

Nomura Asset Management ESG Statement

1. Corporate and Fiduciary Responsibility

At Nomura Asset Management, we believe the essence of our business lies in fulfilling both our fiduciary and social responsibilities through the provision of high quality products and investment solutions that meet the performance and service expectations of our clients. At the same time, we seek to contribute to a sustainable and prosperous society by supporting asset formation and value creation for all our clients and stakeholders, including portfolio companies. In recent years, the global investment management industry has recognized the growing importance of non-financial measures of company performance, characterized as Environment, Social and Governance (ESG), which are now widely accepted as material business challenges that companies should address. While on one hand, we expect portfolio companies to address their own ESG issues, we also recognize the importance of ESG to our own business operations. This Statement demonstrates Nomura Asset Management's commitments and initiatives related to ESG.

2. ESG Trends and Our Response

Since their launch in 2006 the UN-supported Principles for Responsible Investment (PRI) have become the most widely accepted ESG guidelines for institutional investors and asset holders. Japan and other countries have since introduced their own Stewardship and Corporate Governance codes. Together, these initiatives have raised awareness of the need for companies and investors to carefully consider the society and environment in which they operate. Nomura Asset Management is a signatory of the UN-PRI and ESG considerations have become an integral part of our investment decision-making process. We have worked hard to continually enhance our stewardship activities and our constructive engagement with companies and issuers accordingly.

Adoption of the United Nations Sustainable Development Goals (SDGs) in September 2015 again encouraged companies and investors to seriously consider and where possible mitigate their environmental and social externalities; for example, by developing technologies that address climate change risk. Through the SDGs, investment managers, asset owners and other institutional investors are encouraging companies to participate proactively in these and other market-led initiatives to balance the need for measures to address challenges such as climate change with the need to deliver sustainable business growth and increased corporate value.

The following measures are our response to these trends.

■ **The Basic Principle of Our Response**

- We will promote efforts to address environmental and social issues and actions for appropriate implementation among our portfolio companies through our stewardship activities. This includes proxy voting and constructive dialogue (engagement). We will also encourage portfolio companies to establish corporate governance structures that lead to a sustainable increase in corporate value.
- We recognize that the resolution of environmental and social issues outlined in the Sustainable Development Goals (SDGs) can create new business opportunities, and we will ask portfolio companies to reflect these opportunities in their management strategies. We also expect company disclosures to contain appropriate information regarding policies and activities and to be available externally.
- We recognize business activities that take into account social value creation as important in enhancing investment returns. We will give appropriate consideration to efforts made on such activities regarding ESG, and reflect them in our investment decision-making process.
- We recognize that business activities that take into account social value creation are important elements for realizing a sustainable and prosperous society. We strive to contribute to asset formation by offering investment products and services that help to resolve ESG issues. We proactively seek to expand the investment base, through measures such as financial education.
- We recognize that divestment from portfolio companies does not necessarily lead to better ESG related outcomes. For example, greenhouse gas emissions reduction in response to climate change should be considered from the perspective of the whole supply chain, not limited to specific industries and companies. We recognize that environmental and social issues are interconnected and “trade-offs” may be required as addressing one issue may result in other ESG issues. We will therefore strive to contribute to a sustainable society through open dialogue with companies and by cooperating with stakeholders;

We have identified the following three specific environmental and social issues that we consider to be especially material and will strengthen our efforts to address them.

■ **Issues Relating to Climate Change**

We recognize that among environmental and social issues, climate change is the most serious challenge. Based on this understanding, we will take the following measures:

- Recognizing the potential for business activity to have a deleterious impact on climate change, we encourage portfolio companies to manage their physical risks and transition risks related to climate change appropriately and incorporate their response to climate change in their management strategy. We expect company disclosures to contain the appropriate information about their policies and activities, and to be available externally.
- Recognizing the scientific consensus about the negative effect of greenhouse gas emissions on climate change, we will continue to hold dialogue with portfolio companies to realize the transformation of industrial structures in the direction of a decarbonized society and to address these challenges through technological innovation.

■ **Issues Relating to Natural Capital**

Companies benefit from biodiversity through the utilization of natural capital in various ways in the development of their business. At the same time, Earth's natural capital is finite and exposed to the risk of damage and depletion due to industrialization and a growing global population, leading to biodiversity loss. We recognize that protection of natural capital, including biodiversity, is an important challenge that is fundamental to the business activities of companies and we will therefore take the following measures:

- We will hold continuous dialogue with portfolio companies engaged in business activities that have potential to negatively impact natural capital and biodiversity. We will encourage portfolio companies to establish and implement measures to avoid or minimize natural capital and biodiversity related negative externalities, and expect their business strategies to adequately incorporate their response to natural capital related issues. We expect company disclosures to contain the appropriate information about their policies and activities, and to be available externally.

- We will continue our dialogue with portfolio companies, focusing on sustainable procurement and effective use of resources necessary for business activities in order to preserve natural capital and enhance business sustainability.

■ **Issues Relating to Social Responsibility**

We will make the following efforts to address the relevant social capital challenges that businesses face.

- Where business activities of a portfolio company and relevant stakeholders have a potentially negative impact on society and human rights, we will recognize the risks and expect portfolio companies to strive to minimize their impact by responding responsibly and respecting not only the laws and regulations of each country concerned but also international human rights standards;
- We will seek to ensure that portfolio companies share the same values as society and contribute to its sustainable prosperity by addressing social capital related issues. We expect the business strategy of portfolio companies to adequately incorporate their response to social capital related issues, thereby enabling sustainable growth in corporate value. Additionally, we expect company disclosures to contain the appropriate information about their policies and activities, and to be available externally.
- In 2011, the UN Human Rights Council endorsed the Guiding Principles on Business and Human Rights as a global standard to be respected by all nations and businesses. This document describes the responsibility of business regarding respect for human rights. We will engage with portfolio companies whose business activities may have a negative impact on human rights (for example where supply chains may involve the use of child labor or forced labor), and expect them to take corrective actions.

3. Governance and Management System for ESG Promotion

We fully recognize the importance of ESG issues for company management and have established the Responsible Investment Committee to address ESG issues within a proactive and systematic framework. We have also established a Responsible Investment Council and a Fund Business Operation Council, which have oversight for our responsible investment activities and products to ensure that all responsible investment activities are consistent with our fiduciary duties.

Our corporate philosophy requires that we "maximize added value", "pursue advanced expertise", and "earn confidence and contribute to society". Therefore, in addition to our approach to the companies in which we invest, we will continue to build upon our organizational strength to contribute to a sustainable society through our asset management business.

4. Revision

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

(Enacted on March 11, 2019)