

# BASIC POLICY FOR RESPONSIBLE INVESTMENT

On November 1, 2024, the Responsible Investment Committee revised items related to “♦ 01 ♦ Proper Efforts on Environmental and Social Issues,” within the “Basic Policy for Responsible Investment.” Specifically, it has been revised to require information disclosure in line with the Taskforce on Nature-related Financial Disclosures (TNFD) regarding natural capital, as well as efforts aimed at creating a well-being society. Additionally, a new item on risk management in the digital society has been added, and measures for that will also be required. The basic policy for responsible investment defines our concept and specific approaches to responsible investment, and includes details regarding the “appropriate management practices” expected of investee companies and the engagement and voting rights 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 [P20-22](#) →



Basic Principles of Engagement/ Global Proxy Voting Policy  
[https://global.nomura-am.co.jp/responsibility-investment/pdf/basic\\_policy.pdf](https://global.nomura-am.co.jp/responsibility-investment/pdf/basic_policy.pdf)



## Ideal Form of Business Management of Investee Companies

## ◆ 01 ◆ 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	<b>Basic Policy</b>	Establishment of a basic policy regarding the company's efforts on ESG issues and establishment of a system to promote and oversee those efforts;	6	<b>Human Capital With Diverse Values</b>	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, establishment of 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.) and creation of a corporate culture that embraces diversity and inclusion;
2	<b>Key issues (materiality)</b>	Identification of key issues by the management, responses to and disclosure of risks that are identified as key issues (e.g., product liability, etc., as well as those listed in 3 through 8), and disclosure of business opportunities that are identified as key issues;	7	<b>Well-being society</b>	Formulation and disclosure of strategies (including innovation driven by digital technologies) that incorporate contribution to the resolution of social issues, such as access to medicine, health and nutrition, antimicrobial resistance, animal welfare, and regional revitalization, as business opportunities, and measurement and disclosure of impact toward the resolution of social issues;
3	<b>Climate change</b>	Verification of business portfolio and promotion of technological innovation to respond to the climate change issue, information disclosure on governance, strategy, risk management, metrics & targets concerning the climate change issue, setting of a net zero target for medium- to long-term greenhouse gas (GHG) emissions and approval of or commitment to science based targets (SBTs), measurement of GHG emissions and absorption including Scope 3 under the international standards for the accounting and reporting of GHG emissions, and introduction of internal carbon pricing;	8	<b>Risk management in digital society</b>	Establishment of a cybersecurity management system (e.g. appointment of an officer in charge of cybersecurity, development and assignment of dedicated employees, and development of processes to respond to any incidents), as well as ethical and safe design, development, implementation, and use of artificial intelligence (AI) throughout its life cycle; and
4	<b>Natural capital</b>	Setting of policies and targets to respond to risks and opportunities associated with biodiversity and circular economy toward the realization of nature positive business practices and information disclosure in line with the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD);	9	<b>Cooperation with stakeholders, such as participation in initiatives that are related to the issues listed above.</b>	
5	<b>Human rights</b>	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;			

## ◆ 02 ◆ 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:

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| 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; To determine the cost of capital in due consideration of opinions of investors obtained through dialogue with them as well as stock price levels and changes thereof; | 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; |
| 2 | To verify the business portfolio against the growth strategy and replace businesses in the portfolio as necessary;  | 5 | To properly manage the risks associated with businesses, etc.;   |
| 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;  | 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.  |



## ◆ 03 ◆ 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.	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.
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.	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.
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.	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.
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.	8	Comply with laws and regulations, and properly respond to the Corporate Governance Code

## ◆ 04 ◆ Adequate information disclosure and a dialogue with investors

We believe that it is important for companies to fulfill their accountability for the matters stated in ◆ 01 ◆ through ◆ 03 ◆. 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.	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.
2	To actively hold dialogue with each investor in order to appropriately reflect investors' opinions in corporate management.		