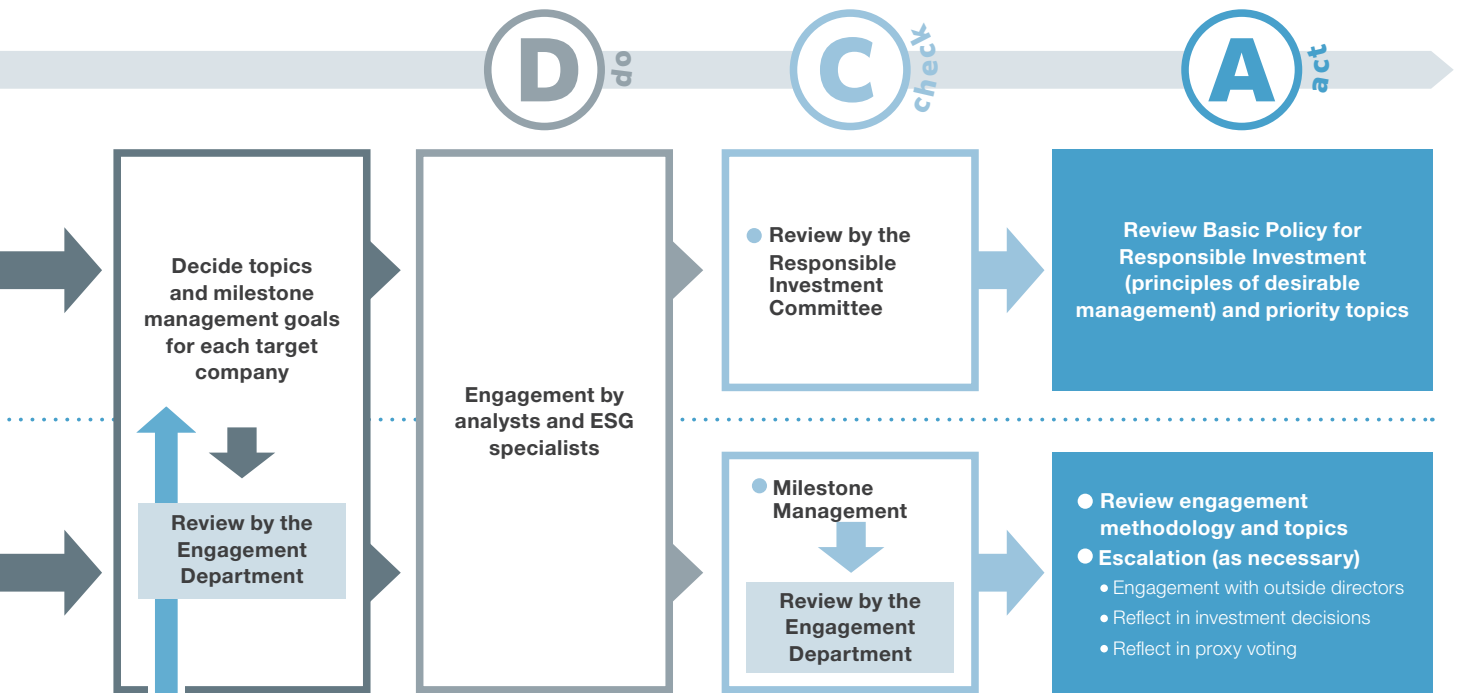
- From quantitative growth/diversification of business lines to enhancement of capital efficiency
- Enhancement of diversity
- Strengthening of management's oversight function
- Consideration of stakeholders
- Internal transformation
- Timely response to changes in external environment



Moving away from inward orientation

Priority topics (decided in July 2021)

- | | |
|--|---|
| <ul style="list-style-type: none"> 1 Rational explanation of financial strategy 2 Integrate Business Strategy and Sustainability 3 Redefine the Board of Directors 4 Strengthen commitment to capital efficiency 5 Reduction of cross-shareholdings | <ul style="list-style-type: none"> 6 Climate Change 7 Natural Capital 8 Diversity 9 Human Rights Risks 10 Disclosure of Materiality and Risk Information |
|--|---|



Decide engagement topics for each company

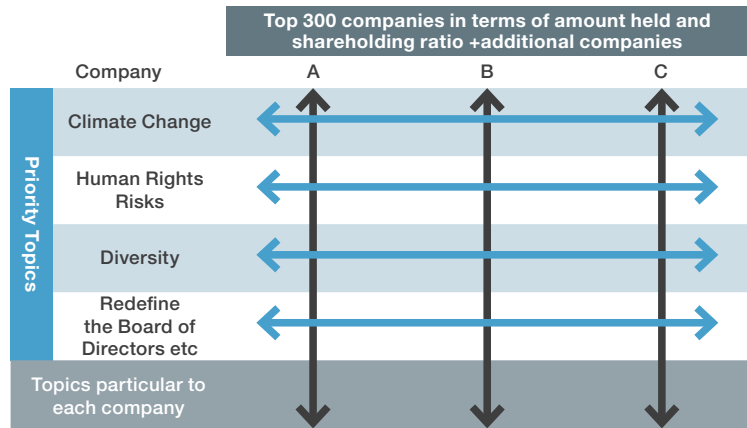
Narrow down by companies (vertical axis) x priority topics (horizontal axis)

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

Review and decision by the Engagement Department

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

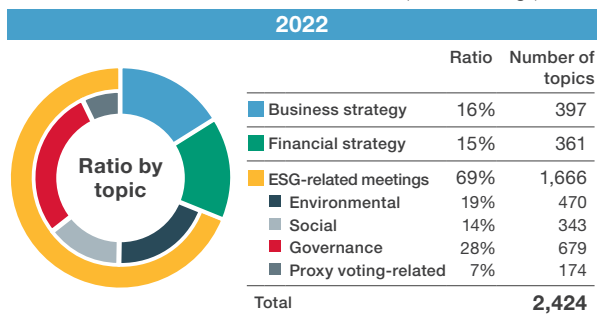
- 1 Exclude companies that have attained or committed to obtaining SBT certification
- 2 Screening by Scope 1 and 2, Scope 3, carbon intensity (comparison with industry peers)
- 3 Decide target companies for engagement, considering each company's situation



Engagement Results

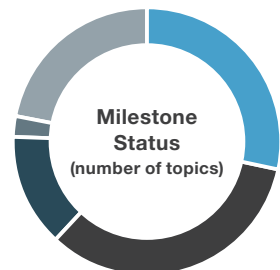
Engagement meetings

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



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

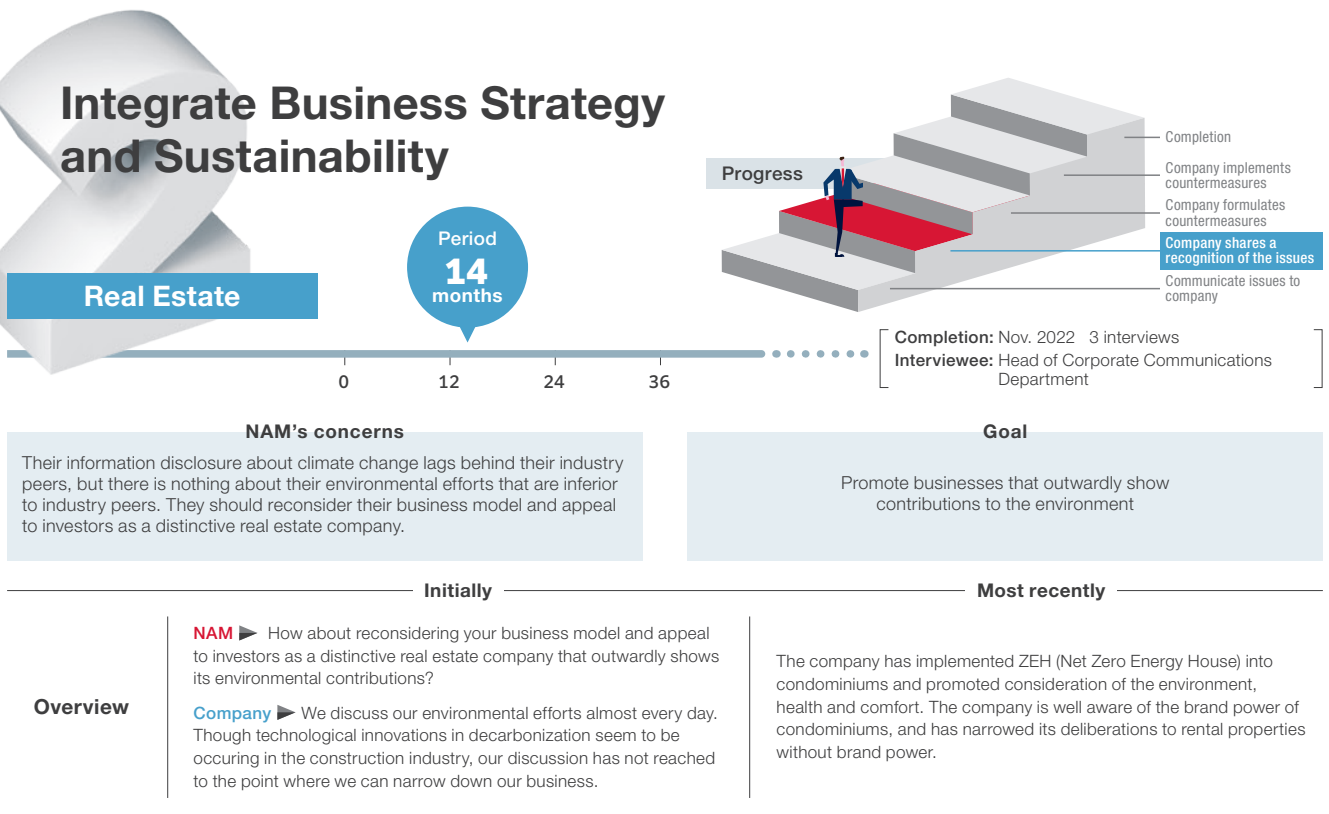
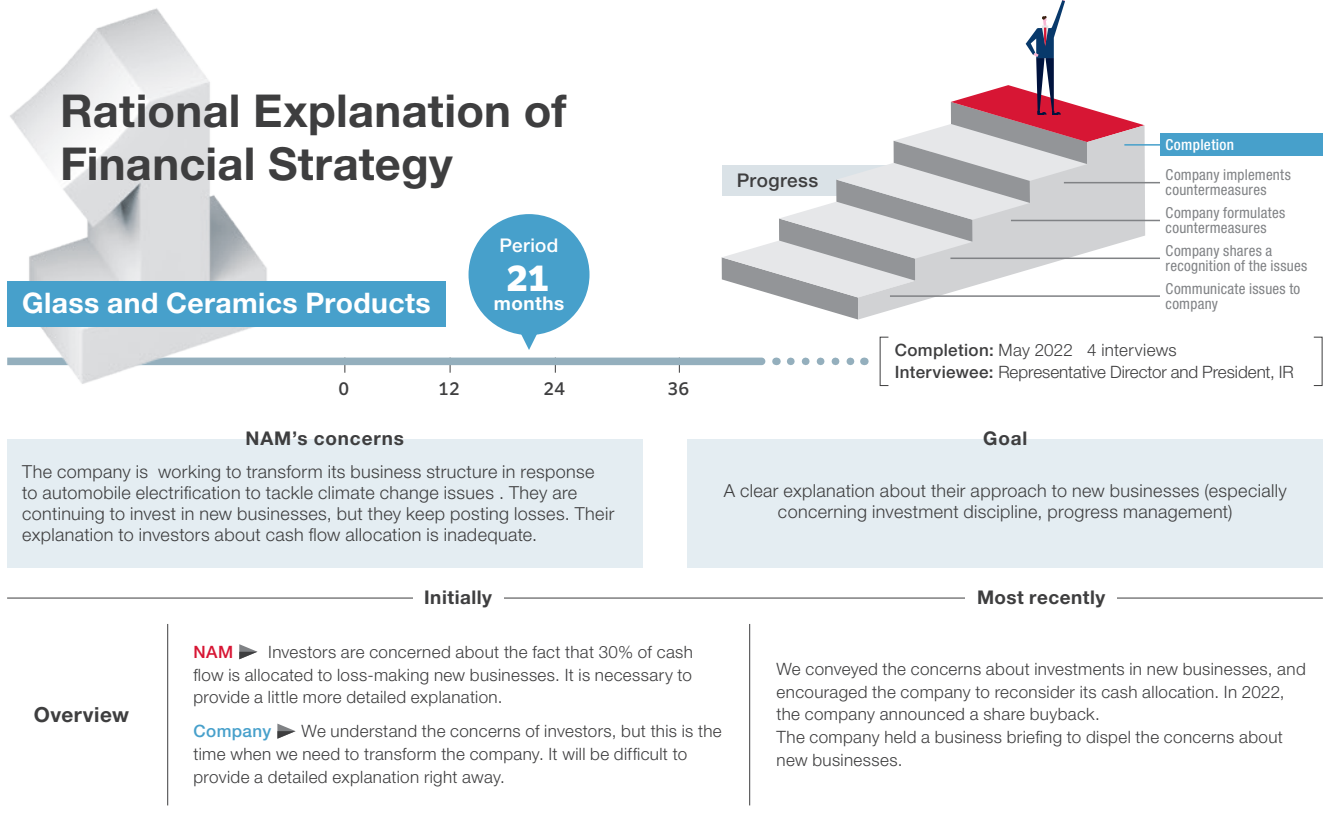
In 2022, we carried out engagement across 2,424 topics. Currently, we are managing milestones for a total of 934 topics. Of these, 204 topics are already at "Step 5: Conclusion."



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

Engagement on Priority Topics

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

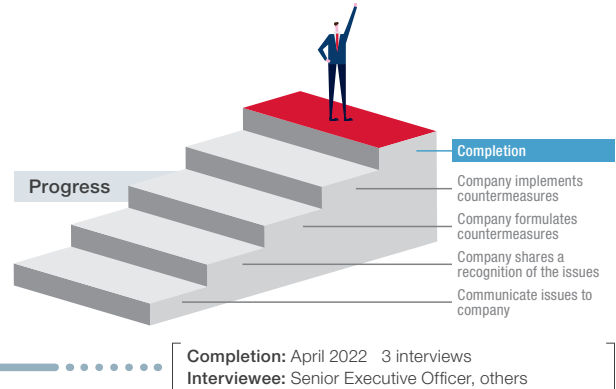


*The period is the number of months from start of interviews until December 2022

Redefine the Board of Directors

Retail

Period
3 months



NAM's concerns

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

Goal

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

Initially

Most recently

Overview

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

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

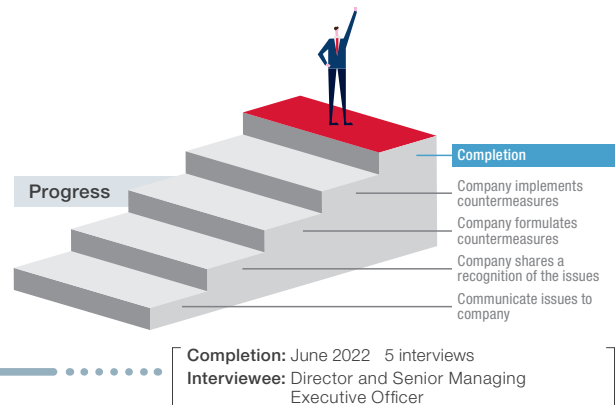
NAM ► Oversight and execution are not separated. If an outside director has the knowledge to provide advice, we want him/her to contribute that expertise to nomination and compensation matters.

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

Strengthen commitment to capital efficiency

Machinery

Period
29 months



NAM's concerns

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

Goal

Executive compensation with capital efficiency metrics as KPI

Initially

Most recently

Overview

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

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

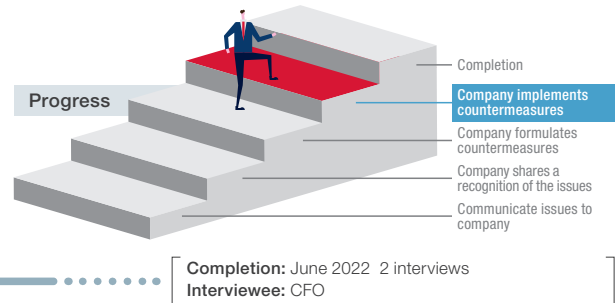
The company initially took a cautious approach to revising executive compensation, but made improvements in steps, such as introducing stock-based compensation. In the end, the company adopted earnings performance-linked compensation with ROIC as the KPI.

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

Reduction of cross-shareholdings

Transport equipment

Period
15 months



NAM's concerns

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

Goal

Sale of cross-shareholdings

Initially

Most recently

Overview

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

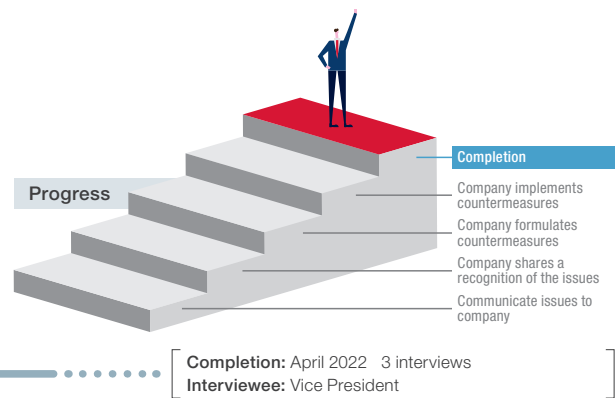
Company ▶ We understand. We will review this without preference for any particular stock. We are also selling the shares of group companies, though it is small-scale. We have not discussed this within the group, so we will take the action as an individual company, not as a group, if any.

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

Climate Change

Petroleum and coal products

Period
12 months



NAM's concerns

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

Goal

Release a "Carbon Neutral Plan"

Initially

Most recently

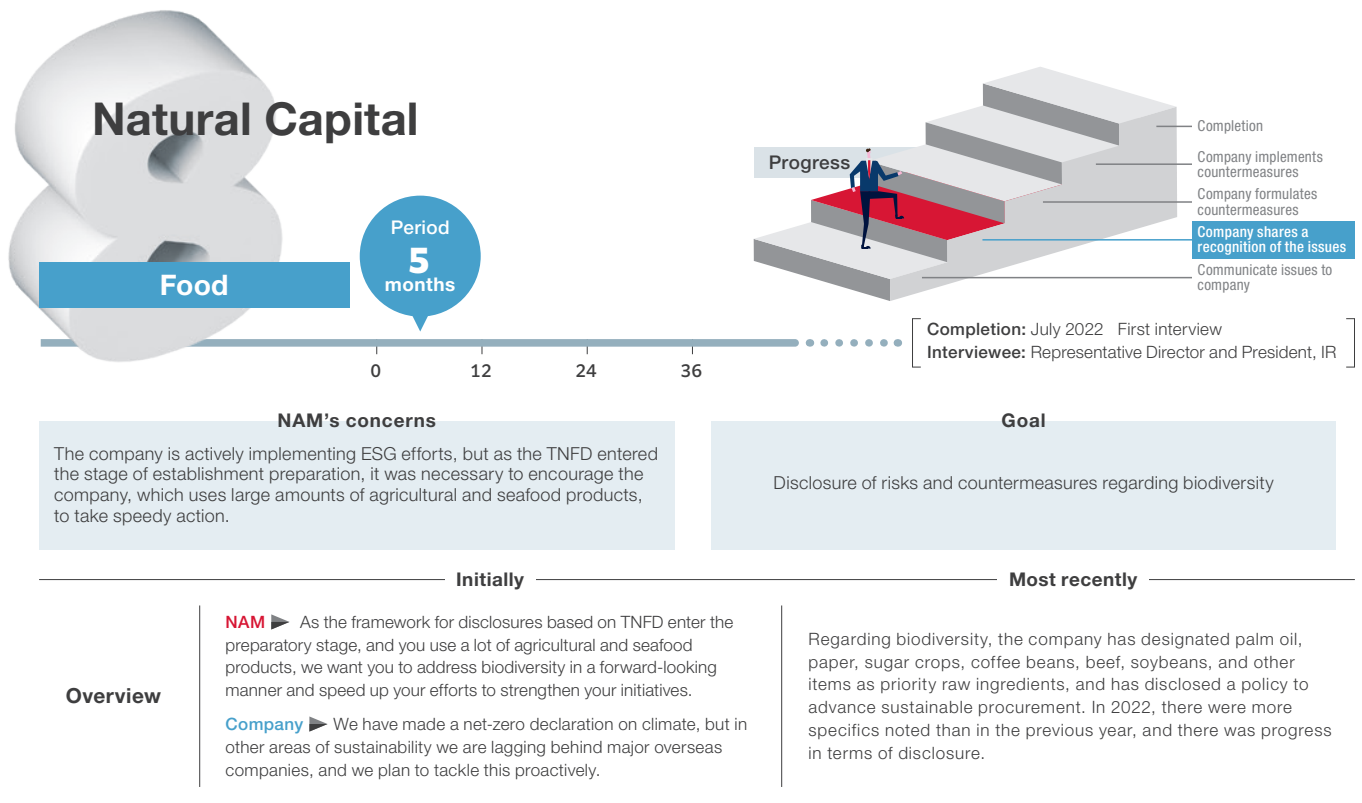
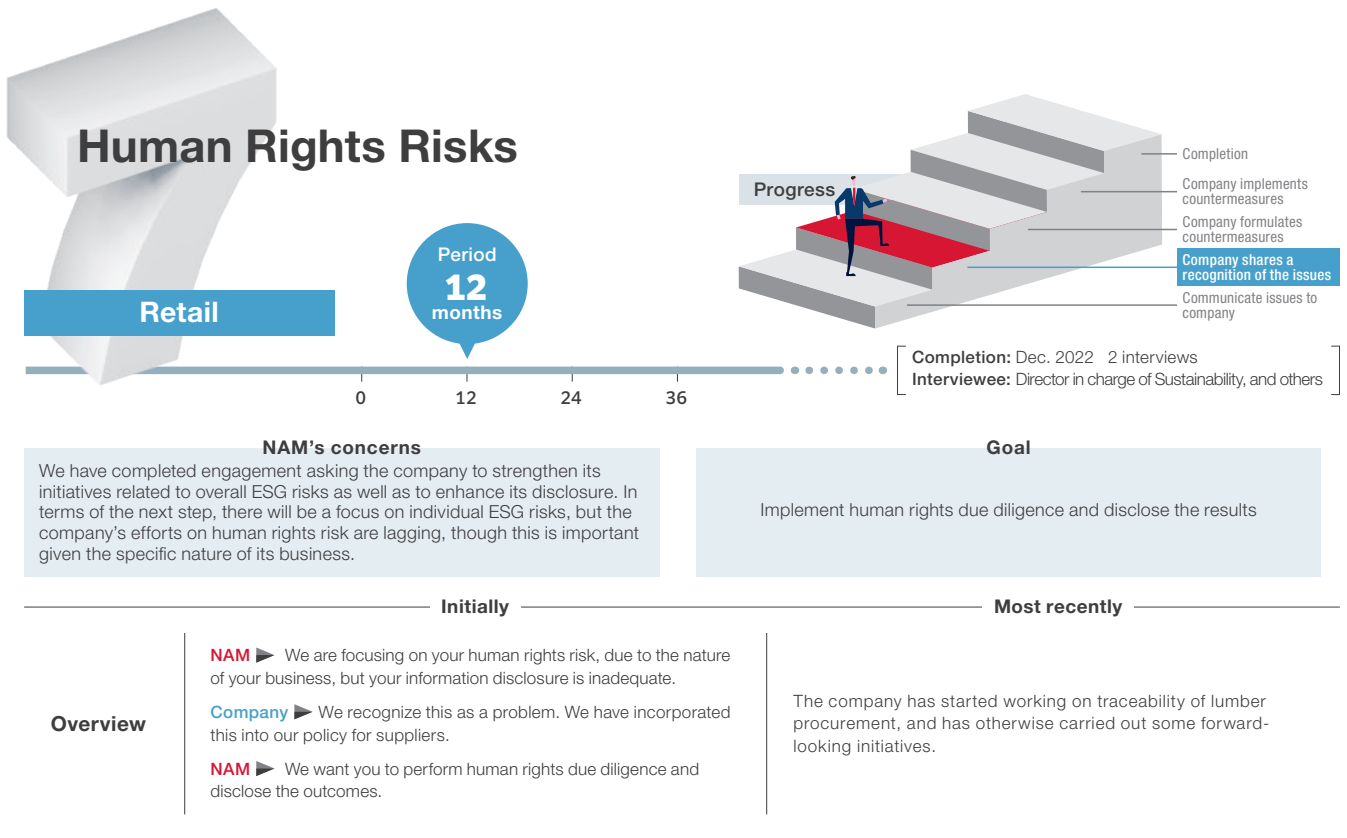
Overview

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

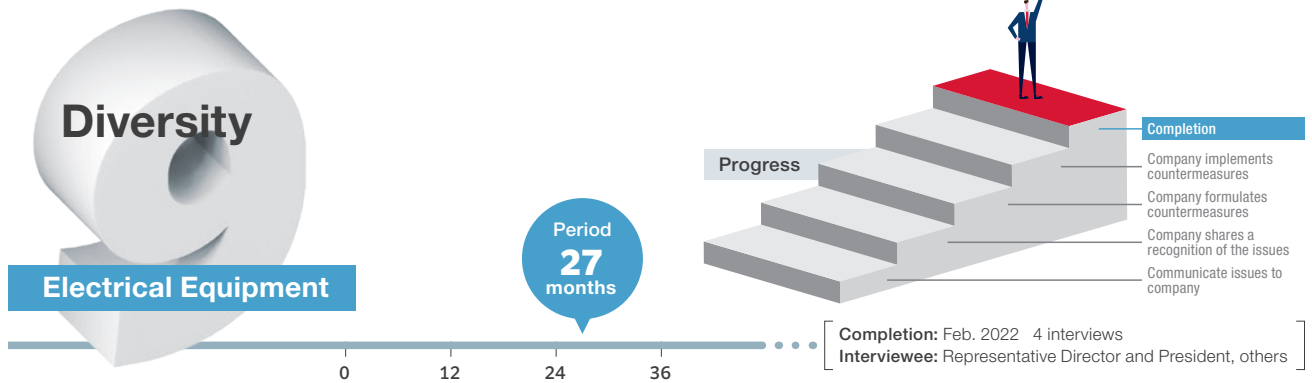
Company ▶ We are currently formulating our plan, considering matters such as biomass, hydrogen, ammonia, and solar power. We are doing CCS on a test basis, and we want to find the best location for it, mainly overseas.

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

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



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



NAM's concerns

The company's efforts on ESG issues are focused on the environment and governance, while its efforts on social issues are lagging. In particular, the company has not even established a target regarding promoting the active participation of women.

Goal

Establish medium- to long-term targets regarding promoting the active participation of women (the ratio of women managers, etc.)

Initially

Most recently

Overview

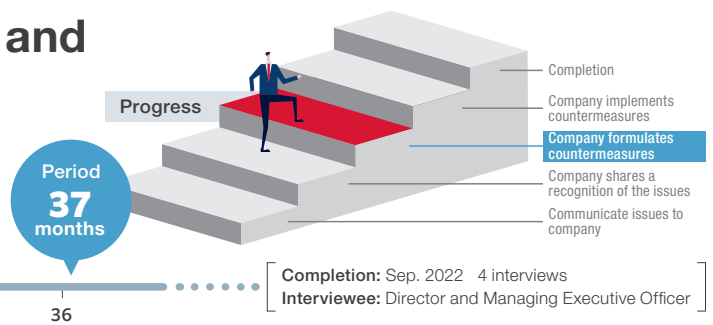
NAM ▶ We appreciate your efforts regarding the environment, including your formulation of a vision, but your initiatives on social issues, such as promoting the active participation of women, are insufficient.

Company ▶ That is tough to hear. Regarding promoting the active participation of women, we do not want to do anything other than leveling the playing field.

The company has disclosed a target for the ratio of women managers. This accompanies a specific plan to target and develop talented women, and this plan has been found to be effective.

Disclosure of Materiality and Risk Information

Retail



NAM's concerns

The company has a wide-ranging business structure, and scandals are not uncommon. The company is urgently trying to bolster risk management across the entire group, but disclosure of risk information is not adequately organized.

Goal

Sort out risk factors and disclose information.

Initially

Most recently

Overview

NAM ▶ You only have listed risk information without materiality, and it is not linked with management's priority issues, either.

Company ▶ We are closely examining it.

NAM ▶ Despite the improvement in risk management disclosure, your handling of sustainability risk is unclear.

Company ▶ We are organizing it with qualitative expressions. We will provide disclosure going forward.

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

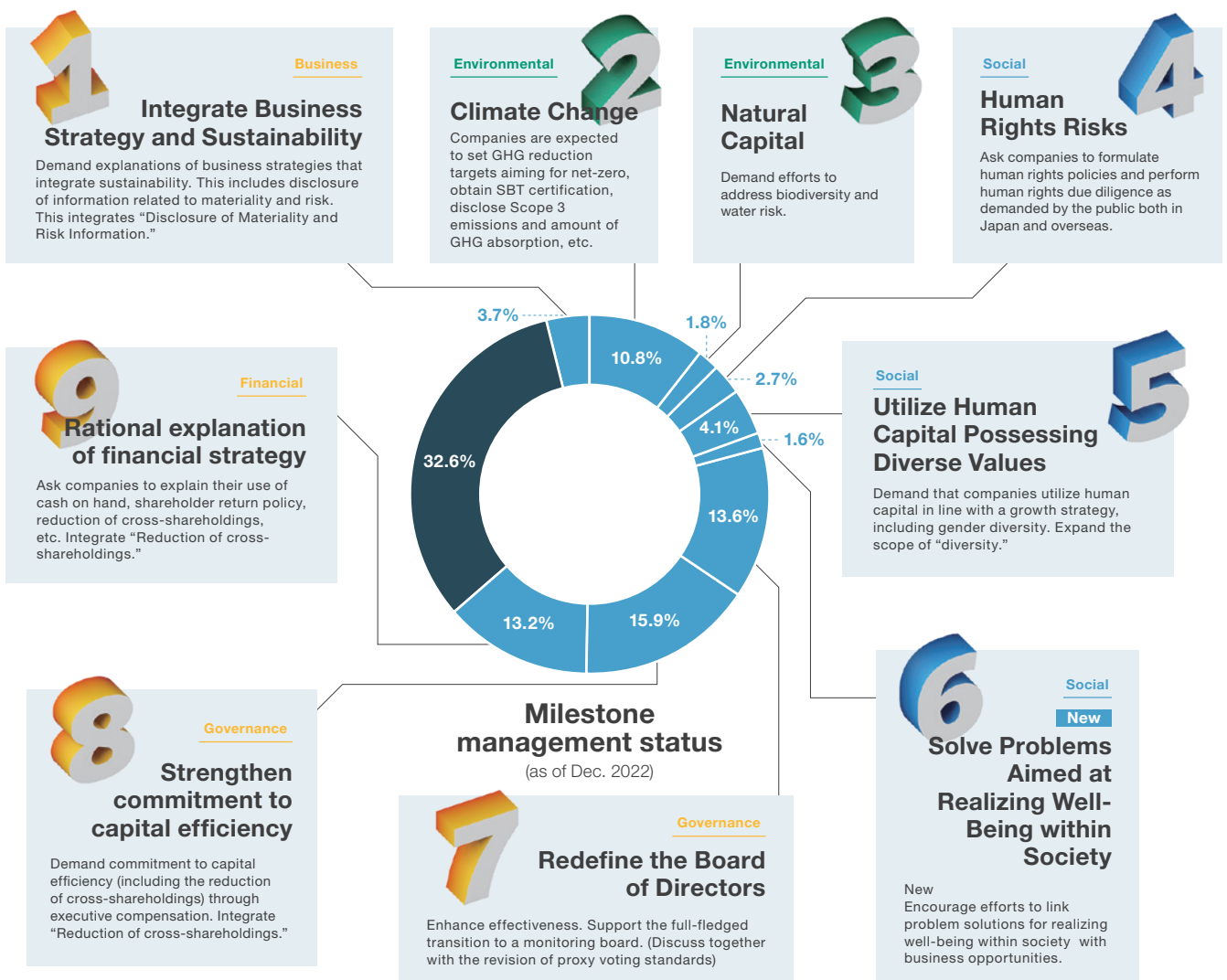
We set priority topics for engagement, and establish goals for each company based on those topics. The priority topics are like a compass used for navigation, presenting clear plans at the present time, each of which are independent items. In particular, when reviewing the priority topics this time around,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



Head of Engagement Department
Yosuke Uchida

Review of Priority Topics

(July 2022)



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

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

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

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

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

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

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

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

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



Senior Equity Analyst & Senior Engagement Manager
Chemicals Industry

Mitsuhiro Kimura

Engagement by Analysts

Chemicals Industry

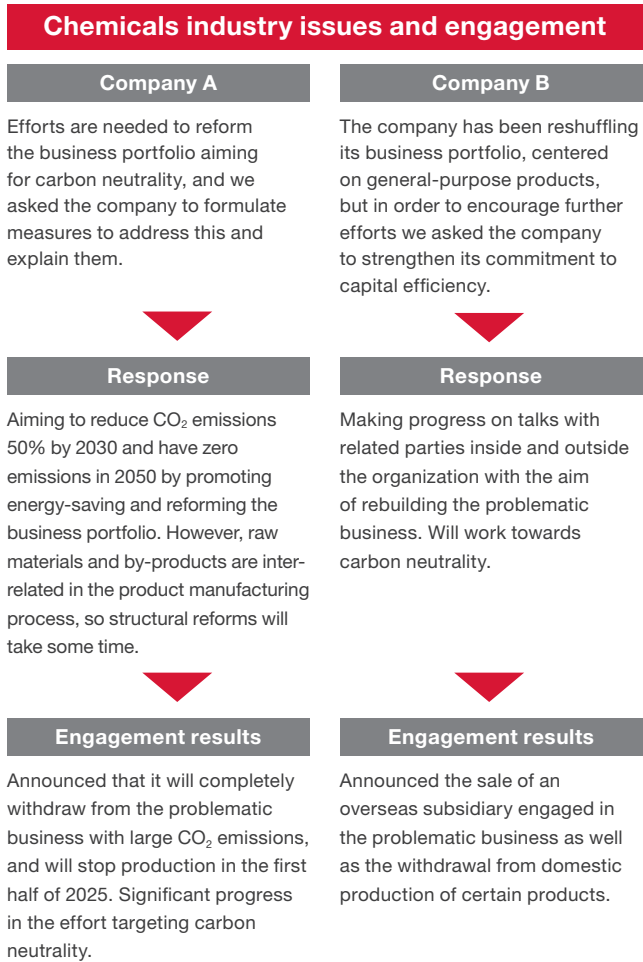
The chemicals industry is responsible for a large amount of GHG emissions, and the effort to become carbon neutral is an urgent issue. Meanwhile, there are also many products that contribute to GHG emission reductions, making it an industry that is also indispensable for achieving carbon neutrality in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

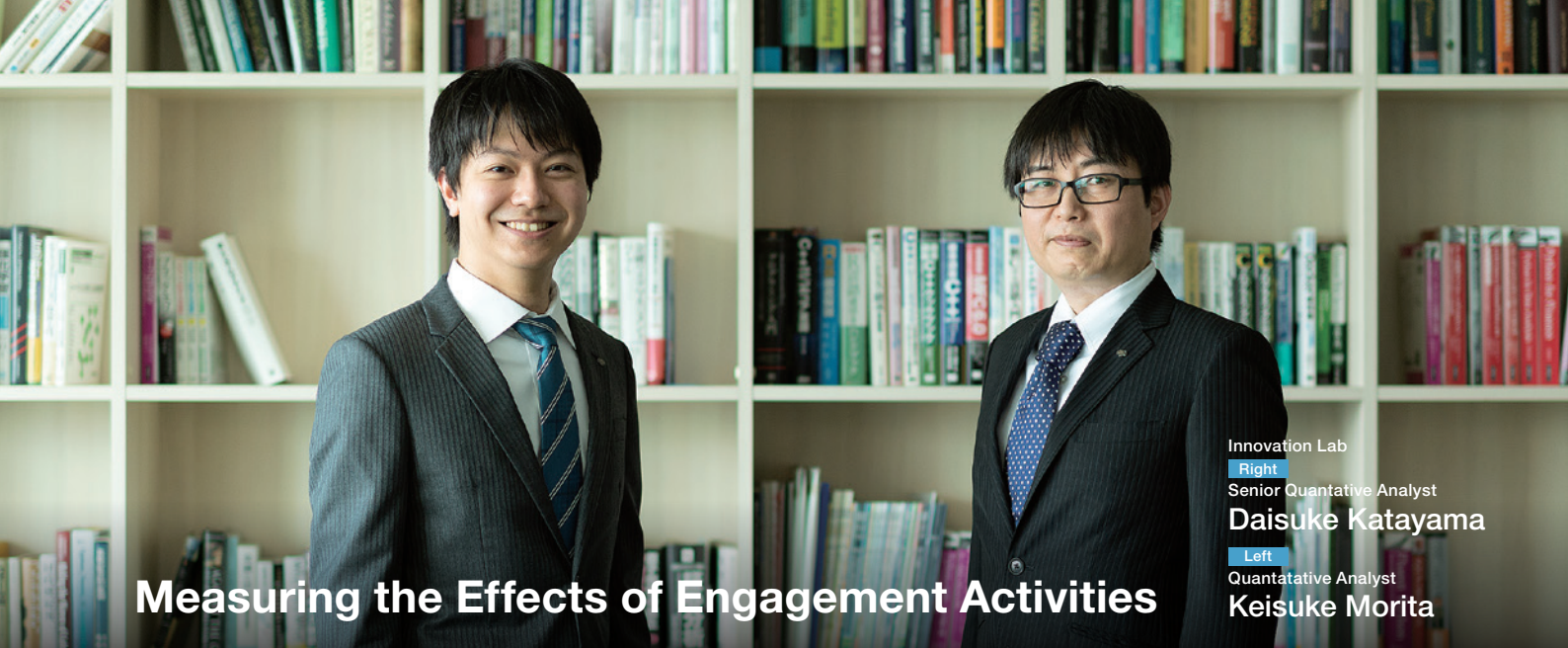
We have been talking with companies in the chemicals industry about the need for business portfolio reforms that contribute to both GHG emission reductions and profitability improvements. It should be noted here that the chemicals industry builds both upstream and downstream supply chains in the manufacturing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

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

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

Example of engagement in the chemicals industry





Measuring the Effects of Engagement Activities

Innovation Lab
Right
 Senior Quantitative Analyst
Daisuke Katayama
Left
 Quantitative Analyst
Keisuke Morita

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

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

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

engagement in the first place.

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

Statistically Significant Items

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

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

COLUMN

CEO Engagement

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

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



Conversation

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

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

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

Global Equity Engagement

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

In 2022 our overseas offices conducted engagement on a total of 772 topics (the total number of engagements was 323). We divide engagement topics into a total of six topics: Business strategy; Financial strategy; Environmental;

social, Corporate governance; and Disclosure/Dialogue. The investment managers and analysts in each office decide the engagement topics and carry out engagement with companies.

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

Example of Engagement by Overseas Offices

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

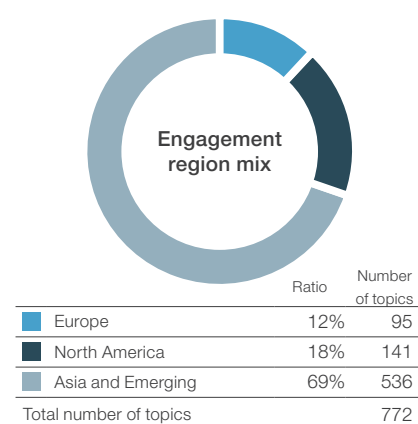
Throughout the course of 2022, the team continued extensively engaging with companies and gradually expanded the scope of the project to cover all OKTBL holdings (OK to buy list). We believe this was the next natural step in assisting our own commitment as a company to the Net Zero Asset Managers (NZAM)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

During 4Q22, we continued to push those companies that have not yet committed to having their GHG emission reduction targets validated by the SBTi, and are delighted with the initial progress we are seeing on some of our engagements. As an example, we want to provide an update on one of our SBTi milestone engagements with a US electric utility company. After an extensive engagement with them

and despite the methodological challenges they were facing, the company announced in November 2022 their near-term target commitment, which we are very pleased with. Their initial hesitation about the feasibility of such a commitment was due to lack of control over power supply as a pure play network operator, as according to the SBTi's methodology for validation, if a company's Scope 3 emissions are more than 40% of their total emissions, a reduction of Scope 3 should be included in the overall reduction target. As an energy transmission and distribution business, power supply falls in the company's Scope 3 emissions. However, through conversations with the company and putting them in touch with the CDP, they were encouraged to hire external consultants who successfully assisted them in committing.

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

Engagements with Global Equities



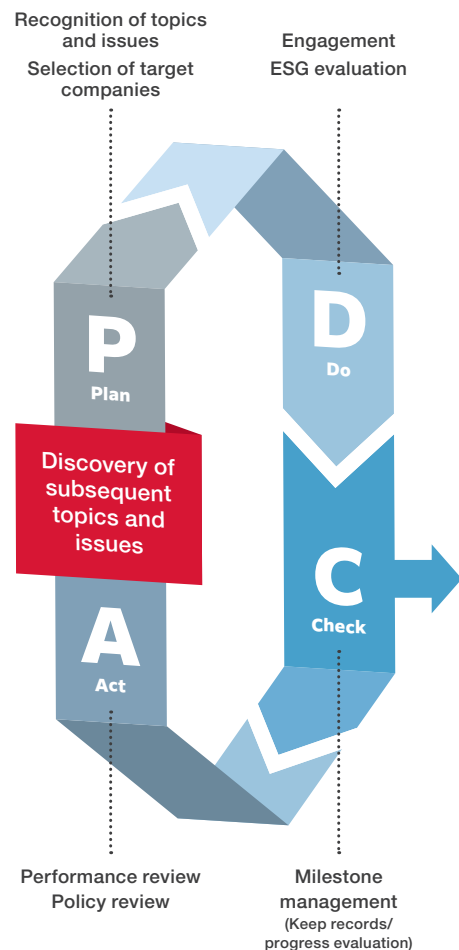
*Target universe: MSCI ACWI ex Japan

Global Equity Milestone Management

In our global equity engagement as well, we share our awareness of ESG issues with companies, set specific goals, and carry out milestone management until the goals are achieved. In addition to the engagement and milestone management that we conduct on our own, we also perform milestone management for collaborative engagement with Sustainalytics. As with milestone management for Japanese

companies, milestones are divided into five stages with an engagement period of three years. By establishing clear goals and having a set timeline, and then evaluating the engagement process, we are able to effectively implement PDCA (Plan, Do, Check, Act). The ESG issues focused on during engagement and the goals established vary greatly depending on the company.

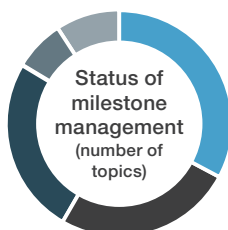
Global Equity Milestone Management



Examples of Milestone Management*(Refer to Page 55)

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

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

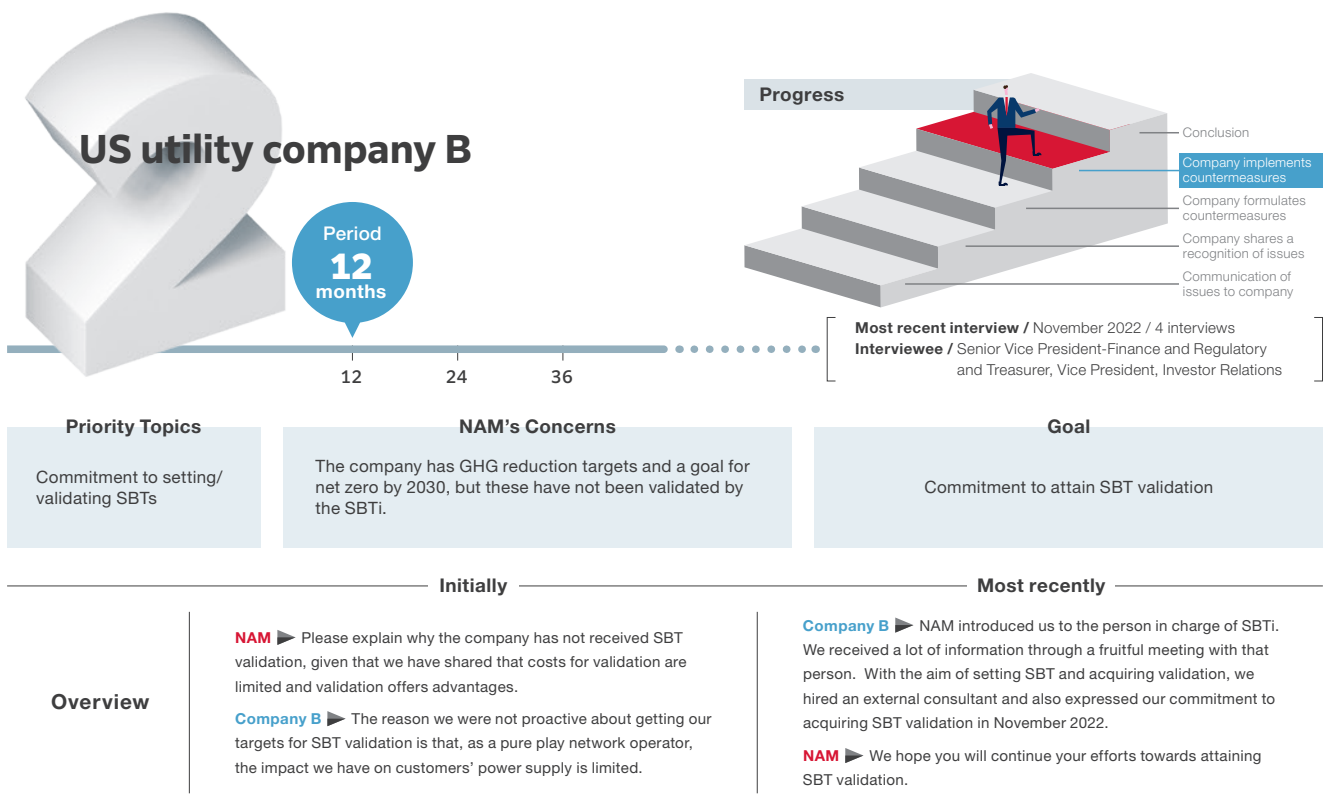
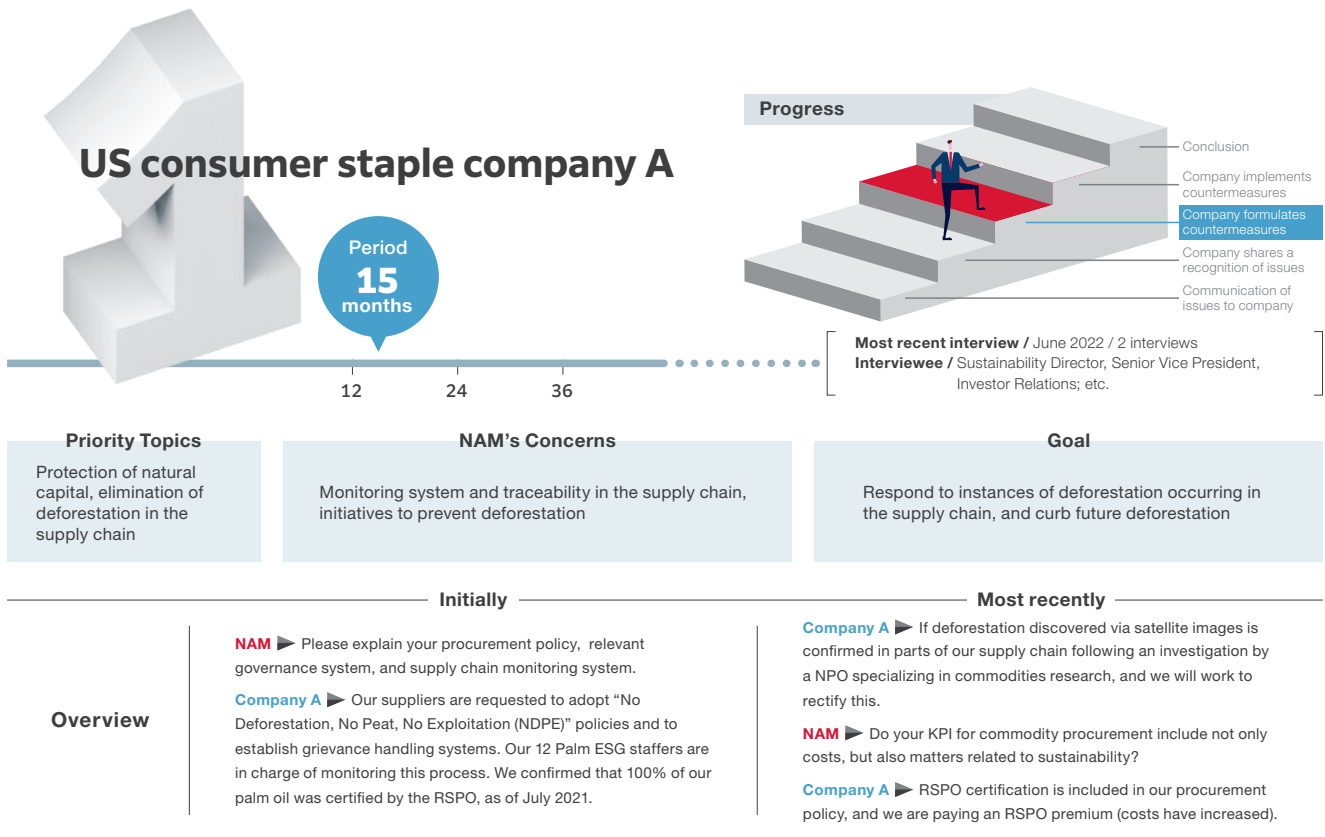


Stage	Number of topics
Communicate issues to portfolio company	65
Company shares a recognition of the issues	52
Company formulates countermeasures	50
Company implements countermeasures	13
Conclusion	18

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

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

Examples of Global Equity Engagement (Milestone Management)



Engagement by Sustainalytics

In global equity engagement, Nomura Asset Management's overseas offices also actively engage portfolio companies, but due to the broad scope of coverage for global equities, we partner with Sustainalytics to carry out collaborative engagement with and outsource engagement to Sustainalytics. Sustainalytics provides Global Standards Engagement, in which companies are selected for

engagement based on violations of international norms such as the United Nations' Global Compact, Material Risk Engagement covering companies with critical ESG risks, and Thematic Engagement, which focuses on solutions to specific topics, such as localized water and responsible cleantech from a global perspective.



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



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




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



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




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



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



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



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

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

During the course of the year, NAM UK participated in initial dialogues with three companies across the personal products, beverages and chemicals industries. In particular, NAM UK co-led a constructive engagement

with a British personal products business. Throughout the process, the team touched upon the company's supply chain monitoring systems, practices, grievance mechanisms and traceability efforts, as well as their deforestation-free commitments. Most importantly, the team touched upon the flagged deforestation events within the company's vast supply chain by our satellite-monitoring partner, Satelligence. The team was delighted to see that the company demonstrated sufficient monitoring and supply chain traceability efforts. As in many of the team's other dialogues, the need for an industry-wide collective effort was flagged given the scale of the issues at hand.

NAM UK also actively participated in follow-up dialogues with four other companies. These included a US household products business, a French personal products company and a French food & staples retailing business. These interactions were the

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



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



Access to Nutrition Initiative



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

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

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



expectations. This included for example improving impact reporting and aligning C-Level management with access outcomes. The call was productive and we felt the company was very engaged and open to debating where our views differed taking on board in particular the need for better impact data to support the sustainable investment community in making better decisions.

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

We participated in collaborative engagement calls with companies to seek to put pressure on them to take a more sustainable approach

to supporting access and strongly push our views around company responsibility to support access, reporting on impact and aligning management with outcomes. In the second half of the year the team ramped up its efforts further, and worked with peers to develop letters to the companies pushing for management remuneration to be tied to access outcomes and highlighting both best practices and potential routes for the companies to introduce appropriate management remuneration targets.

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

The team have continued to work closely with Access to Medicine (ATM) and our peer signatories to the initiative over the year. Nomura Asset Management continued in its role as the co-lead investor for a large UK pharmaceutical that is a leader within the vaccine space and also engaged extensively with companies involved in supporting access to COVID treatment. As the co-lead for the Access to Medicine (ATM) investor engagement initiative with the UK pharmaceutical we hosted a group call with the company across both areas of improvement identified by ATM and also our own



Report published every two years



In December 2022 in Tokyo in conjunction with the publication of the Access to Medicine Index 2022

The Access to Medicine Index Investor Event was held to discuss key findings from the Access to Medicine Index and best practices for access to medicines.

Representatives from the Access to Medicine Foundation, investors, pharmaceutical companies, academic experts, etc. gathered, and from our company, an ESG specialist in Tokyo participated.