Basic Policy For RESPONSIBLE INVESTMENT

Basic policy for responsible investment

On November 1, 2023, the Responsible Investment Committee revised items related to "1 Proper Efforts on Environmental and Social Issues", "3 Adequate Performance of Corporate Governance" and "4 Adequate information disclosure and a dialogue with investors" of the "Basic Policy for Responsible Investment."
Regarding "4", we added the specific initiatives that we believe to be particularly important.
The basic policy for responsible investment defines our philosophy and specific approaches to responsible investment, and includes details regarding the "management practices expected for investee companies" and the engagement and proxy voting to achieve this.

BASIC POLICY FOR RESPONSIBLE INVESTMENT
Concrete Actions

1. Understanding Investee Companies
2. Approach to Investee Companies
3. Reflection in investment decisions
4. Control Conflicts of Interests
5. Collaboration and Outside Activities
6. Information Disclosure and Accountability
7. Organization and Actions

In order for investee companies to enhance corporate value and achieve sustainable growth, stipulate the
"Ideal Form of Business Management of Investee Companies" *
and encourage investee companies to realize it. Stipulate "Basic Principles of Engagement" and "Global Proxy Voting Policy" and give encouragement to investee companies from a fair and consistent posture. Reflect the status of engagement in proxy voting.

*Ideal Form of Business Management of Investee Companies P. 20-22

Basic Principles of Engagement/ Global Proxy Voting Policy
https://global.nomura-am.co.jp/responsibility-investment/pdf/basic_policy.pdf

1

Proper Efforts on Environmental and Social Issues

We believe that making proper efforts on global environmental and social issues from the perspectives of risk management and the pursuit of business opportunities will lead to increase in corporate value and sustainable growth. We also see such efforts as a prerequisite for a company to be accepted as a member of the society. Examples of issues that we consider particularly important and efforts that portfolio companies need to make are shown on the right.

1	**Basic Policy**	■ Establishment of a basic policy regarding the company's efforts on ESG issues ■ establishment of a system to promote and oversee those efforts;
2	**Key issues (materiality)**	■ I dentification of key issues; by the management, ■ responses to and disclosure of risks that are identified as key issues (e.g., data security, product liability, etc., as well as those listed in 3 through 7), ■ disclosure of business opportunities that are identified as key issues;
3	**Climate change**	■ Verification of business portfolio and promotion of technological innovation to respond to the climate change issue, ■ information disclosure based on the final report published by the Task Force on Climate-related Financial Disclosures (TCFD), which is consistent with the Paris Agreement, ■ setting of a net zero target for medium- to long-term greenhouse gas (GHG) emissions, ■ approval of or commitment to science based targets (SBTs) ■ measurement of GHG emissions and absorption including Scope3 under the international standards for the accounting and reporting of GHG emissions ■ and introduction of internal carbon pricing;
4	**Natural capital**	■ Development of measures and goals for prevention of deforestation, marine pollution, or air pollution, ■ sustainable use of water resources, timber, or marine products, ■ setting countermeasures and goals for reducing waste, improving recycling, etc;
5	**Human rights**	■ Development of a policy on human rights at investee companies that is consistent with international norms, ■ human rights due diligence and audits including supply chain, ■ corrective action and relief mechanism ■ and disclosure of due diligence results;
6	**Human Capital With Diverse Values**	■ Strategy for developing and maximizing human capital value ■ Setting a medium- to long-term target for the percentage of women among board members, senior executives, or managers, ■ A human resources system that enhances diversity, fairness, inclusion, and a sense of belonging (Measures to prevent job separation due to life events, fair opportunities providing meetings, implementing employee engagement, etc.) ■ creation of a corporate culture that embraces diversity and inclusion;
7	**Society that promotes well-being**	■ A management plan (including R&D and marketing strategies) that turns the resolution of social issues, such as health and safety, education and intelligence, and regional revitalization, into business opportunities ■ measurement and disclosure of progress toward the resolution of social issues, and
8	**Cooperation with stakeholders, such as participation in initiatives that are related to the issues listed above.**	

Basic Policy On
RESPONSIBLE INVESTMENT
Ideal Form of Business Management of Investee Companies

2

Value Creation through Capital Efficiency

NAM believes that in order for investee companies to enhance corporate value and achieve sustainable growth, it is necessary for investees to create value that exceeds the cost of capital over the medium to long term by utilizing capital efficiently under proper risk management and constructing a business portfolio that has a high growth potential and is efficient. To this end, we consider that the following efforts are particularly important:

1. To formulate a growth strategy and an investment plan to create value that exceeds the cost of capital and to conduct proper progress management;
2. To verify the business portfolio against the growth strategy and replace businesses in the portfolio as necessary;
3. To sell assets that do not contribute to the creation of value that exceeds the cost of capital and, in particular, to reduce cross-shareholdings;
4. To implement group governance to enable the optimal allocation of management resources, etc.;
If there is a listed company within the group, to regularly verify the reasonableness of maintaining a listed company within the group; to properly manage the conflict of interest with general shareholders; and to support the listed company's efforts to strengthen corporate governance;
5. To properly manage the risks associated with businesses, etc.;
6. To implement a capital structure and shareholder returns that reflect 1 through 5 above; and
7. To properly disclose information about 1 through 6 above.

3

Adequate Performance of Corporate Governance Function

We believe that it is necessary for a company to have sufficiently functioning corporate governance as a prerequisite for value creation through the efficient utilization of capital and proper efforts on environmental and social issues. We believe that the following components should be covered to realise appropriate corporate governance systems.

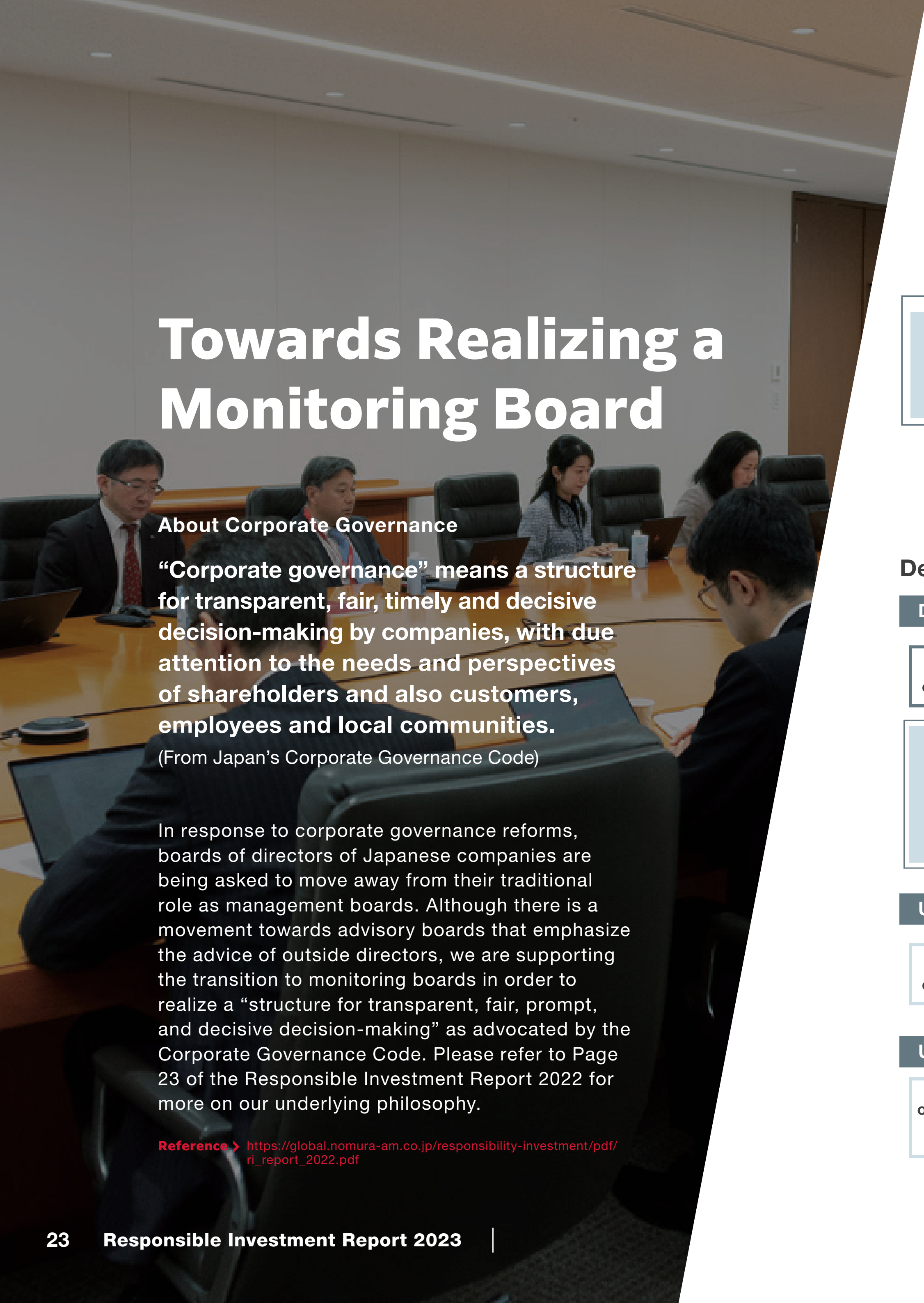
1. The board consists of an adequate number of qualified and diverse members who have the ability and experience, including business management, finance and ESG, to supervise the execution of management and any conflict of interest with the management, controlling shareholder, or any other parties on behalf of shareholders and functions effectively.
2. The audit committee, audit and supervisory committee or the board of auditors consists of qualified members who are capable of auditing directors' operations on behalf of shareholders and functions effectively.
3. Committees relating to nomination and compensation have been established, each of which consists of qualified and independent members and adequately fulfills the necessary roles and responsibilities in 4 and 5 below.
4. Standards and processes to determine whether the replacement of senior executives is required have been established, and a succession plan in case of such replacement has been formulated.
5. Compensation of senior executives is appropriate as their incentive and commitment for value creation through the efficient utilization of capital and proper efforts on environmental and social issues.
6. The board makes appropriate judgment in the best interest of minority shareholders on any transaction involving a conflict of interest or fight for control of the company.
In our view, as anti-takeover measures limit the rights of shareholders to buy and sell shares freely, they are unnecessary unless there is a risk that such a transaction or fight will significantly impair corporate value and the common interest of shareholders.
7. The board of directors monitors environmental and social issues and business and other risks and oversees initiatives by senior executives, and corporate governance systems are in place to ensure sufficient internal control in terms of compliance and internal auditing.
8. Comply with laws and regulations, and properly respond to the Corporate Governance Code

4

Adequate information disclosure and a dialogue with investors

We believes that it is important for companies to fulfill their accountability for the matters stated in 1. through 3. To this end, we consider that the following efforts are particularly important.

1. To disclose information in a timely and appropriate manner in accordance with appropriate standards based on the trends of regulatory authorities in each country and international initiatives. In particular, a company is expected to obtain third-party audits and assurances as much as possible, especially for quantitative information.
2. To actively hold dialogue with each investor in order to appropriately reflect investors' opinions in corporate management.
3. If a company is found to have engaged in any activity that is materially harmful to corporate value, it is important for the company to provide sufficient disclosure and explanations on investigations of cause, clarification of where responsibility lies, and the formulation and dissemination of effective recurrence countermeasures.



Towards Realizing a Monitoring Board

About Corporate Governance

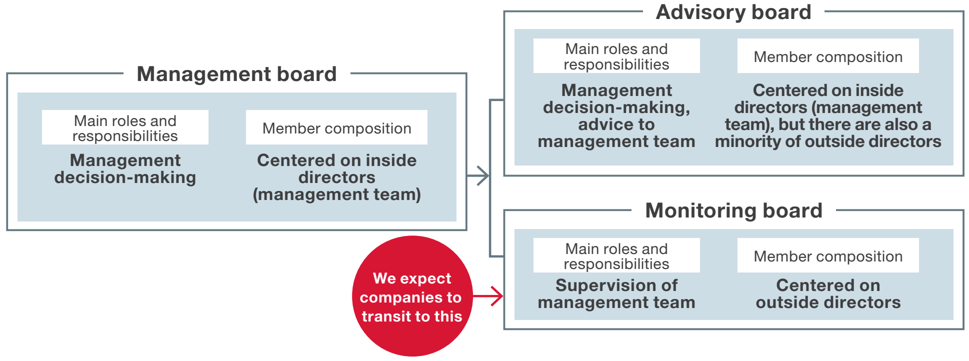
“Corporate governance” means a structure for transparent, fair, timely and decisive decision-making by companies, with due attention to the needs and perspectives of shareholders and also customers, employees and local communities.

(From Japan’s Corporate Governance Code)

In response to corporate governance reforms, boards of directors of Japanese companies are being asked to move away from their traditional role as management boards. Although there is a movement towards advisory boards that emphasize the advice of outside directors, we are supporting the transition to monitoring boards in order to realize a “structure for transparent, fair, prompt, and decisive decision-making” as advocated by the Corporate Governance Code. Please refer to Page 23 of the Responsible Investment Report 2022 for more on our underlying philosophy.

Reference > https://global.nomura-am.co.jp/responsibility-investment/pdf/ri_report_2022.pdf

Nomura Asset Management supports the transition to a monitoring board



Desirable monitoring board and undesirable monitoring board

Desirable

Independent outside director → Supervision (nomination/compensation) → Chairperson and President → Management decision-making — Management’s PDCA cycle functions

- Debate with management team about management strategy, etc. (management team is accountable)
- Evaluate management team based on management strategy, etc., and reflect in nominations and compensation. Also, provide feedback on evaluation details to management team.
  Nomination: Establish standards and process for periodically determining the necessity for replacing members of senior management, formulate a successor plan to prepare for such replacements.
  Compensation: Management team incentives/commitments aimed at enhancing corporate value
- Provide advice to management team as needed during the supervision process.

Undesirable 1 Advisory board

Independent outside director → Advice / Supervision does not function → Chairperson, CEO, executive officer → Management decision-making — Biased advice

Undesirable 2 Cannot break away from a management board

Independent outside director+ Chairperson+ President → Management decision-making; → Supervision → Executive officer, department head → Management decision-making — Independent outside directors participate in decision-making → Supervision of chairperson and president does not function

Handling of proxy voting standards

In order to support a voluntary transition to a monitoring board, not merely a transition as a formality, our proxy voting standards include the following.

- Show the requirements for determining whether or not a board falls under the category of a monitoring board ("Monitoring Board Requirements" below).
- We will not oppose company proposals on the reasoning that the company's board does not fall under the category of a monitoring board, but it will be easier to support a company proposal if it does.
- The above requirements will be shifted to conditions for opposing in stages (after changing the threshold, etc. as needed)
- In addition to carrying out engagement aimed at transitioning to an effective monitoring board, if outside directors failed to fully fulfill their expected roles, we will vote against the reelection of outside directors.

Revised in Nov 2023

	Monitoring board standards		Standards to oppose company proposals	
	Monitoring board requirements*1	Voting result	Requirements to oppose company proposals	Proposals to vote against
① Number of directors	NEW More than 5. fewer than 20	**If a board satisfies all of the requirements on the left, we determine it to be a monitoring board** We will ease the requirements for voting in favor of company proposals related to director appointments (business performance standards*2) or executive compensation. We will not oppose company proposals on the reasoning that the company's board does not fall under the category of a monitoring board.	NEW under 5 or more than 20	Election of directors
② Number of outside directors Majority	Majority		Falls below the minimum level: Under 1/3. For companies with a controlling shareholder, a majority. From November 2024 Minimum level is a majority. However, 1/3 if a company has no controlling shareholder and has nomination governance in place*3	Election of directors
③ Nomination and compensation committee	Establish a nomination and compensation committee in which outside directors comprise a majority and the committee chair is an outside director		Expand the scope of application Compensation governance is not in place*3	Executive compensation/Executive retirement benefits
④ Diversity	The ratio of women directors is at least 10%		No women directors	Election of directors
⑤ Takeover defense plan	No takeover defense plans		Has a takeover defense plan	Takeover defense plan or election of directors
⑥ Strategic shareholdings Does not hold in excess	Does not hold in excess (for financial institutions: less than 25% of net assets; for non-financial companies: less than 10% of invested capital)		Hold in excess (for financial institutions: more than 50% of net assets; for non-financial companies: more than 20% of invested capital)	Election of directors
⑦ Director' term in office	If the company is a company with a board of corporate auditors, one year		NEW If the company is a company with a board of corporate auditors, two years	Election of directors
⑧ The chair of the board of directors	If there are controlling shareholders, outside director		-	-

*1 We view the above requirements as the bare minimum for being a monitoring board. *2 Standard to vote in opposition of re-appointment of chairperson and president, etc. who have been in the position for the most recent three or more consecutive fiscal years, if return on equity (ROE) has been in question and efforts for management improvement have not been demonstrated. *3 A case in which nomination and compensation governance is in place refers to the case where statutory or voluntary nomination and compensation committees have been established, the committee members include two or more outside directors, and the number of internal directors among the committee members is fewer than the number of outside directors.