Disclosure in alignment with TCFD and TNFD

Introduction

Governance

The Task Force on Climate-related Financial Disclosures (TCFD)* and the Task Force on Nature-related Financial Disclosures (TNFD) provide guidelines for companies to disclose their information on sustainability. These guidelines aim to provide investors and other stakeholders with transparent and reliable information.

Information disclosure based on the former TCFD's recommendations and TNFD recommendations is a crucial tool for companies to properly manage their sustainability-related risks and opportunities, and to deliver transparent information to investors and other stakeholders. It enables companies to achieve their sustainability goals more effectively by using a common framework for governance and risk management, while separately managing metrics/targets and strategy.

*Referred as the "former TCFD recommendations" in this report due to the fact that the Task Force has already disbanded

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Common Framework for Governance and Risk Management

The former TCFD's recommendations and TNFD recommendations use a common framework for governance and risk management. In this context, Nomura Asset Management manages climate- and nature-related risks and opportunities using a consistent methodology. We regard climate and nature-related risks and opportunities as important elements, and thus keep an appropriate governance system in place. The data compiled by the Sustainable Investment Strategy Department and Responsible Investment Department are ultimately reported to the Board of Directors via the Executive Management Committee. The Board of Directors is then able to appropriately monitor these risks and opportunities.

The analytical data related to climate-related risks and opportunities compiled by the Secretariat are shared with portfolio managers and analysts. These data are then utilized in company analysis, engagement, and investment decision-making. The same applies to the analytical data related to nature-related risks and opportunities. These data are also regularly reported to the Responsible Investment Committee, where they are used to evaluate a portfolio's risks and opportunities.

For example, at the Responsible Investment Committee meeting in March every year, the analytical data from the portfolio at the end of the previous year are reported, and in July the important themes for engagement are decided. The outcomes of evaluations are reported to the Executive Management Committee, which allows members of senior management to utilize this information to make management decisions.

Risk Management

We believe it is important to discern and analyze climate- and nature-related risks throughout the entire life cycle of a company's products and services as well as throughout the supply chain.

First, we use external databases, such as from ISS, to manage portfolio risk. We identify and manage investee companies' climate-related transition risks and physical risks using our own corporate analysis and ESG scores, as well as through engagement. In addition, with respect to natural capital, we consider and analyze nature-related metrics, including disclosures on water consumption and waste volume.

Such risk management analysis outcomes are integrated into the comprehensive risk management process. As such, they are shared within the Investment and Research Unit, and are reported to both the Executive Management Committee and the Board of Directors after being monitored by the Responsible Investment Committee.

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Disclosure in alignment with TCFD and TNFD

Separate management for Metrics/Targets and Strategy

We manage climate-related and nature-related "Metrics and Targets," and "Strategy" pillars in a separate manner, taking their respective characteristics into consideration.

Metrics and Targets

Climate Change

In order to evaluate climate-related risks and opportunities, we measure four carbon metrics recommended in the former TCFD's recommendations (financed emissions, carbon footprint, carbon intensity, and weighted average carbon intensity). To analyze total GHG emissions, we use Scope 1, Scope 2 and Scope 3 emissions disclosed by companies. If a company does not provide disclosure, we use ISS's estimates. For carbon footprint, carbon intensity and weighted average carbon intensity, we use only Scope 1 and Scope 2 emissions.

We have established a 2050 Net Zero Goal as well as a 2030 Interim Target. Under the 2030 Interim Target, we will work to ensure that, by 2030, 55% of our investment portfolio assets are being approved by SBTi.

Natural Capital

We assess nature-related risks and opportunities associated with our equity and corporate bond portfolios, based on our strategy and risk management process. In particular, we focus on the metric called the Potentially Disappeared Fraction ("PDF") of Species -, and we perform comparative analyses against benchmarks using ISS's data. Please refer to P52-54 >> for the results of the analyses.

In addition, we set climate change and natural capital as priority themes in our engagement. Through regular dialogue, we urge investee companies to address these risks and opportunities, and we then monitor companies' progress. In order to manage engagement milestones, we tally up the number of engagement cases by theme. Strategy

Climate Change

We are closely watching carbon pricing, changes in consumer behavior, and abnormal weather, whilst paying close attention to technologies and products such as those related to renewable energy, energy efficiency and conservation, hydrogen, ammonia, and CCUS. We are focusing on transition finance to support reductions in GHG emissions towards achieving a decarbonized society. We continue engaging with investee companies with high levels of GHG emissions, encouraging them to take measures to address climate change.

We conduct a financial analysis and transition risk analysis using an internal carbon price in our ESG scores for Japanese equities, utilizing ISS's analysis methodology. We also perform a scenario analysis for our four-asset integrated portfolio.

Natural Capital

We recognize nature-related risks and opportunities. In terms of transition risk, we are paying close attention to increased production costs, stranded assets and fluctuations in demand due to changes in consumer behavior and preferences. With respect to physical risks, we are focusing on forest fires, floods, droughts, and outbreaks of pests and diseases. We also recognize the interconnectedness between these risks and the systemic risks of ecosystem and financial stability.

Meanwhile, we are focusing on technologies, products and services that create positive impacts on nature or abate negative impacts. We ascertain the status of our investments in companies that have a large impact on natural capital. Also, through engagement we urge portfolio companies to recognize and disclose such risks.

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The climate-related analysis in our portfolio

1 Analysis Policy

Reference Sources

We analyze climate-related risks and opportunities related to our managed assets, centered on financed emissions. In conducting this analysis, we primarily refer to the following standards:

 The Global GHG Accounting and Reporting Standard for the Financial Industry (PCAF, Partnership for Carbon Accounting Financials)

- ISS-ESG (Institutional Shareholder Services)
- World Energy Outlook (IEA, International Energy Agency)

Scope of Reporting

The managed assets subject to analysis for financed emissions are as follows:

Japanese equities, global equities, Japanese bonds, and global bonds (for bonds, this includes corporate bonds, and government bonds)

Government bonds

We do not disclose the coverage rate of managed assets for which financed emissions are measured. Due to data constraints, it is currently difficult to ascertain the GHG emissions of all managed assets. To improve the coverage rate, we have included government bonds in the scope starting from the Responsible Investment Report 2022.

Reporting Period

In principle, the analysis targets the balance of managed assets as of the end of December 2024. However, descriptions other than numerical data also include activities from January 2025 onwards.

Caution Regarding Future Projections

The information regarding the future included in this analysis is based on information available at the time of publication and certain assumptions deemed reasonable by our company, and it contains uncertainties.

2 Analysis Results

Among our managed assets, the financed emissions of our portfolio for Japanese equities showed favorable results, confirming that they are below the benchmark ^{Fig.1}. Additionally, the financed emissions for Japanese bonds in our portfolio are nearly at the same level as the benchmark. For global equities and global bonds, the financed emissions of our portfolio were slightly higher than the benchmarks.

Here, the benchmark refers to a portfolio constructed with the same securities and weights as the benchmark, matching the total amount of our portfolio.

Fig.1 Overview of Financed Emissions (Scope 1 and Scope 2)



(Source) Created by Nomura Asset Management based on various materials, including ISS-ESG (PF refers to our portfolio, and BM refers to the benchmark)

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The climate-related analysis in our portfolio

2 Analysis Results

Global

bonds BN

The weighted average carbon intensity (WACI, emissions per unit of revenue) for Japanese equities and Japanese bonds revealed that our portfolios were below the benchmarks Fig.2. It is important to note that some Japanese companies have equity-method investees in hard-to-abate sectors, which are not reflected in the WACI.

In the breakdown of financed emissions by industry, it is notable that the ratios of Energy, Materials, and Utilities are high. Additionally, in some asset classes, the ratio of Industrials is also relatively high Fig. 3.

Moving forward, we will continue to engage with investee companies to encourage their efforts toward a decarbonized society.

Fig. 2 Weighted Average Carbon Intensity of Our Financed Emissions(WACI)



(Source) Created by Nomura Asset Management based on various materials, including ISS-ESG

122.3

(Note) "WACI" stands for "Weighted Average Carbon Intensity," which is an indicator of greenhouse gas emissions per unit of revenue for companies or portfolios.



Fig. 3 Breakdown of Financed Emissions by Industry

(Source) Created by Nomura Asset Management based on various materials, including ISS-ESG

Fig. 4 (Reference) Carbon Footprint of Financed Emissions



(Source) Created by Nomura Asset Management based on various materials, including ISS-ESG

Fig. 5 (Reference) Overview of Financed Emissions (Scope 3)

		NAM's PF	вм	% of BM		NAM's PF	ВМ	% of BM
Scope 3 (Million tCO₂e)	Japanese equities	248.4	273.7	91%	Japanese bonds	1.9	1.8	106%
	Global equities	18.7	19.3	97%	Global bonds	4.2	2.5	167%

(Source) Created by Nomura Asset Management based on various materials, including ISS-ESG

(Note) Scope 3 is provided as reference information. This is due to the observation of non-continuous changes in the disclosure scope of GHG emissions by some companies.

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The climate-related analysis in our portfolio

Scenario Analysis

Analysis of Each Scenario

For the financed emissions of our four-asset integrated portfolio, we conducted scenario analyses based on the three scenarios presented by the IEA in the "World Energy Outlook 2021." utilizing data from ISS-ESG. In the scenario analyses, the financed emissions used are based on the characteristics of transition risks by industry. For the electric power sector, only Scope 1 is used; for energy companies producing fossil fuels, only Scope 3 is used; and for other industries, both Scope 1 and Scope 2 are utilized.

Fig. 6 Description of Each Scenario and Temperature Rise Projections

Scenario	Description	Temperature Rise Projection
SDS	Scenario consistent with the goals of the Paris Agreement	Within 1.5°C
APS	Scenario based on fulfilling national reduction targets and long-term net-zero goals	Approximately 2.1°C
STEPS	Scenario based on the intentions and targets of currently implemented policies	Approximately 2.6°C

(Source) Created by Nomura Asset Management based on various materials

Additionally, the latest "World Energy Outlook 2024" estimates that the temperature rise in 2100 for each scenario is approximately 1.7°C for APS and approximately 2.4°C for STEPS.

1 Sustainable Development Scenario (SDS)

This scenario aligns with the goal of the Paris Agreement adopted at COP21 (the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change) held in December 2015, which aims to "keep the increase in global temperatures well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C." The projected temperature rise by the end of this century is estimated to be less than or equal to 1.5°C.

2 Announced Pledges Scenario (APS)

This scenario considers the commitments made by countries to fulfill their Nationally Determined Contributions (NDCs) and long-term net-zero targets, as outlined in Article 4 of the Paris Agreement, and assumes they are implemented fully and in a timely manner. The projected temperature rise by the end of this century is estimated to be approximately 2.1°C.

3 Stated Policies Scenario (STEPS)

(%)

This scenario is based on the intentions and targets of the policies currently being implemented by countries, assuming that governments execute the policy initiatives they have publicly announced. The projected temperature rise by the end of this century is estimated to be approximately 2.6°C.

Analysis Results

The results of the scenario analyses indicate a high likelihood that our four-asset integrated portfolio will reach the total carbon emissions level set by the SDS by 2043 Fig. 7. The global equities and global bonds portfolios contain a significant number of stocks and bonds of companies in the Energy, Materials, and Utilities sectors of emerging and developing countries, which greatly influences carbon emissions. Similarly, in the case of Japanese bonds, the Utilities sector, which has high GHG emissions, is a major factor behind the emissions. Additionally, given that there is a predominance of passive management focused on Japanese equities, this suggests that there is a need for the entire market to respond to climate change.

Fig. 7 Trends in the Carbon Budget STEPS APS SDS - NAM's portfolio



(Source) Created by Nomura Asset Management based on various materials, including ISS-ESG

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----- The climate-related analysis in our portfolio

4 Status of GHG Reduction Targets

To track the progress of our managed assets toward our 2050 Net Zero Goal and 2030 Interim Target, we utilize the "Science Based Targets initiative for Financial Institutions" ("SBTi for FI") methodology. The SBTi for FI requires verification of the proportion of investee companies that have obtained SBT approval. We monitor the GHG reduction targets of investee companies within our investment portfolio using ISS-ESG.

As of the end of December 2024, the SBT portfolio coverage ratio of our four-asset integrated portfolio had reached 49.5% Fig. 8. Commitment to and approval under the SBT indicates that investee companies are demonstrating science-based GHG reduction targets. We are committed to actively encouraging investee companies to commit to and obtain SBT approval through engagement and other initiatives.

5 Analysis of Transition Risks Based on Power Generation Mix

To assess the climate-related transition risks of our portfolios, we utilize power generation mix based on power generation volume, using data from ISS-ESG.

Fig. 9 compares the power generation mixes for our portfolios, the benchmarks, and that of the Sustainable Development Scenario (SDS) based on generation volume. The SDS indicates a power generation mix that is likely to keep the temperature rise below 1.5°C by 2030 and 2050, based on IEA forecasts. The power generation mixes of our portfolios are approximately the same as those of the respective benchmarks. However, compared to the SDS, the proportion of fossil fuels is higher.

Through engagement with investee companies, we aim to increase the share of nonfossil energy, reduce transition risks associated with fossil fuels, and promote the reduction of financed emissions.



Fig. 8 Status of GHG Reduction Targets in Our Four-Asset Integrated Portfolio

(Source) Created by Nomura Asset Management based on various materials, including ISS-ESG



(Source) Created by Nomura Asset Management based on various materials, including ISS-ESG

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The climate-related analysis in our portfolio

6 Analysis of Physical Risks

The impact of weather phenomena such as hurricanes and torrential rainfall on investee companies has garnered attention, increasing the importance of analyzing physical risks. We utilize the Value at Risk (VaR) of a portfolio, which indicates the potential value lost by 2050 if investee companies' business assets are affected by climate change, along with ISS-ESG's industry- and region-specific risk analyses and scores.

Industry- and Region-Specific Physical Risk Analysis

We analyze industry- and region-specific physical risks using data from ISS. Fig. 10 and Fig. 11 show the industry-specific composition of physical risk VaR for Japanese and global equities and bond portfolios related to climate change by 2050. Industries with higher ratios are more likely to experience significant negative impacts on corporate value due to climate change. The VaR ratios for each portfolio indicate the proportion of VaR relative to the investment amount in each of the four asset classes.

Fig. 10 Industry-Specific Composition Ratios of Value at Risk



(Source) Created by Nomura Asset Management based on various materials, including ISS-ESG

Fig. 11 Value at Risk Ratios

	NAM's Japanese equities portfolio	NAM's global equities portfolio	NAM's Japanese bonds portfolio	NAM's Global bonds portfolio
Portfolio	1.2%	0.5%	2.8%	1.0%
Benchmark	1.2%	0.5%	2.6%	0.5%
Differential	0.0%	0.0%	0.2%	0.5%

(Source) Created by Nomura Asset Management based on various materials, including ISS-ESG

Region-Specific Physical Risks

Fig. 12 shows the region-specific physical risks of our four-asset integrated portfolio. We use this information for guiding decisions on industry and regional allocations. Through this analysis, we can identify industries and regions that have high physical risk.

Fig. 12 Region-Specific Physical Risks

Highest High Moderate Light None



(Source) Created by Nomura Asset Management based on various materials, including ISS-ESG

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The climate-related analysis in our portfolio

Climate Change-Related Engagement with Investee Companies

To mitigate climate-related risks in our portfolio and promote investments in climate-related opportunities, we are advancing the following initiatives through engagement with investee companies:

Nomura Asset Management

- Active participation in climate change initiatives such as PRI and PCAF, collaborating with other investors and stakeholders, and sharing of best practices
- Enhance the integration of climate-related risk and opportunity analysis in our investment portfolio
- Develop financial analysis and corporate valuation methods using our internal carbon pricing and GHG removals
- Develop financial products that contribute to achieving a decarbonized society in line with our 2050 Net Zero Goal and 2030 Interim Target
- Increase transparency regarding our climate change efforts through disclosure

Portfolio Companies

- Disclose climate-related financial data, including scenario analysis, transition plans, and GHG reduction targets
- Report Scope 3 emissions and GHG removal data, enabling the assessment of GHG emissions throughout the product and service lifecycle and supply chain, while encouraging GHG reductions among suppliers and customers
- Set climate change measures and external evaluations related to climate change as KPIs for executive compensation
- Obtain or commit to SBT (Science Based Targets) approval
- Secure verification and assurance for data related to GHG emissions and other metrics

3 Analysis of GHG Emissions from the Government Bond Portfolio

In December 2022, the second edition of PCAF's The Global GHG Accounting and Reporting Standard for the Financial Industry was published, which added government bonds as an asset class for measuring and disclosing GHG emissions in investment portfolios. In light of the new standards, we measured the emissions from the Japanese and global government bonds held by NAM as of the end of December 2024.

The method for measuring GHG emissions from sovereign bond portfolios differs from that used for measuring emissions from listed equities and corporate bonds in terms of the definitions of the scopes related to emissions and the calculation of investment ratios used for measurement. For the supply chain emissions of a country that serve as the basis for measurement, Scope 1 is defined as domestic emissions based on production, Scope 2 as imported emissions related to energy, and Scope 3 as emissions associated with non-energy imports from other countries. In addition to these, measurement of consumption-based emissions is also required. When calculating the attribution factor, which represents the investment ratio in investee companies, the method differs from that used for measuring emissions from listed equities and corporate bonds, where the ratio is based on the amount invested in relation to the EVIC (Enterprise Value Including Cash). In contrast, for measuring emissions from government bond portfolios, the ratio is based on the amount invested

relative to the GDP adjusted for purchasing power parity (PPP) of a country.

Regarding the measurement of our sovereign bond portfolio emissions, there are currently challenges such as a several year lag in data availability and data insufficiency. However, the results are based on the data that can be obtained at the time. For Scope 1, we primarily use GHG data from the UNFCCC (United Nations Framework Convention on Climate Change) for Annex I countries, while for Scope 2 and Scope 3, we mainly use CO_2 data from the OECD (Organization for Economic Co-operation and Development). For consumption emissions, we measure using only CO_2 data Fig.14.

Our sovereign bond portfolios are characterized by a significant holding of U.S. and Japanese government bonds, which means they are heavily influenced by the emissions from these countries. While data from emerging markets is still not sufficiently published, leaving some gaps in the current measurement, we believe that improvements in data availability in the future will lead to further enhancements in the quality of disclosed data. In pursuit of a decarbonized society, we will continue to actively implement initiatives aimed at achieving this goal through the monitoring of emissions from our government bond portfolio.

(Note) Due to space constraints, information regarding Non-Annex I countries under the UNFCCC has been omitted.

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The climate-related analysis in our portfolio

8 Analysis of GHG Emissions from the Government Bond Portfolio



Fig. 13

Definitions of Scopes and Consumption Emissions

(Source) Created by Nomura Asset Management based on various materials

Fig. 14 Sovereign Bond Portfolio Emissions Bond Portfolio



(Source) Created by Nomura Asset Management based on various materials Note: *ULUCF refers to Land Use, Land Use Change, and Forestry.

*For Scope 1 production emissions, GHG data for UNFCCC Annex I countries from 2021 and the World Bank's published 2023 GDP adjusted for PPP are used. However, for Scope 1 production emissions, data for Australia is based on 2020 figures only.

*For Scope 2 and 3, CO₂ data from the OECD for 2020 and the World Bank's published 2022 GDP adjusted for PPP are used.

*For consumption emissions, Scope 1 uses CO_2 data for UNFCCC Anex I countries from 2021, while Scope 2 and 3, as well as export emissions, use OECD data from 2020 and the World Bank's published 2022 GDP adjusted for PPP.



(Source) Created by Nomura Asset Management based on various materials

Note: For countries where Scope 1 data is not available, even if data for Scope 2 and Scope 3 is obtainable, Scope 2 and Scope 3 are excluded from the final calculation of consumption emissions. Therefore, the values for Scope 1 + Scope 2 + Scope 3 - export emissions do not match the consumption emissions values.



Fig. 17 Sovereign Bond Portfolio Emissions Intensity (Carbon Intensity)

(Source) Created by Nomura Asset Management based on various materials

Note: Production emissions use the Scope 1 data mentioned above. GDP is based on the World Bank's published 2023 GDP adjusted for PPP. Consumption emissions follow the same definitions as above. Population data is sourced from the World Bank's 2023 data.

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The climate-related analysis in our portfolio

9 Participation and Collaboration in Climate Change-Related Initiatives

We declared our support for the Task Force on Climate-related Financial Disclosures (TCFD) in March 2019 and have been disclosing information in accordance with TCFD recommendations regarding our portfolios of Japanese equities, global equities, Japanese bonds, and global bonds since the Responsible Investment Report 2019. This includes disclosures and reporting related to GHG emissions monitoring for individual funds. Additionally, we have been a participant in the TCFD Consortium, established in Japan in May 2019, from its inception. We have engaged with investee companies to encourage the disclosure of climate-related financial information in line with TCFD recommendations and the integration of climate-related risks and opportunities into their management strategies. Although the TCFD was disbanded in October 2023, its role has been assumed by the IFRS Foundation and the ISSB (International Sustainability Standards Board).

We actively engage in dialogue with the Securities Analysts Association Japan and companies regarding non-financial information. Sustainable Investment Strategy Department participates in the ISSB standards seminar series organized by the Securities Analysts Association Japan facilitating discussions between analysts, investors, and companies regarding sustainability disclosure information.

In December 2022, PCAF published standards for measuring and disclosing financed emissions (FE) related to government bonds. In addition to our traditional analyses of equities and corporate bonds, we began disclosing results related to FE and carbon metrics in our government bond portfolio starting in April 2023. To promote the measurement and disclosure of government bond FE and the expansion of avoided emissions, we established two subcommittees within the PCAF Japan coalition in FY2023 focused on measuring and disclosing government bond FE and avoided emissions. We serve as the lead organization for both subcommittees, leading operations

and knowledge sharing among participating Japanese organizations. In FY2024, the subcommittees continued focusing on measuring and disclosing avoided emissions.

Furthermore, Nomura Holdings established the "GX Management Promotion Working Group" (GX Management Promotion WG) in September 2022, as part of a key initiative of Japan's GX (Green Transformation) League for "Rule Formation for Market Creation," alongside six leading companies and 73 member companies, with Nomura Holdings serving as the convener. The GX Management Promotion WG aims to create a framework that appropriately evaluates the opportunities for Japanese companies to contribute to climate change, such as emissions reductions through products and services offered to the market, in pursuit of global carbon neutrality. Through discussions and deliberations among leading and member companies, the WG engages in activities such as issuing guidelines on climate-related opportunities for Disclosure and Evaluation of Climate-Related Opportunities," published by the GX Management Promotion WG in March 2023, and the creation of the "Leveraging Avoided Emissions: Financial Institution Case Studies" published in December 2023.

Moving forward, we will continue to promote the disclosure of climate-related financial

information by investee companies and the integration of climate-related risks and opportunities into their management strategies through engagement, actively working towards the realization of a decarbonized society.

Members responsible for the net-zero strategy: (from left) Dai Yamawaki, Senior Portfolio Manager, Nozomi Nagano, Assistant ESG Specialist, Akio Ohata, Head of Sustainable Investment Strategy Department.



Reference 1 What are Financed Emissions?

Financed emissions refer to the total amount of greenhouse gases (GHG) indirectly emitted as a result of loans and investments provided by financial institutions. GHG include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), and others, which contribute to the rise of the Earth's temperature. These GHG emissions occur from the

companies and projects that financial institutions fund, making them a crucial metric for the climate change efforts of financial institutions. Additionally, by managing financed emissions, financial institutions are expected to fulfill their responsibilities towards sustainable investment and environmental stewardship. Internationally, there are non-financial disclosure standards such as those set by the ISSB, and in Japan, the SSBJ. These disclosure standards establish specific criteria regarding financed emissions.

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The climate-related analysis in our portfolio

Reference 2 Overview of PCAF Standards

Overview

PCAF (Partnership for Carbon Accounting Financials) is an international initiative that provides standardized guidelines for financial institutions to measure and disclose financed emissions. PCAF is a collaborative initiative established by financial institutions worldwide, aimed at promoting efforts to address climate change. The guidelines created by PCAF regarding financed emissions are referred to as The Global GHG Accounting and Reporting Standard for the Financial Industry. This standard requires financial institutions to assess emissions using consistent methodologies and to report transparently.

PCAF aims for financial institutions to measure and disclose GHG emissions resulting from their loans and investments. This initiative is crucial for companies and financial institutions to fulfill their responsibilities regarding climate change and to advance efforts toward a sustainable future.

Objectives of PCAF Standards

The main objectives of PCAF are as follows:

Enhancing Transparency: By publicly disclosing emissions from their loans and investments, financial institutions provide transparency to investors and stakeholders.
 Sustainable Investment: Establishing standards for sustainable investment, which guides the selection of investee companies based on these criteria.
 Alignment with the Paris Agreement: Supporting financial institutions in their efforts to contribute to emission reductions in line with the goals of the Paris Agreement.

Asset Classes Analyzed by PCAF

According to the PCAF 2022 Global GHG Accounting and Reporting Standard Part A: Financed Emissions, the following asset classes are included:

1 Listed Equity and	2 Business Loans and	3 Project Finance	4 Commercial Real	5 Mortgages	6 Motor Vehicle	7 Sovereign Debt
Corporate Bonds	Unlisted Equity		Estate		Loans	

At Nomura Asset Management, we primarily focus on analyzing asset classes **1** and **2**. It should be noted that sovereign debt was added as a category for analysis starting in 2022.

Reference 3 Introduction to Carbon Intensity

By disclosing carbon intensity not only based on absolute financed emissions but also on physical and economic metrics, we can provide neutral values that reflect fluctuations in physical and economic activities, such as the increased demand for products and services that contribute to the decarbonization of the real economy and the rise in financing and investment associated with support for decarbonization.

Carbon Indicators According to PCAF

Physical emission intensity is calculated by dividing the emissions of the investee company by physical indicators such as production volume, indicating the emission efficiency per unit of activity. Economic emission intensity is calculated by dividing emissions by economic indicators such as revenue, indicating the emission efficiency per unit of economic value added. This allows for the calculation of carbon intensity by investment portfolio for financial institutions.

Indicator	Purpose	Description
Absolute Emissions	To understand the climate impact of loans and investments and set a baseline for climate action	Total GHG emissions of an asset class or portfolio.
Economic Emission Intensity	To understand how the emission intensities of different portfolios (or parts of portfolios) compare to each other per monetary unit	Absolute emissions divided by the loan or investment volume in EUR or USD, expressed as tCO_2e/ M or tCO_2e/ M loaned or invested
Physical Emission Intensity	To understand the efficiency of a portfolio (or parts of a portfolio) in terms of total GHG emissions per unit of a common output	Absolute emissions divided by a value of physical activity or output, expressed as , for example, tCO_2e/MWh (for electricity generation and consumption) or tCO_2e/ton (for production).
Weighted Average Carbon Intensity	To understand exposure to emission-intensive companies	Portfolio's exposure to emission-intensive companies, expressed as $tCO_2e/\varepsilon M$ or $tCO_2e/\$ M$ of company revenue.

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The climate-related analysis in our portfolio

Reference 3 Introduction to Carbon Intensity

Carbon Indicators According to ISS-ESG

We perform indicator analyses based on the definitions provided by ISS-ESG. Because there are some differences from carbon indicators such as those from PCAF, we also outline these carbon indicators.

Financed Emissions (Total Carbon Emissions, Financed Emissions)	Carbon Intensity
 Total Carbon Emissions: The total GHG emissions associated with the portfolio. Unit: tCO₂e (CO₂ equivalent) GHG Emissions of investee companies: Includes Scope 1, 2, and 3 emissions 	 Carbon Intensity: The total carbon emissions divided by the revenue of the investee companies allocated to the portfolio Unit: tCO₂e/million USD (revenue) GHG Emissions of Investee Companies in Total Carbon Emissions: Includes Scope 1 and 2 emissions
Financed Emissions = $\sum_{i}^{n} \left(\frac{\text{Market Value of Investee }i}{\text{EVIC of Investee }i^{*}} \right) \times \left(\begin{array}{c} \text{GHG emissions of} \\ \text{Investee company }i \end{array} \right)$	Carbon Intensity = $\frac{\text{Financed Emissions}}{\sum_{i=1}^{n} \left(\frac{\text{Market Value of Investee }i}{\text{EVIC of Investee company }i^{*}} \times \frac{\text{Revenue of}}{\text{Investee company }i}\right)}$
Carbon Footprint	Weighted Average Carbon Intensity
 Carbon Footprint: The total carbon emissions divided by the market value of the portfolio Unit: tCO₂e/million USD (investment amount) GHG Emissions of Investee Companies in Total Carbon Emissions: Includes Scope 1 and 2 emissions Carbon Footprint =	• Weighted Average Carbon Intensity: The weighted average of the carbon intensity of each company's revenue within the portfolio, weighted by each company's share • Unit: $tCO_{2}e/million$ USD (revenue) • GHG Emissions of Investee Companies: Includes Scope 1 and 2 emissions Weighted Average = $\sum_{i}^{n} \left(\frac{\text{Market Value of Investee } i}{\text{Market Value of Portfolio}} \right) \times \left(\frac{\text{GHG Emissions of Investee } i}{\text{Revenue of Investee Company } i} \right)$

*EVIC (Enterprise Value Including Cash) is calculated as the sum of the market capitalization of common stock, the market capitalization of preferred stock, the book value of total debt and minority interests. In the case of enterprise value (EV) used in company valuation, deductions are made for cash and cash equivalents. However, in the calculation of financed emissions, EVIC is used to avoid the possibility of negative enterprise value, meaning that cash and cash equivalents are not deducted.

EVIC=Market Capitalization of Common Stock+Market Capitalization of Preferred Stock+Book Value of Total Debt+Book Value of Minority Interests

Reference 4 Carbon Intensity Analysis of Sovereign Bonds According to PCAF Standards

For government bonds, we perform analysis based on the PCAF standards.

Sovereign Bond Portfolio Emissions	Sovereign Bond Portfolio Production Emission Intensity	Sovereign Bond Portfolio Consumption Emission Intensity		
Sovereign Bond Portfolio = $\sum_{i}^{n} \left(\frac{\begin{array}{c} \text{Book value of} \\ \text{amount invested } i \end{array}}{\begin{array}{c} \text{PPP-adjusted} \\ \text{GDP } i \end{array}} \times \begin{array}{c} \text{GHG or CO}_2 \\ \text{emissions } i \end{array} \right)$	$\begin{array}{l} \textbf{Sovereign} \\ \textbf{Bond Portfolio} \\ \textbf{Production} \\ \textbf{Emission Intensity} \end{array} = \sum_{i}^{n} \left(\begin{array}{c} \textbf{Book value of} \\ \frac{\texttt{amount invested }i}{\texttt{Book value of}} \times \frac{\texttt{Production}}{\texttt{PPP-adjusted}} \\ \textbf{portfolio} \end{array} \right)$	$\begin{array}{l} \text{Sovereign} \\ \text{Bond Portfolio} \\ \text{Consumption} \\ \text{Emission Intensity} \end{array} = \sum_{i}^{n} \left(\begin{array}{c} \text{Book value of} \\ \frac{\text{amount invested }i}{\text{Book value of}} \times \begin{array}{c} \text{Consumption} \\ \frac{\text{emissions }i}{\text{Population }i} \end{array} \right)$		

Actions to Protect Natural Capital

At the United Nations Biodiversity Conference (COP15) held in Montreal in December 2022, the global community adopted the Kunming-Montreal Global Biodiversity Framework, a new set of global biodiversity goals for achievement by 2030. This Global Biodiversity Framework features 23 action targets to be completed by 2030 in order to achieve the shared vision of living in harmony with nature by 2050. These targets include: effective conservation and management of at least 30% of the world's lands and oceans (30 by 30); reducing the risk posed by both excess nutrients lost to the environment as well as pesticides and chemicals; and ensuring the sustainable management of areas used for agriculture, aquaculture, fisheries and forestry. COP15 also included an agreement on financial support to be provided by developed countries to developing countries. Healthy biodiversity is essential for the advancement of society, and there are high expectations on financial institutions for playing a role in preventing biodiversity loss and in preserving and restoring natural capital.

Nomura Asset Management participates in international initiatives as both an institutional investor and a company itself, and collaborates with other asset managers to promote initiatives aimed at protecting natural capital. At COP15, together with PRI signatories, we endorsed an investor statement calling on governments to adopt the Global Biodiversity Framework and work together to address climate change and biodiversity protection and restoration.

In September 2023, the Task Force on Nature-related Financial Disclosures ("TNFD") announced its final recommendations on a framework for appropriately assessing and disclosing risks and opportunities related to natural capital. In July 2023, Nomura Asset Management joined the TNFD Forum, a stakeholder group that aims to support discussions on TNFD, and we are collecting the latest information regarding TNFD in a timely and appropriate manner and participating in technical review work.

In addition, we are actively speaking at external events on the topic of natural capital and biodiversity. In October 2023, we participated as a panelist in a session on natural capital at PRI in Person 2023, the world's largest global conference on ESG and responsible investment. We also spoke as a panelist at the PRI Nature Forum held in Sydney in October 2024. At the end of October 2024, we also took the stage as a

panelist at a meeting for asset owners and asset managers at the COP16 (Convention on Biological Diversity) held in Cali, Colombia.

In July 2024, in collaboration with our Innovation Lab Department, we examined the factors that influence natural capital holdings in countries all over the world. With natural capital holdings in each country as a dependent variable, we conducted multivariate analyses with independent variables such as population, resource rents, and market openness. We also analyzed the impact of the establishment of PRI in 2006 and IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services) in 2012, before and after, and by income and region. This research is published on SSRN, a global cooperative organization that evaluates and shares research papers, under the title "Determinants of Natural Capital: An Empirical Study By Income, Regional and Temporal Differences." In February 2025, we added business opportunities towards nature-positive to our ESG Score for Japanese equities PIOB > .

COLUMN

Delivered speech at the FAIRR event at COP16

For the first time, we participated in the COP on biodiversity and spoke at a FAIRR event on Food, Finance & Biodiversity in Cali, Colombia.

It was a closed meeting, limited to asset owners and asset managers, and was held at a special venue surrounded by nature, away from the main COP venue.

Dr. Yamawaki explained NAM's natural capital-related initiatives, especially integration and collaborative engagement, and the content of the TNFD disclosure that we conducted in May 2024 was also discussed.



The center of the photo shows Dr. Yamawaki, our Senior Portfolio Manager, delivering a speech.

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Partnerships to Protect Natural Capital

Through both individual and collaborative engagement activities, Nomura Asset Management urges portfolio companies to address the loss of natural capital and biodiversity. In terms of other global initiatives, we leverage our collaboration with Farm Animal Investment Risk and Return (FAIRR) to engage with food and fisheries-related companies, and we engage with palm oil companies and the companies in their supply chains through initiatives to end deforestation (refer to P54). We encourage companies to take action to protect and restore biodiversity, and we share insights and best practices regarding engagement targeting biodiversity protection. Furthermore, in response to the fact that seafood-related assets and revenues are exposed to risks such as overfishing, natural destruction, and damage from fish diseases, we joined the joint engagement program "Seafood Traceability" that FAIRR launched in October 2023. In this engagement program, we are lead investor targeting two Japanese seafood companies and driving the engagement dialogues.

In our collaborative engagement with Sustainalytics (refer to 228), we carry out engagement on many individual topics related to biodiversity. We encourage companies from a wide range of sectors in the agricultural value chain, including financial institutions, retailers, food companies and chemicals companies, to manage the risks of biodiversity-related impacts, dependencies and opportunities, and ask them to combat the loss of biodiversity. In addition, for automotive-related companies, we support efforts to realize a circular economy, promote innovation, reduce linear economic risks, and strengthen accountability.

Furthermore, in October 2023, we joined Spring, a new collaborative initiative of institutional investors aimed at resolving the loss of natural capital and biodiversity, launched by the Principles for Responsible Investment (PRI). With 224 institutional investors representing total assets under management of approximately \$16 trillion announcing their participation in the initiative, Spring is one of the world's largest natural capital-related collaborative engagement frameworks. We also serve on an advisory committee whose purpose is to advise PRI on its strategy and execution in the natural capital domain (see the column on the right).

Spring's activities have been in full swing since the beginning of 2024, initially focusing on forest loss and land degradation, the main drivers of biodiversity loss, and selecting 60 major companies to target for engagement. We serve as a lead investor for two Japanese automobile companies. This may extend to other drivers of biodiversity loss in the future, and we are therefore committed to encouraging portfolio companies' efforts on risk and opportunities related to natural capital and biodiversity through collaborative engagement and participation in and contributing to technical discussions. In addition, we will further advance efforts to maintain and improve medium- to long-term corporate value and the sustainability of society as a whole.

COLUMN

Continuing activities as Advisory Committee member of Spring, PRI's collaborative initiative on natural capital and biodiversity and appointed as a lead investor in the engagement.

In 2023, we became a member of the Advisory Committee of PRI's collaborative initiative on natural capital and biodiversity (Spring), and we are playing a leading role in building the framework for collaborative engagement and dialogue with target companies. The companies targeted for collaborative engagement under the Spring initiative comprise 60 large companies that can have an impact in areas where forest loss and land degradation, which are major causes of biodiversity loss, are a concern. We serve as a lead investor for two Japanese automobile companies, advancing engagement towards biodiversity preservation in cooperation with portfolio managers, ESG specialists, and equity analysts. As the area of natural capital and biodiversity is a

relatively new domain for the investment community, investors believe that collaborative engagement, timely and appropriate information gathering, and continuous peer learning, are all essential. We continue to actively participate in study sessions and webinars organized by PRI in the future to

deepen our knowledge on collaborative engagement.



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Information disclosure aimed at preserving natural capital

The loss of natural capital, including biodiversity, has a huge negative impact not only on the environment, but also on the economy and human health. Meanwhile, in the world of economics and finance, natural capital has long been considered as a given input in the production function. However, as the finiteness of natural capital has grown to be widely recognized, there is a need for the sustainable use of natural capital and information disclosure about natural capital, and this has accelerated in recent years, including with regard to the development of related systems.

In order for companies to become more sustainable, they need work to protect and sustainably utilize natural capital. This includes understanding the extent to which they rely on nature for the continuity of their business operations and grasping the impact that their business and its supply chain have on nature. If issues related to biodiversity emerge, either from a company's own operations or in the supply chain connected to that company, the company's corporate value may be greatly impacted through increased costs to procure raw materials or due to reputational risk such as damage to the company's image. In this way, we believe that companies that are able to manage risks related to natural capital and make the protection of natural capital part of their business strategy will likely enjoy a positive reputation for the products and services they provide,

and this will lead to them continuing to increase their corporate value over the long term.

Nomura Asset Management recognizes issues related to natural capital as particularly important, and we have articulated this clearly in our ESG Statement since 2019. In addition to regularly monitoring natural capital-related data and regulatory developments with respect to portfolio companies, we evaluate both risks and opportunities through engagement with a focus on the natural capital domain. We incorporate these evaluations into our investment decisions, as we advance efforts to preserve natural capital both as an institutional investor and as a company ourselves.

In addition, unlike climate change, there is not a single, common yardstick for natural capital on a global basis, and since this is a relatively new area in the investment industry, we collect the appropriate information in a timely manner and continuously engage in peer learning. To this end, we have joined multiple initiatives in order to acquire comprehensive knowledge and we are actively building our networks with professionals possessing technical expertise in a wide range of fields.

After participating in the TNFD Forum in July 2023, we registered ourselves as a TNFD adopter in January 2024, indicating our intention to provide disclosure in FY2024 based on the TNFD recommendations, and we made our first TNFD disclosure in May 2024. P37-38

Investment Portfolios' Impact and Dependence on Natural Capital

Nomura Asset Management evaluates natural capital-related risks for four portfolios we manage: domestic stocks; foreign stocks; domestic bonds; and foreign bonds. We focus in particular on the potentially disappeared fraction ("PDF"), a metric that quantitatively expresses the potential loss of endemic species due to environmental pressures. PDF is referred to in Life Cycle Assessment (LCA) models which are methods to quantitatively evaluate the environmental stress in the entire lifecycle of products and services, and widely used as a coefficient that indicates the amount of damage on affected domains (endpoints). The larger the PDF, the greater the impact on biodiversity.

PDF (Potentially Disappeared Fraction)

Potential Disappeared Fraction of species in a given area over a specific period of time Example: 100 PDF km².yr= 100% loss of biodiversity in 1 year over 100km²

Weighted Average PDF Intensity

PDF per unit of sales for each company in the portfolio, weighted by each company's weight Unit: PDF km².yr/ mil. EUR



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Investment Portfolios' Impact and Dependence on Natural Capital

We use ISS's data and analysis methods to analyze our portfolios against benchmarks. As benchmarks, for domestic equities we used TOPIX, and for global equities we used MSCI ACWI ex-Japan. For domestic bonds, we used NOMURA-BPI (overall) (only corporate bonds), while for global bonds we used the Bloomberg Barclays Global Aggregate Index (only corporate bonds).

The analysis revealed that the PDF of our portfolios were lower than the benchmark in the case of all assets, including domestic equities, global equities, domestic bonds, and global bonds [Fig.1]. On the other hand, for global equities and global bonds, the analysis revealed that the weighted average PDF intensity was higher than the benchmark as a result of being overweight (versus the benchmark) in the materials and consumer staples sector [Fig.2].

At the same time, in order to measure our portfolios' dependence on nature, we examined the extent to which our portfolio companies' activities are dependent on the three major categories of ecosystem services: provisioning services (groundwater/surface water, animal vitality, textiles and other materials, etc.); regulating services (water quality and water circulation, soil maintenance, protection from disasters, pest control, etc.); and cultural services (ecotourism, recreation, etc.). We found that in all areas (domestic equities, global equities, domestic bonds, and global bonds) our portfolios were highly-dependent on regulating services, while not as dependent on cultural services as others. We also found that for global bonds we were more dependent than the benchmark on provisioning services, while for other assets there was not much of a gap between our portfolios and the benchmarks Fig. 3-1] Fig. 3-2].







Fig. 3-1 Ecosystem Services Dependencies

(%)

(%)

	Provisioning	Regulation & Maintenance	Cultural
NAM's Japanese equities PF	22.0	70.0	7.0
NAM's global equities PF	23.0	71.0	6.0
NAM's Japanese bonds PF	18.0	77.0	5.0
NAM's Global bonds PF	23.0	69.0	8.0

Fig. 3-2 Benchmark comparison

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Prov	sioning	Regulation & Ma	aintenance	Cult	ural
NAM's Japanese equities PF	0.0		-1.0		-1.0
NAM's global equities PF	3.0		-2.0		0.0
NAM's Japanese bonds PF	-1.0		4.0		-2.0
NAM's Global bonds PF	16.0		-22.0		6.0

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Investment Portfolios' Impact and Dependence on Natural Capital

We also assess the natural capital-related risks of our four-asset integrated portfolio. From the analytical perspective that environmental burden manifests itself as the amount of damage to the endpoint through the impact area (midpoint), we examined the impact that our four-asset integrated portfolio has on the impact area, and we found that there is a risk of affecting the ecosystem mainly through the channels of land transformation, climate change, and ocean and terrestrial acidification [Fig.4]. Furthermore, Japan, China, and Southeast Asian countries were identified as regions where the impacts could be significant [Fig.5].



Fig. 5 Breakdown of Impact per Region (NAM's four-asset integrated portfolio's)



Environmental Engagement

We check whether or not companies are undertaking initiatives towards sustainable production and procurement, especially companies where sales are highly dependent on commodities that have a significant 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, and company analysts work together to engage with portfolio companies with the objective of managing nature-related risk Fig. 6-1 [Fig. 6-2].

NAM will promote the efforts of investee companies (recognition of nature risk, its response, information disclosure, etc.) through our qualitative and quantitative analysis as well as engagement activities, and contribute to the enhancement of longterm corporate value and sustainability of the society.

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Fig. 6-1 Example of Engagement Japanese company



Fig. 6-2 Example of Engagement Global company

