

HUMAN RIGHTS



Nomura Asset Management's Initiatives on Human Rights

Human rights issues have become an important element in investment activity. For companies, countries, as well as various types of projects, goods and services are delivered to users and end consumers after procurement, production and transport of materials. As this value chain crosses national borders and intersects with differing regulations and practices, there is a risk of human rights issues that cannot be seen from the surface. Once a human rights issue arises, it leads to a loss of trust

from the community, the company's employees, business partners, and its customers. This is because reputation risk, such as the deterioration of a company's image in society, increases, and the company may have to pay a large cost (cost and time to restore its reputation) to resolve the human rights issue. In addition, if the problem remains unresolved over a long period of time, the adverse impact on the company's corporate value itself will grow. Our mission is to protect the assets our clients entrust with us from

risks related to human rights issues by raising awareness of such human rights issues among our portfolio companies and having them proactively advance relevant initiatives.

We carefully assess human rights risks for our portfolio stocks and use human rights risk assessments in our engagement and in ESG integration to fulfill our role as a responsible investor engaging in broad investment activity on a global basis.

Nomura Asset Management's Human Rights Risk Monitoring Process

Nomura Asset Management broadly and continuously monitors the human rights risks of companies in our investment universe, as we seek to reduce the risk of human rights infringements at the investment portfolio level. We research the efforts of companies in our investment universe regarding human rights, including if they have formulated a human rights policy and the status of compliance with that policy, as well as research any actual misconduct related to human rights if it exists and the level of damage resulting from such misconduct. We also research whether companies have formulated programs to address human rights at the voluntary disclosure level, the status of operation of such programs, and the results of human rights monitoring.

Our research centers on items related to human rights respect and compliance set forth in international norms related to human rights, such as the OECD Guidelines for Multinational Enterprises and the Ruggie Principles which were approved by the U.N. Commission on Human Rights. In addition, we also regularly research companies that have been flagged for involvement in human rights issues based on the outcomes of investigations by human rights NGOs or by international organizations. This research centers on sectors with complicated supply chains and sectors that produce products with historically large human rights risks in the production area or the area where raw materials are procured. This group of sectors includes the

Sector	Industries Focused With Human Rights Risks
Foods/Daily goods/Retail	Agricultural products (Especially palm oil, cocoa, fruits, tobacco)
ICT	Electronic equipment components
Automobiles	Automobile parts Tires
Apparel	Textiles (cotton and wool) Garment
Mining	Precious metals Non-precious metals
Trading companies	All related items noted to the left

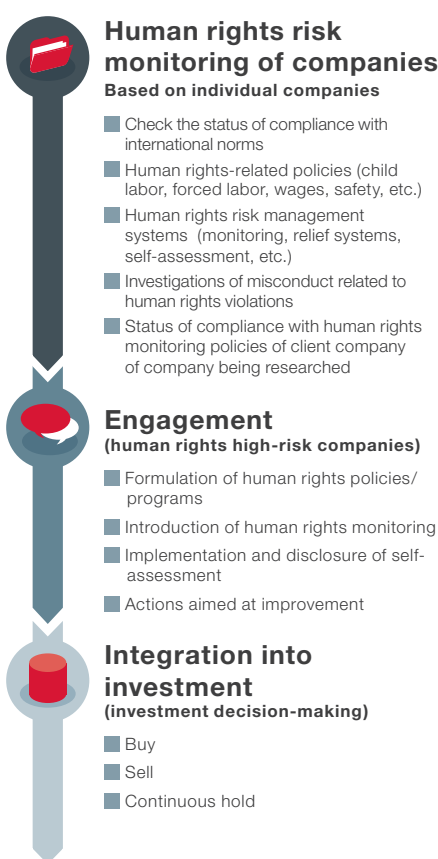
food/daily goods/retail, ICT, automobile, apparel, and mining sectors, as well as trading companies that handle these high-risk products.

Human Rights Risk Management at the Portfolio Level

ESG investment managers examine human rights risks (the survey items mentioned in the section about the human rights monitoring process) at the portfolio level throughout the year, based on the human rights risk monitoring data for each stock researched annually. We carry out engagement if we hold a company judged as having high human rights risk in our investment universe. The corporate analyst responsible for that stock, ESG specialists, and ESG engagement managers hold discussions with the company about risk factors (such as an inadequate management system or insufficient disclosure of information), and discuss an action plan to make improvements. For companies that are considered high risk in terms of human rights but are continuing to work on solving problems, we monitor the progress of their efforts through periodic engagement. Also, after a certain period of engagement, those companies for which we can expect improvement will be

unflagged as human rights high-risk companies, and will be subject to normal monitoring.

In corporate transactions, where human rights risk assessment has become the norm, we believe that companies that have established strong processes for human rights risk management will see a reduction in human rights risk not only in business with existing customers, but also in business with new corporate customers. We also think this will result in more positive evaluations of the products and services the company offers as well as an increase in business opportunities. We believe that by repeating this human rights management at the portfolio level, we can gain a deep understanding of social risk carried by companies in our investment universe and reflect this in our investment decisions on companies. We feel that this will also advance our ESG integration related to human rights risk.



Human Rights Due Diligence

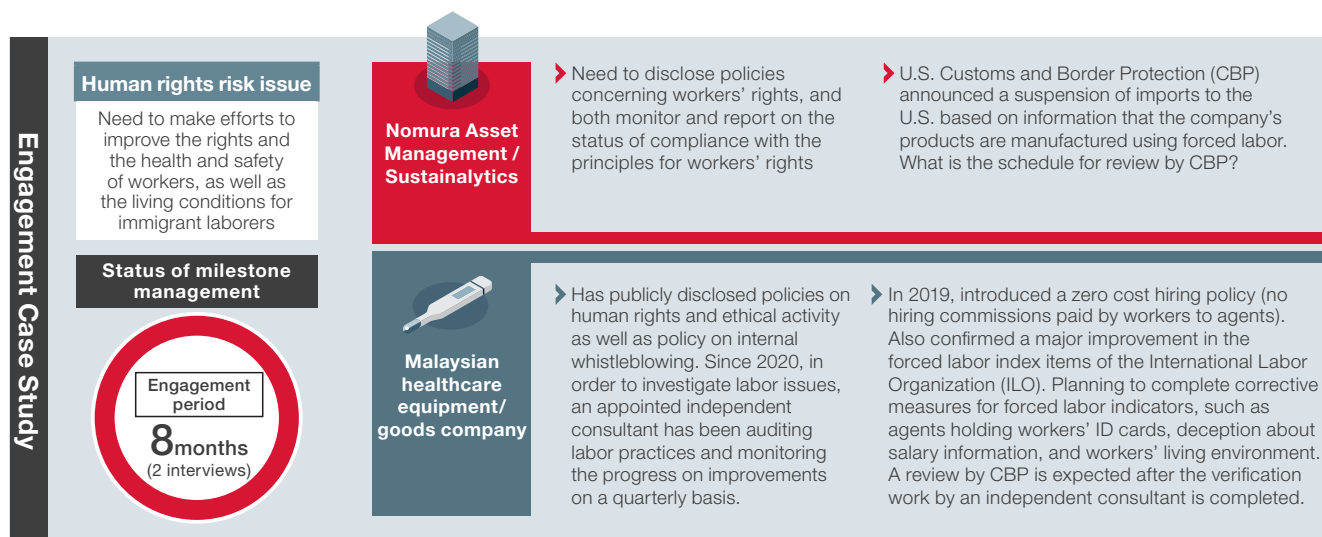
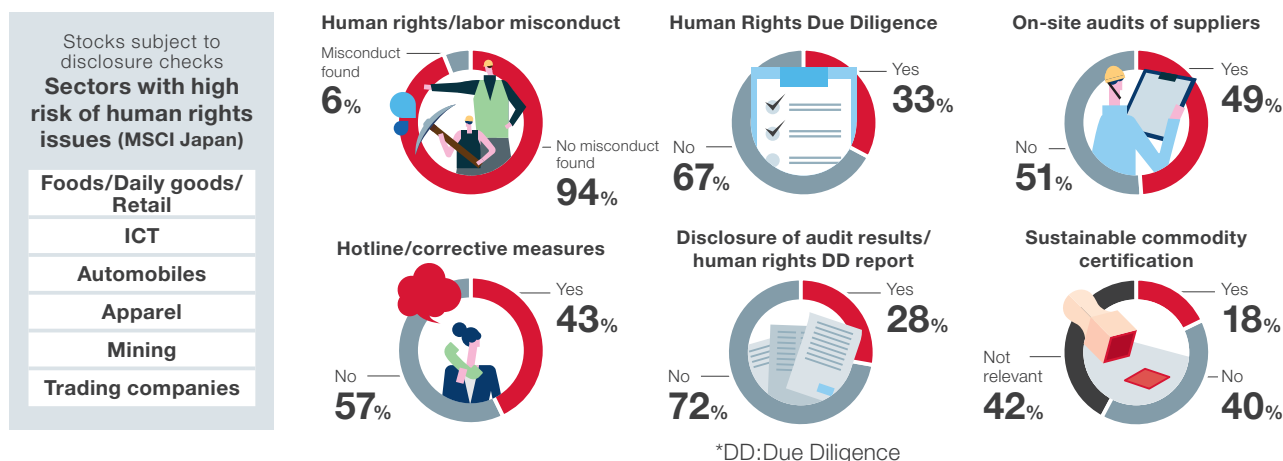
Our ESG specialists and ESG investment managers determine potential human rights risk levels for companies in our investment universe based on corporate disclosures, NGO reports and media information. The main matters evaluated are: 1) Whether there are any human rights violations or misconduct towards the supply chain or company employees; 2) Whether human rights due diligence is being performed; 3) Whether on-site audits of suppliers are being conducted; 4) Whether there are corrective measures and a contact for whistleblowing in place; 5) Whether there is disclosure of human rights audit results; and 6) Whether there is procurement of raw materials and commodities certified from the perspective of sustainability, including human rights. If we cannot confirm in

the disclosure that adequate human rights management is being implemented, or if a scandal is discovered, the company will be subject to monitoring, and we will demand improvements through periodic engagement.

In human rights due diligence in 2021, we covered large-cap stocks in sectors with a high level of human rights risk. We did not find any major human rights violations or misconduct for the Japanese companies we covered. We also found that roughly half of the companies had a track record of performing on-site audits of suppliers. However, only about 30% of the stocks in our human rights due diligence universe disclose information about the outcomes of these audits and carry out

comprehensive human rights due diligence, so this is an area where the efforts of Japanese companies must be improved. In addition, only 18% of the companies that have a track record of procuring commodities (such as palm oil and coffee beans) using certification systems meeting sustainability requirements, including compliance with human rights, and we found that this is also an area where efforts by Japanese companies are lagging. As an asset manager aiming to eliminate human rights violations, we will actively carry out engagement in order to have portfolio companies build human rights management systems in fields where efforts have been slow.

Human Rights Due Diligence Results



Human Rights Engagement

Having direct dialogue with portfolio companies about human rights issues and urging them to make improvements for such problems is one of our responsibilities as an asset management firm. Human rights is an important engagement theme for both the Japanese and overseas companies we invest in. Risks related to human rights issues can be managed to some extent by establishing a management system.

However, industries and companies with complex supply chains and operations in areas with political

instability and unstable human rights policies can pose unforeseen risks to businesses. In recent years, there have been cases both among Western companies and Japanese companies of being suspected of involvement in production activities in areas where there are suspicions of child labor or forced labor in the development of a global business or supply chain development, as well as companies deciding to withdraw from a business due to influence from a heavy-handed government regime. Even for human rights issues occurring in these various

regions, we strive to engage from a neutral standpoint, obtain all relevant information, and reflect the findings in our investment decisions. Especially in the case of human rights issues where it is difficult to grasp accurate information and make judgments due to different claims by all of the involved stakeholders, we encourage the company we are engaging with to improve relationships based on dialogue with stakeholders and to provide information to investors on a continual basis.

Examples of Engagement (Milestone Management)

Japanese retail company

ESG issues	Human rights risk management system
Engagement overview	Building a human rights management system for the supply chain for the company's own brand products and implementing human rights due diligence.
Company response	Disclosure of a policy for taking human rights into consideration in the supply chain, and disclosure of the implementation status of a program in the company's factories to consider human rights. Commitment to disclosure of information about the status of human rights consideration at suppliers
Goal	Disclosure of information on supply chain human rights countermeasures and implementation of human rights due diligence

Japanese retail company

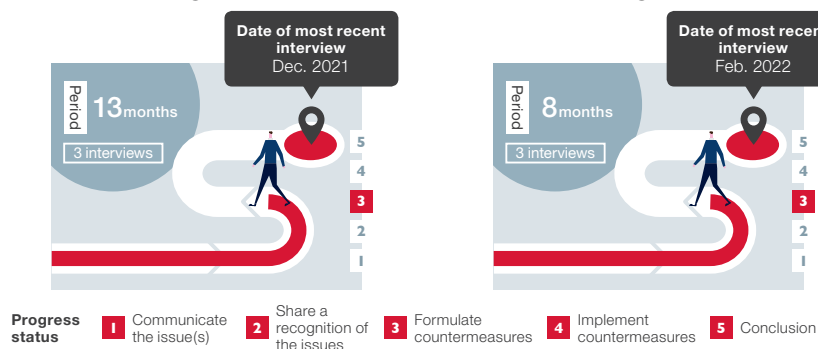
ESG issues	Human rights risk management system
Engagement overview	Disclosure of information on measures to reduce the risk of raw material (cotton) procurement from regions that are developing into international human rights problem areas
Company response	Planning for a company team to perform on-site human rights audits up to the upstream part of the supply chain. Committed to conducting audits up to cotton growers and disclosing information on progress and results of audits in a timely manner
Goal	Disclosure on human rights audit program further upstream of the raw material procurement process

Example of Global Equity Engagement (Milestone Management)

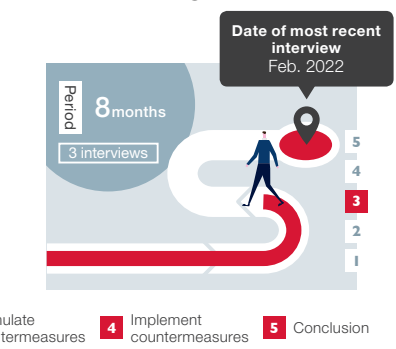
Hong Kong capital goods company

ESG issues	Human capital/human rights risk management system
Engagement overview	Need human capital/human rights risk management including the supply chain. Disclosure of detailed information about subcontractors
Company response	Engaged in human resource development, employee training, and health/safety management. Planning to establish a sustainability initiative covering all suppliers in 2023. Planning to disclose detailed information about subcontractors in 2022
Goal	Establish human capital and human rights risk management system, including the supply chain

Milestone management status



Milestone management status



Milestone management status



➤ What is the status of the Workers Representative Committee and the role of the Hostel Management Committee?

➤ Asked the company to continue to carry out employee health/safety training and education and training about the grievance mechanism, and to release data on accidents and data on grievance mechanism

➤ Compliance with all ILO forced labor indicators was verified, and CBP lifted the import ban in September 2021.

➤ Representatives from each factory and for each nationality and gender elected to the Workers Representative Committee. Engagement sessions with independent directors are held quarterly to strengthen cooperation. The Hostel Management Committee is responsible for ensuring that employee housing facilities are in compliance.

➤ To further strengthen social contribution activities, set goals such as acquiring ISO45001 certification by FY2024, improvement of its performance on internal and external social compliance audits, and linking compensation with safety and health KPI.



Initiatives and Partnerships to Protect Natural Capital and Biodiversity

The Kunming Declaration, announced at the 15th Conference of the Parties to the Convention on Biological Diversity (COP 15) held in October 2021, states that unprecedented crises, such as biodiversity loss and marine pollution, are threatening both the planet and society. At the second part of this same meeting scheduled to be held again in Kunming in 2022, the parties are expected to adopt new targets for biodiversity protection. At the 2021 U.N. Climate Change Conference (COP 26) held in Glasgow in October-November 2021, in addition to accelerating measures to address climate change, the parties announced critical pledges of ending deforestation by protecting and restoring forests, and reducing emissions of methane (which has a greenhouse effect 20 times stronger than CO₂) by 30% compared to 2020 levels by 2030.

Healthy biodiversity is essential for the development of society. Nomura Asset Management recognizes the importance of issues related to natural capital in our ESG Statement, and is participating in global initiatives as both an institutional investor and a company. We are also advancing efforts aimed at protecting natural capital in collaboration with other asset management institutions. In

terms of global initiatives, we leverage our collaboration with Farm Animal Investment Risk and Return (FAIRR) to engage with food-related companies, and we engage with palm oil companies and the companies in their supply chains through an initiative to end deforestation (refer to Page 57). We encourage companies to take action to protect and restore biodiversity, and we share insights and best practices for engagement targeting biodiversity protection.

In our collaborative engagement with Sustainalytics, we carry out engagement on many individual topics related to biodiversity. We are encouraging food-related companies to transition to a sustainable global food system, including the management of natural capital such as land and water, and the reduction of food waste. In addition, for clean technology companies related to electric vehicles and solar or wind power generation facilities, we continue to support the promotion of a circular economy through the procurement of sustainable raw materials (including by suppliers), increasing the rate of recycling, and keeping waste out of landfills. Furthermore, we carry out engagement with respect to water

management and monitor water resource risk management for multi-industry companies operating in Brazil's Tietê River Basin and in South Africa's Vaal River Basin. By doing so, we are encouraging the formulation of business strategies targeting risk reduction.

Natural capital risk management for stocks (on an individual stock basis)

- Water resources
- Waste volume
- Disclosure regarding forest/soil resource protection
- Disclosure regarding river and marine resource protection
- Disclosure concerning pollution (forest/soil, river, marine, air) prevention

Engagement

- Formulate biodiversity risk management policy
- Introduce biodiversity monitoring
- Establishment and disclosure of measurement standards
- Actions towards improvement

Integration into investment

- Buy
- Sell
- Continuous hold

Nomura Asset Management's Biodiversity Monitoring and Risk Management Process

The loss of biodiversity not only affects the environment, it also has a tremendous negative impact on the economy and people's health. In order for companies to raise their level of sustainability, they must protect biodiversity and work on sustainable use, including understanding their level of dependence on nature for business continuity and the impact of their company's operations and the supply chain on nature. If biodiversity-related issues become apparent not only in a portfolio company, but in that company's supply chain, there can be a significant impact on corporate value through, for example, higher raw material procurement costs, or reputational risks, such as deterioration of corporate image. In this way, a company that can manage biodiversity risk and link the protection of the environment and natural capital to its business strategy will see an improvement in the public's opinion of its products and services, resulting in a higher likelihood of increased long-term term corporate value.

To help companies increase their long-term corporate value, we continuously monitor a wide range of biodiversity risks for the stocks in our investment universe, and we aim to reduce biodiversity risk at the investment portfolio level. In collaboration with each other, ESG

specialists and corporate analysts utilize information disclosed by companies, media reports, external databases, and other sources of information to regularly research natural capital-related information and waste-related information on stocks in our investment universe. Issues covered by this researched include water resources, waste volume, disclosures related to the protection of forest and soil resources, disclosures related to the protection of river and marine resources, and relation to high-biodiversity-risk commodities. We check whether or not companies are undertaking initiatives towards sustainable production and procurement, especially companies where sales are highly dependent on commodities which have a large impact on biodiversity, such as companies in the consumer staples,

consumer discretionary, and materials sectors. For example, we look at the status of procurement of commodities that have been certified by third parties, including the Roundtable on Sustainable Palm Oil (RSPO) and the Forest Stewardship Council (FSC).

Based on such monitoring data, portfolio managers, ESG specialists, corporate analysts, and ESG investment managers work together to engage with portfolio companies with the objective of managing biodiversity risk. Through periodic dialogue, we encourage companies to recognize biodiversity risks, take proactive measures, and disclose information, and we then monitor progress on these efforts. Through this type of dialogue, we assess both biodiversity risks and opportunities, and ultimately incorporate these into our investment decisions.

Examples of Biodiversity Risk Monitoring

Risk High Low	Forest commodities exposure by sector						
	Wood products	Palm oil	Livestock products	Soybeans	Natural rubber	Cocoa	Coffee
Consumer discretionary/services							
Consumer staples							
Capital goods/services							
Materials							
Real estate							

*Aggregation of companies in MSCI Japan with high sales exposure for each commodity.
Risk in each GICS sector shown.
Source: Prepared by Nomura Asset Management based on CDP data and other ESG data

