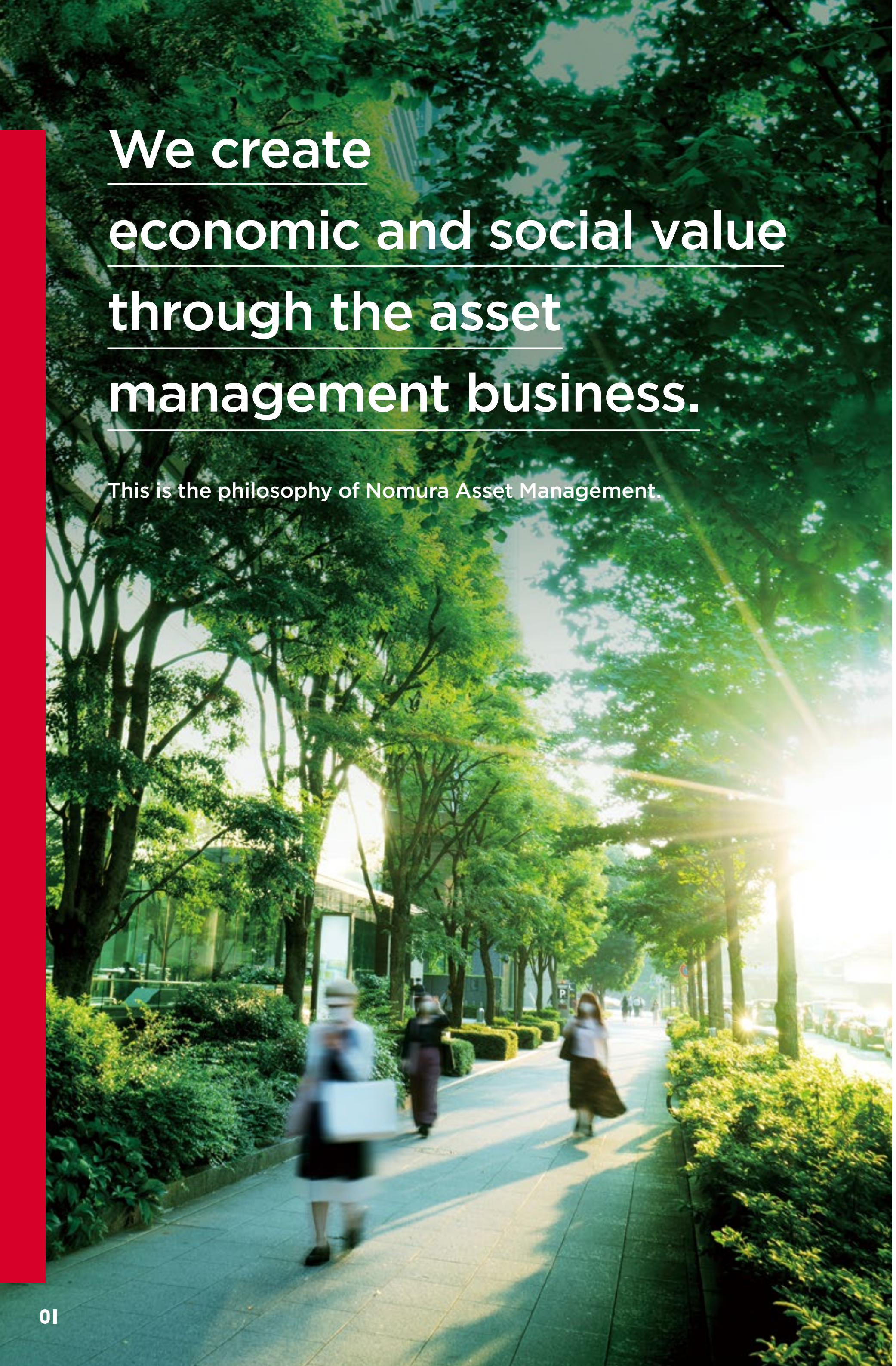




RESPONSIBLE INVESTMENT REPORT 2024

Nomura Asset Management



We create economic and social value through the asset management business.

This is the philosophy of Nomura Asset Management.

RESPONSIBLE INVESTMENT REPORT 2024

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Our Strengths in Responsible Investment

STRENGTH 1

Long-term commitment to responsible investment

Our company's first strength is our long history of engaging in responsible investment. The roots of the current Responsible Investment Committee lie in the Proxy Voting Committee established in 2001. Subsequently, the ESG Committee was established in 2011. The ESG Committee became the Responsible Investment Committee as part of a reorganization and an integration from 2014 to 2015. Based on many discussions over the years, and always remaining conscious of our mandate from clients, we have fostered a culture that is supportive of responsible investment, respects diverse opinions from a large number of professionals, and values lively discussion.

History of Responsible Investment

2024
- TNFD disclosure started
- Establishment of Start-up Investment Dept.

2023
- Corporate Sustainability Report published

2022
- Sustainability Development Department and Net Zero Strategy Department established

2021
- Established NAM's materiality
- Joined Net Zero Asset Managers initiative (NZAM)
- Revised ESG Statement

2020
- Established Asset Management Research Institute to promote ESG

2019
- Formulated our ESG Statement
- Support for TCFD*2

2018
- Self-evaluation disclosed

2017
- Proxy voting results disclosed individually
- Malaysian Stewardship Code adopted

2016
- Responsible Investment Department established
- Conflict of Interest Management Policy formulated and Responsible Investment Council established
- Stewardship Codes in Singapore, Hong Kong and Taiwan adopted
- UK Office acquired Tier1 evaluation from UK FRC*1

2015
- Responsible Investment Group and ESG specialists established
- Stewardship Committee integrated into Responsible Investment Committee

2014
- Japanese version of the Stewardship Code adopted
- ESG Committee reorganized into Responsible Investment Committee
- Proxy Voting Committee reorganized into Stewardship Committee

2011
- ESG Committee (now the Responsible Investment Committee) established
- United Nations-supported Principles for Responsible Investment (UN PRI) signed

2010
- UK Stewardship Code adopted

2004
- Management of SRI Index Fund commenced
- Management of governance fund commenced

2001 (START)
- Proxy Voting Committee established

*1 UK FRC (Financial Reporting Council)
*2 Although the TCFD has already dissolved, we included this information because we explicitly commenced our efforts to address climate change.

STRENGTH 2

Systematic and Continuous ESG-related Initiatives

Our company's second strength is our systematic and ongoing effort to address ESG(Environment, Social and Governance)-related issues in anticipation of the needs and changes of the times. Examples of our efforts include the establishment of the Responsible Investment Committee as the highest decision-making body for responsible investment and the Responsible Investment Council which supervises the Committee, the establishment of policies including the ESG Statement, engagement and proxy voting in order to realize appropriate management, as well as providing information to stakeholders through disclosure materials such as the Responsible Investment Report, the TCFD Report and TNFD Report.
In formulating engagement strategies for individual companies, we have established a system to comprehensively discuss efforts related to climate change issues alongside other management challenges. This aims to realize more efficient and effective engagement, leading to the establishment of the Sustainable Investment Strategy Department (an evolved integration of the Engagement Department and the Net Zero Strategy Department), thereby continuously strengthening our ESG-related organization. Furthermore, the Startup Investment Department has initiated efforts to expand both social and financial value through crossover impact investing in unlisted companies that create impact.

Organizational Structure for Responsible Investment

Main activities

Dialogue with portfolio companies (engagement)	Proxy Voting	Integration into investment decisions (ESG integration)	Collaborative/ public activities

STRENGTH
3

Global Approach and Diversity

Our company's third strength is our global and highly-diverse investment and research framework. Based on our global platform for responsible investment, we have built an ESG investment and research framework made up of portfolio managers, corporate analysts and country specialists who manage ESG products in our overseas offices. Our team includes a large number of portfolio managers, ESG investment managers, corporate analysts, credit analysts and ESG specialists working in one of the largest active management institutions in Japan, all of whom are committed to applying their analytical abilities and insights to responsible investment.

STRENGTH
4

Inclusive Discussions based on a Strong Organizational Platform

Our company's fourth strength is our emphasis on having "exhaustive discussions" that incorporate diverse opinions under a strong organizational platform. The Responsible Investment Council was established as a body to oversee discussions of the Responsible Investment Committee in real time. The majority of the Council is consists of highly independent outside directors and outside experts in order to manage conflict of interest. It manages conflicts of interest with highly-independent outside directors and outside experts accounting for a majority of its members. In addition, the Responsible Investment Committee comprises members possessing abundant investment and research experience. The Committee held a total of 10 meetings in 2024. The discussion at the Committee often heats up over the decision on proxy voting and ESG related issues. The members of the Council observes the Committee meetings not only to monitor the conflicts of interest but also to actively join the discussion.

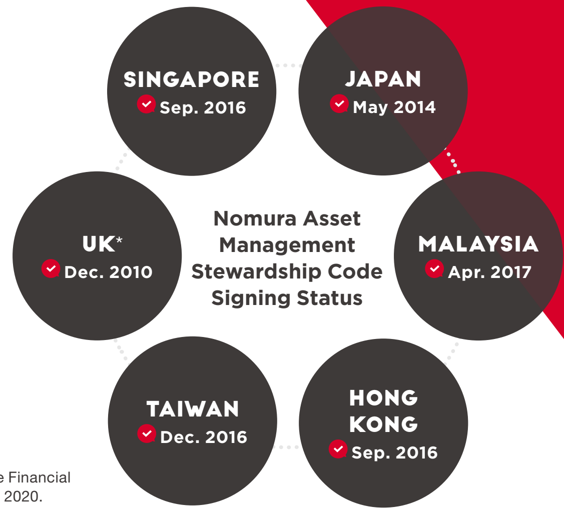
• Responsible Investment Committee Meetings •

January – December 2024

	Responsible Investment Committee	Responsible Investment Council
Total	10 times	7 times
Regular	4 times	4 times
Ad hoc	6 times	3 times

COOPERATION WITH OUR OVERSEAS OFFICES

At Nomura Asset Management, we work globally to strengthen our ESG initiatives based on our global platform for responsible investment.
By utilizing this common platform, we are not only able to promote ESG initiatives at each office, but offices can also share detailed information with one another.
Our ESG Statement is shared globally, and allows for a common understanding of the goals behind our ESG-related activities as well as ESG-related issues (refer to P11-16).



* In March 2022, Nomura Asset Management UK was approved by the Financial Reporting Council (FRC) as a signatory to the UK Stewardship Code 2020.

ENGAGEMENT

We engage in constructive dialogue with companies about important financial and non-financial risks and opportunities in accordance with our basic policy for engagement (refer to P63-74). Specifically, our ESG specialists, ESG investment manager, engagement managers, company analysts and country specialists based in Japan and overseas offices collaborate to engage with portfolio companies.

We monitor the details of the engagement of managers in each country with target companies using common milestone management tools, which allows information to be easily shared among our offices. With respect to climate change, which is one of our key engagement themes, we urge portfolio companies to receive SBT approval, and by monitoring the status of these efforts on a global level we are able to check how much progress companies are making. Furthermore, ESG officers in overseas offices can now easily hold discussions with our ESG specialists in Tokyo about engagement details (refer to P75-80).

PROXY VOTING

For proxy voting (excluding Japanese equities), we generally decide to vote in favor of or opposition to an issue in accordance with our Global Basic Policy on Proxy Voting. However, if the portfolio managers and analysts possessing a deep understanding of local conditions determine it to be necessary, we may, upon deliberation, make a decision that differs from the basic policy on proxy voting (refer to P86).

ESG INTEGRATION

In terms of integration, the details of engagement with investee companies are shared with the portfolio managers, and if necessary, additional engagement is carried out, and the information gained is used in deciding whether to continue holding these companies (see P98-100). By using external analytical tools, we assess the climate change and natural capital-related risks and opportunities associated with the investee companies, and we also conduct ESG evaluations of these companies (see P37-54 P107-108). Additionally, we share our ESG scores across our offices and incorporate external ESG information to support our investment decision-making.

Responsible Investment Global Platform

PM

Portfolio Manager

AN

Research professional
company analyst
credit analyst

Quant analyst
quant analyst
financial engineer

ESG

ESG specialist

ESG investment manager

Engagement manager

CEO MESSAGE

Hiroyasu Koike
President & CEO

Striving to be an asset management firm that makes the world a better place

The year 2024 was a year of significant transition from “stagnation” to “dynamism.” In the Japanese economy, the rate of inflation is now continuous rising, leading to a major shift in monetary policy backed by wage growth, thus clearly marking the exit from deflation. Politically, various countries, including the United States, are experiencing changes in administrations as well as financial and fiscal schemes, resulting in corrections to numerous policies. While adaptation to these various changes is required, it is increasingly important for Nomura Asset Management, which aims to be “An asset management firm that makes the world a better place,” to maintain a steadfast commitment to our core objective: providing products and services that contribute to asset formation through enhancing corporate value via ESG and other measures, and improving investment returns. We believe that it is crucial to continuously pursue this goal without wavering, thereby ensuring a virtuous investment cycle.

As a responsible investor, we aim to balance social value and economic value through our asset management business. The core concept driving the creation of social value, or solving social issues, is the investment chain. Companies that generate economic profits are expected to contribute to a sustainable and prosperous society. Asset management companies play a crucial role in creating a positive investment cycle by connecting investors and companies through investments, thus contributing to the realization of a sustainable and prosperous society. This is the concept of the investment chain that we uphold. To support this positive cycle, constructive dialogue—known as “engagement”—between asset management companies and investee companies is essential. We aim to promote the enhancement of corporate value through such dialogue by supporting companies’ efforts towards realizing ESG and SDGs. Not only as a responsible institutional investor, but also as an asset management firm that makes the world a better place, we will continue to embrace change without fear and work to provide the best ESG products, as well as enhance corporate value and build a sustainable society.

Nomura Holdings will celebrate its 100th anniversary in December 2025. In line with this milestone, and looking towards the next 100 years, we have been engaging in discussions across the entire group since 2021 to reflect on Nomura’s significance and future role in society. After many discussions, the Nomura Group formulated the purpose: “We aspire to create a better world by harnessing the power of financial markets.” As a member of the Nomura Group, Nomura Asset Management is determined to continue our efforts, alongside all of our customers and other stakeholders, to truly realize this purpose.

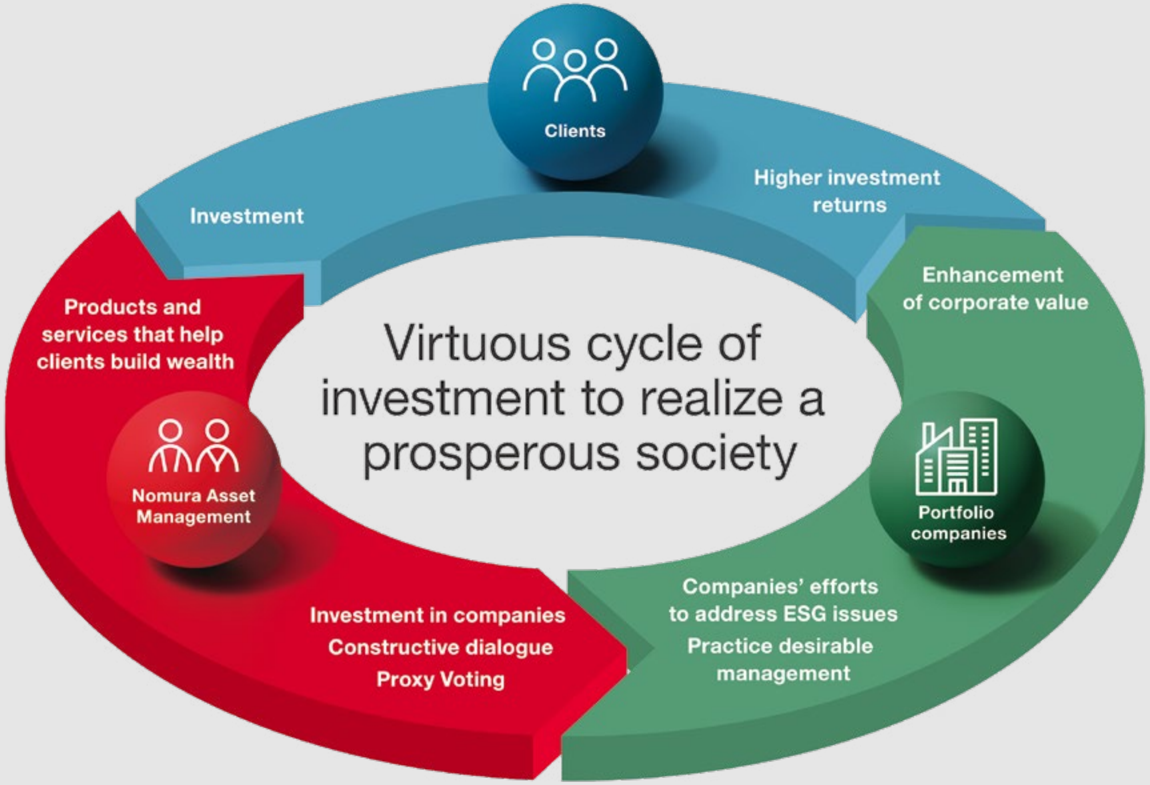
Expertise to Exceed

Using our expertise and foresight to stay ahead of change,
we pursue exceptional performance and
create cutting-edge solutions to exceed all expectations

NAM's vision for
the Investment Chain

Virtuous cycle of investment to realize a sustainable and prosperous society

We seek to realize a sustainable, prosperous society in which the rich natural environment is preserved, diverse human capital is utilized, economy development is driven by technological innovation, human rights are respected, and well-being is promoted. It is a society in which ESG issues are addressed and the SDGs are achieved.



For clients

NAM's vision Continue to provide the highest value-added and be the asset management firm of choice

In order to enhance clients' investment returns

Materiality

Provision of excellent products and services that help clients build wealth
Execution of fiduciary duty

In order to create a society in which clients can enjoy abundance

Our materiality aimed at achieving a sustainable and prosperous society through our asset management business

Key issues

We aim realize a sustainable, prosperous society through our asset management business

Together with portfolio companies

NAM's vision

Through dialogue, we strive to both improve the corporate value of portfolio companies and create economic value, as well as solve ESG issues and other issues at portfolio companies to create social value, while NAM itself also works to create similar value

Materiality Economic growth
Enhance corporate value by practicing desirable management and contribute to sustainable economic growth

Materiality Environment
Realize a decarbonized society, protect natural capital and biodiversity, and achieve a circular economy

Materiality Social
Respect for human rights, Promotion of human capital management

Materiality Governance
Realization of effective corporate governance

For society

NAM's vision

Widely contribute to advances in society through the asset management business

Materiality Promote financial and economics education
In order to familiarize people with wealth building, promote financial and economics education and work to widen the breadth of investors

Materiality Support for regional revitalization
Work with regional financial institutions to create momentum for regional revitalization originating from regional financial institutions

Materiality Partner and collaborate with various stakeholders
As an asset management firm, partner and collaborate with various stakeholders to work to solve social issues

Fiduciary duty: A duty to manage our business activities in the best interest of our clients.

■ Fiduciary duty is a concept expressing the responsibility of an investment company that gives top priority to customer interests.
■ In order to fulfill their fiduciary duty, financial institutions must properly develop, manage, and sell products so that they truly benefit investors.

Please refer to the following link for NAM's materiality
https://global.nomura-am.co.jp/special/sustainability/

ESG STATEMENT

ESG Statement

We seek to realize a sustainable, prosperous society in which the rich natural environment is preserved, diverse human capital is utilized, economy development is driven by technological innovation, human rights are respected, and well-being is promoted. It is a society in which ESG issues are addressed and the SDGs are achieved.

ESG Statement

In March 2019, Nomura Asset Management announced our “ESG Statement”. In this statement, we expressed the future direction of our ESG activities and how we will respond to environmental (E) and social (S) risks. Also, by sharing the details of our plans with stakeholders, we aim to realize a sustainable and prosperous society.

Nomura Asset Management seeks to realize a sustainable, prosperous society in which the rich natural environment is preserved, human capital possessing diverse values are utilized, economic development is driven by technological innovation, human rights are respected, and well-being is promoted. It is a society in which ESG issues are addressed and the SDGs (Sustainable Development Goals) are achieved. In addition, we recognize that efforts to solve ESG issues in order to realize this kind of society are important for supporting a virtuous cycle in the investment chain. We believe that a critical factor for both sustainable corporate value improvement and higher investment returns is for a company to appropriately manage risks related to ESG issues, view solutions to ESG issues as new business opportunities, and properly incorporate them into management strategies.

Furthermore, as a responsible investor, we encourage our portfolio companies to practice what we view as desirable management, while we ourselves will also continue to operate with a focus on ESG.

Core ESG Initiatives

PRI Principles for Responsible Investment

Principles for Responsible Investment PRI
Signature Timing March 2011

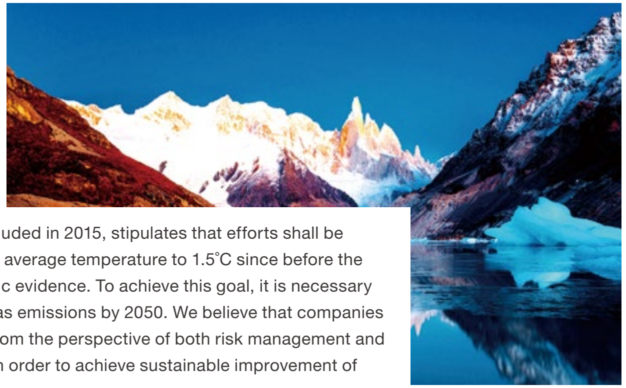
PRI (Principles for Responsible Investment) are a set of principles formulated in April 2006 that require investors to incorporate ESG into actual investment analysis and decision-making processes.

PRI Japan Advisory Committee member	PRI Advance Signatory Advisory Committee member	PRI Spring Signatory Advisory Committee member
Support for educating the public about and energizing PRI’s activities in Japan (became committee member in 2023)	Collaborative engagement for human rights (started in 2022)	Collaborative engagement for nature and bio diversity (started in 2023)

High Priority ESG issues

While the importance of each ESG issue differs depending on the specific characteristics of the business in question, we identify the following 6 issues as common ESG issues that are particularly important across many businesses. We also partner with a variety of initiatives to work to solve each issue.

E ENVIRONMENT



Climate Change

The Paris Agreement, which was concluded in 2015, stipulates that efforts shall be made to limit the increase in the global average temperature to 1.5˚C since before the Industrial Revolution based on scientific evidence. To achieve this goal, it is necessary to reach net zero global greenhouse gas emissions by 2050. We believe that companies must address climate change issues from the perspective of both risk management and the pursuit of business opportunities in order to achieve sustainable improvement of corporate value.

CDP Signature Timing: June 2015 N / Signature Timing: November 2021
Established in 2000. This is a global project in which institutional investors around the world encourage companies to disclose their strategies to combat climate change as well as their specific greenhouse gas emissions. Current areas of focus include climate change, water and forests.

CA100+ Signature Timing: December 2019
An investor initiative in which institutional investors collaborate (group engagement) to encourage the world's largest corporate greenhouse gas emitters to disclose information related to climate change and respond accordingly.

TCFD (Task Force on Climate - Related Financial Disclosures) Signature Timing: March 2019
A private-sector led task force launched in December 2015 by the Financial Stability Board (FSB) that advocated for the disclosure of climate change-related information and proposed a standardized framework. It garnered support from approximately 5,000 companies and organizations worldwide, but announced its dissolution in October 2023, with its activities being taken over by the International Sustainability Standards Board (ISSB), which operates under the IFRS Foundation. The ISSB standards are expected to serve as disclosure guidelines for non-financial information, including climate change.

PCAF (Partnership for Carbon Accounting Financials)
Signature Timing: August 2021 / Signature Timing: March 2022 N
An international initiative established in the Netherlands in 2015 to create a standard method for measuring and disclosing greenhouse gas emissions. The PCAF Japan Coalition was established in November 2021, and Nomura Asset Management has been a member since its inception.

NZAM (Net Zero Asset Managers initiative) Signature Timing: August 2021
A global initiative established in December 2020 comprising asset managers which aim for net-zero emissions of greenhouse gases (GHGs) from portfolio companies by 2050, in line with the goals of the Paris Agreement.

N Signed as Nomura Group

Natural Capital

Companies benefit from biodiversity through the utilization of forests, water sources, and other natural capital in their business activities. In 2021, the Taskforce on Nature-related Financial Disclosures, an international organization that builds frameworks for appropriately assessing and disclosing risks and opportunities related to natural capital and biodiversity ("TNFD"), was launched. In September 2023, the TNFD issued its final recommendations regarding the disclosure framework, and companies have begun to disclose information in accordance with that framework. In order to respond to such changes in the environment surrounding natural capital, we believe that companies must exercise proper risk management in relation to activities that could negatively impact natural capital and biodiversity, as well as pursue business opportunities that solve social issues, such as the preservation of natural capital and biodiversity.

FAIRR (Farm Animal Investment Risk and Return) Signature Timing: June 2019
A livestock industry-related institutional investor initiative launched in 2015 by Jeremy Coller, the founder of Coller Capital (U.K.). The initiative educates people about livestock and fisheries industry risks, including the impact on the environment, as well as food safety (antibiotics) issues.

TNFD Forum Signature Timing: July 2023
As a collection of stakeholders supporting the TNFD debate, the TNFD Forum enables discussion of the TNFD framework and raising awareness of the risks and opportunities associated with natural capital and biodiversity.

S SOCIAL

ESG STATEMENT

Human Rights

Corporate business activities involve a large number of people including employees and local residents, which is even broader when the supply chain is considered. Companies are expected to exercise proper risk management to ensure that their activities do not infringe upon human rights. We believe that companies must exercise human rights due diligence and other forms of proper human rights risk management in order to achieve sustainable improvement of corporate value.

WE SUPPORT UN GLOBAL COMPACT

UNGC (The United Nations Global Compact) Signature Timing: June 2015 N

Non-binding action principles advocated by then UN Secretary-General, Kofi Annan, at the Davos Forum in 1999. It encourages businesses and groups worldwide to take actions in the areas of human rights, labor, the environment and preventing corruption.

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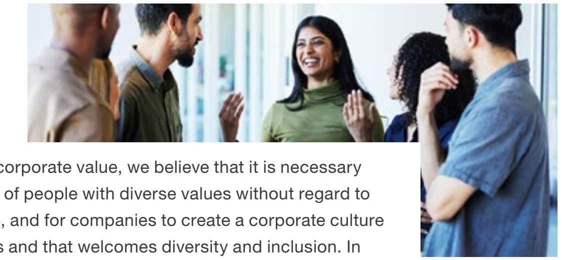
Diversity, Equity, Inclusion & Belonging (DEI&B)



In order to realize sustainable improvement in corporate value, we believe that it is necessary for companies' human capital to be comprised of people with diverse values without regard to factors such as gender, nationality, race or age, and for companies to create a corporate culture that provides equal opportunities to employees and that welcomes diversity and inclusion. In addition, we feel that it is critical for companies to foster a sense of unity under which senior management and employees share a sense of purpose to sustainably improve corporate value.

30% Club GROWTH THROUGH DIVERSITY

30% Club Japan (Investor Group) Signature Timing: December 2019

A group of asset owners and asset managers that engages in constructive dialogue with the boards of directors and senior management of portfolio companies, with the aim of highlighting the importance of gender diversity within senior management and realizing such gender diversity.

WE WOMEN IN ETFs

Women in ETFs Signature Timing: April 2022

"Women in ETFs" advocates for the goal of bringing together people from the ETF industry around the world to actively promote equality, diversity and inclusiveness. Its mission is to develop and sponsor human resources, recognize women's achievements in the ETF industry, and advance and grow the ETF community.

Well-Being

Well-being refers to a state in which all people can seek happiness and live healthy lives. Well-being in society is realized by solving social issues in a variety of fields. Specific examples include health and safety (access to medicines, health and nutrition, drug resistance, animal welfare, etc.) and regional revitalization. In our view, the development and provision of products and services that contribute to addressing these social issues represent important business opportunities for companies, and could lead to sustainable improvement of corporate value.

access to medicine index

Access to Medicine Index (Access to Medicine Foundation)

Signature Timing: July 2019

Founded in 2003 by Dutch entrepreneur Wim Leereveld. The organization encourages the pharmaceutical industry to do more to help low- and middle-income countries who have limited access to medicine. Signatories support the foundation's index.

ACCESS TO NUTRITION INITIATIVE

Access to Nutrition Initiative Signature Timing: May 2021

Founded in 2013 by Dutch businesswoman Inge Kauer. Using proprietary analytical tools, the Initiative evaluates the level of response by the food and beverage industry to the two global nutritional issues of overnutrition and undernutrition, and urges the food and beverage industry to improve the dietary habits of adults and children around the world.

Impact Investment Initiative for Global Health

Triple I for GH (Impact Investment Initiative for Global Health)

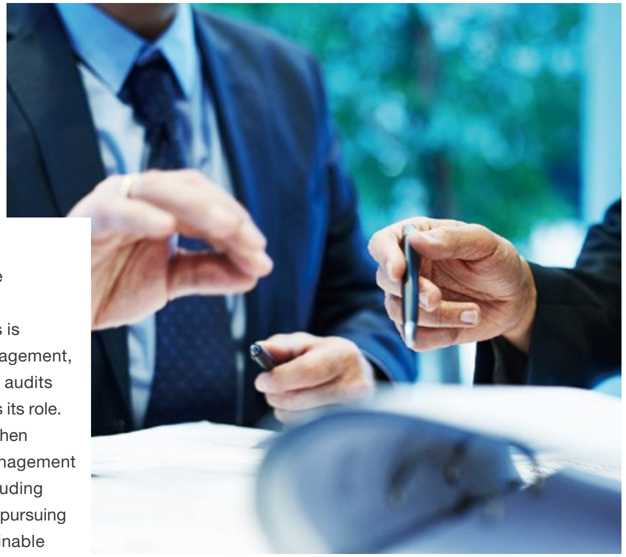
Signature Timing: September 2023

The aim of this initiative is to promote the flow of public and private funds towards the field of global health and contribute to achieving universal health coverage* and the SDGs, primarily in developing countries. An additional goal is to contribute to solving international social issues by sharing impact reporting and good practices in the global health field.

©Triple I for Global Health

* A state in which all people can receive appropriate health care services such as prevention, treatment, and rehabilitation, at an affordable cost.

G GOVERNANCE — ESG STATEMENT



Corporate governance

Corporate governance is a structure for transparent, fair, timely and decisive decision-making by companies. From this perspective, the board of directors is responsible for the supervision of management, while nominations, compensation, and audits are the means to ensure the board fulfills its role. We believe that companies must strengthen corporate governance so that their management can properly manage various risks including the ESG issues mentioned above, while pursuing business opportunities to achieve sustainable improvement of corporate value.

ICGN (The International Corporate Governance Network)

Signature Timing: December 2018

Established in 1995 to promote effective corporate governance standards and foster responsible investment to advance efficient markets and sustainable economies worldwide.

ACGA (The Asian Corporate Governance Association)

Signature Timing: November 2018

Established in 1999 to engage in research and provide corporate support and education related to corporate governance in order to promote corporate governance in Asia.

JSI (Japan Stewardship Initiative)

Signature Timing: November 2019

Aims to identify practical issues between asset owners and asset managers and to support efficient transmission of information aimed at advancing and deepening stewardship activities.

Other ESG Related Initiatives

GRESB

Signature Timing: March 2021

Measures the environmental, social, and governance (ESG) of individual companies and investment funds in the real estate sector. GRESB was launched in 2009, mainly by European pension funds, as a source of information to use when selecting investments and during dialogue with portfolio companies and investment funds.

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Principles for Financial Action for the 21st Century

Signature Timing: January 2012

Formulated in October 2011 based on a proposal by the Ministry of the Environment's Central Environmental Council as action guidelines for financial institutions that wish to fulfill their responsibilities and roles as required for the formation of a sustainable society.

Environment Programme –Finance Initiative UNEP FI

Signature Timing: January 2019 N

UNEP FI is a partnership established between the United Nations Environment Program (UNEP) and financial institutions worldwide. Since its establishment in 1992, UNEP FI has been cooperating with financial institutions and regulatory authorities to promote a shift to a financial system that integrates economic development with ESG considerations.

ICMA Principles Membership

Signature Timing: June 2023

An international initiative that establishes standards, including the Green Bond Principles, the Social Bond Principles, and the Sustainability-Linked Bond Principles. The initiative aims to promote the healthy development of the global bond market by ensuring market transparency and through information disclosure and reporting.

N Signed as Nomura Group

ESG STATEMENT

Our Activities

Stewardship Activities

Through our activities, including proxy voting and constructive dialogue (engagement), we encourage the management of portfolio companies to manage risks and pursue business opportunities that are associated with ESG issues and also to disclose information in accordance with relevant global initiatives.

Investment Decisions

We assess our portfolio companies' initiatives to address ESG issues based on our own standards from the perspectives of both risks and opportunities and incorporate the results in our investment decisions where applicable. If we assess a company's initiatives as insufficient, or if we determine that the issues cannot be solved through engagement, it may result in divestment or exclusion from our investment universe.

Our Business Activities

We recognize that business activities that take into account social value creation are important elements for realizing a sustainable and prosperous society. We strive to contribute to asset formation by offering investment products and services that help to address ESG issues and through efforts to expand the investment base through measures such as financial education.

Business Opportunities

We place particular focus on the realization of well-being within society when viewing business opportunities associated with ESG issues. We encourage portfolio companies to properly incorporate the realization of well-being within society into their management strategies and to quantify outcomes and disclose them along with the relevant targets.

Monitoring

We conduct monitoring based on global initiatives, including the Task Force on Climate-related Financial Disclosures (TCFD), in order to ascertain the status of ESG issues in our investment portfolio. Specifically, we monitor greenhouse gas emissions and other factors.

Initiatives

We participate in international initiatives and actively embrace accepted standards and norms. Through these initiatives, we conduct engagement jointly with other institutional investors and share best practices by actively cooperating with a wide range of stakeholders.

For information regarding our activities related to 'sustainability,' please refer to the 'Sustainability Report'.
https://global.nomura-am.co.jp/special/sustainability/#report

Governance and Disclosure to Promote ESG

At Nomura Asset Management, important decisions on management execution including this Statement are made by the Executive Management Committee, which consists of senior executives, to whom the proper authority has been delegated by the board of directors. We have established the Investment Policy Committee and the Responsible Investment Committee as the highest decision-making bodies in investment decisions and responsible investment to address ESG issues within a proactive framework. We have also established the Conflict of Interest Management Policy as well as a Responsible Investment Council and a Fund Business Operation Council, which have oversight for our responsible investment activities and products to ensure their appropriateness and validity. In addition, in order to properly fulfill our accountability, we will actively work on information disclosure regarding the abovementioned "our activities".

NAM's initiatives on PRI

PRI Principles for Responsible Investment

As a responsible institutional investor, we emphasize not only contributing to our clients' asset formation through the asset management business but also creating a "virtuous cycle of investment" through stewardship activities, thereby supporting the creation of social value in the companies we invest in.

The PRI (Principles for Responsible Investment) is a set of investment principles proposed by UN Secretary-General Kofi Annan in 2006 and designed to reflect environmental, social and governance (ESG) in investment analysis and the decision-making processes. Believing that advancing initiatives in line with the investment principles espoused in the PRI is important in terms of fulfilling our fiduciary duty, NAM signed PRI in March 2011 and is strengthening its activities related to responsible investment. As of March end, 2025, there were nearly 5,280 signatories globally, of which 146 were Japanese signatories.

NAM has been proactively contributing to PRI's activities. NAM is now in our third year of committee membership for the Japan Advisory Committee, which is responsible for enhancing the PRI in Japan, as well as the Advisory Committee for the PRI Collaborative Initiative on Natural Capital and Biodiversity (Spring), and we are engaging in deeper discussions. We continue serving as a lead investor for two Japanese automobile companies under Spring, and co-lead investor for a Japanese steel company under Advance, the PRI's collaborative initiative on human rights and social issues.

Main activities related to PRI

PRI Japan Advisory Committee Member
(Appointed in 2023)

Support for PRI promotion activities in Japan.

PRI Advance
Collaborative initiative for human rights and social issues
(Started in 2022)

PRI Spring
Collaborative initiative for natural capital and biodiversity
(Started in 2023)

NAM is a member of the Advisory Committee for "Advance" and "Spring", the PRI's collaborative initiatives, and we have taken a leading role in both building the collaborative engagement framework and in carrying out dialogue with companies.

PRI Sustainable Systems Investment Managers Reference Group(SSIMRG) Member
(Started in 2023)

Discuss issues related to responsible investment and sustainable financial systems.

PRI Nature Reference Group Member

Support signatory awareness of natural capital and building investor capacity to address biodiversity loss and other nature-related risks.

Results of the 2024 PRI Assessment

We participate in PRI's annual evaluation, which helps us to improve our responsible investment activities.

NAM was awarded the highest rating of "Five Stars" in eight modules in the 2024 PRI Assessment. This assessment involved NAM's initiatives in 2023 spanning a total of 10 modules. The results were improved from previous year. (5 stars in 6 modules).

The PRI secretariat assesses the implementation status of responsible investment on a five-star scale for each module based on reports that PRI signatories submit.

Continuing from last year, NAM received the highest rating of "Five Stars" in Policy Governance and Strategy, three modules for Direct Listed Equity, and two modules for Direct Fixed Income. Additionally, Indirect Listed Equity and Indirect Fixed Income have improved ratings from "Four Stars" to "Five Stars", compared to last year. The increase in scores for section such as "External Manager Selection" contributed to this improvement.

2024 PRI Assessment results

			Module score	Module median	Star score	AUM coverage
Policy Governance and Strategy			97	61	★★★★★	
Direct	Listed equity	Active quantitative	100	69	★★★★★	<10%
Direct	Listed equity	Active fundamental	100	72	★★★★★	<10%
Direct	Listed equity	Passive	100	42	★★★★★	≧10 and ≦50%
Direct	Fixed income	SSA	95	60	★★★★★	≧10 and ≦50%
Direct	Fixed income	Corporate	97	67	★★★★★	<10%
Direct	Hedge funds	Long/short credit	0	45	★☆☆☆☆	<10%
Indirect	Listed equity	Active	94	61	★★★★★	<10%
Indirect	Fixed income	Active	100	61	★★★★★	<10%
Confidence building measures			78	80	★★★★☆	

*In the PRI Assessment Report, Nomura Asset Management was assessed on a total of 10 modules. Please refer to the reports listed below for more information on all assessments, including indirect modules.

PRI Assessment Report 2024
https://www.nomura-am.co.jp/news/Assessment_Report_2024.pdf

PRI Public Transparency Report 2024
https://www.nomura-am.co.jp/news/Public_Transparency_Report_2024.pdf

NAM's initiatives on PRI

COLUMN

Continuation of Activities by the PRI Japan Advisory Committee

NAM presented at webinars on human rights and animal welfare

Nomura Asset Management has been active as a member of the PRI Japan Advisory Committee since May 2023. The purpose of the committee is to expand PRI's signatory base and enhance awareness of PRI in Japan. More than 10 experts in responsible investment from various sectors, including asset management companies, asset owners, private equity, and real estate, gather to engage in active discussions quarterly.

The committee has been planning various events and workshops in collaboration with PRI. In December 2024, NAM, along with another asset management firm, hosted a human rights webinar entitled "Serious Human Rights Responses by Investors: Practices in Business and Human Rights." A panel discussion was held on the topic of how addressing human rights can enhance corporate value. We introduced our actual human rights risk monitoring process and best practices in engagement, mentioning that there has been progress in corporate human rights due diligence, and that moving forward effectiveness will be the key.

In July 2024, we participated in a PRI-hosted webinar entitled "Animal Welfare: Perspectives on Food Safety and Corporate Valuation." We conveyed why investors should be aware of animal welfare and introduced our efforts through various initiatives.

As an asset management firm aiming to be a leader in responsible investment in Japan and Asia, we will continue to support PRI's initiatives moving forward.


Left: Madoka Minagoshi, Senior ESG Specialist at NAM, attending a panel discussion about human rights.
Right: Wakaba Kawai, Senior ESG Specialist at NAM, attending a panel discussion about animal welfare.

Participated in the PRI in Person 2024 held in Toronto, Canada

NAM participated in the 16th PRI in Person 2024 held in Toronto, Canada, in October 2024. PRI in Person is the world's largest ESG conference, held annually. Approximately 1,700 participants attended the Toronto event in person, including 65 attendees from Japan. During the conference, we participated in sessions covering global trends in responsible investment and engaged in discussions with numerous overseas investors on the latest topics and challenges. We were able to share and gain insights regarding the theme of the conference, which was "Progressing global action on responsible investment."

Session content focused not only on individual themes but also emphasized the "interconnectedness of sustainability issues" (nexus), exploring how to address multiple challenges related to biodiversity, climate change, and human rights in a comprehensive manner. There was significant interest in the sessions related to natural capital and human rights initiatives, which NAM contributes to as a lead investor, with many investors in attendance. The Deputy Prime Minister of Canada at the time presented on climate-related financial disclosures and taxonomy, while Mark Carney, former co-chair of GFANZ and current prime minister of Canada, emphasized the need to accelerate climate action over the next five years. Enthusiastic discussions took place at the venue.

In 2023, PRI in Person was held for the first time in Japan, where we co-organized a side event titled "Investor-Company Forum" with PRI. Following its success, a similar side event was held in Toronto. In Toronto, a Danish shipping company and a Mexican cement company presented their efforts from a practical perspective on climate change measures, including the modification of transition plans for obtaining SBT (Science Based Targets). The decision was made to make this side event a recurring series going forward.

Left: Scene from PRI in Person 2024

Right: Participants from NAM at PRI in Person 2024

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

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	**Basic Policy**	Establishment of a basic policy regarding the company's efforts on ESG issues and establishment of a system to promote and oversee those efforts;
2	**Key issues (materiality)**	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;
3	**Climate change**	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;
4	**Natural capital**	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);
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, 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;
7	**Well-being society**	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;
8	**Risk management in digital society**	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
9	**Cooperation with stakeholders, such as participation in initiatives that are related to the issues listed above.**	

◆ 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:

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;
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.

◆ 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.
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

◆ 04 ◆ 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 ◆ 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.
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.

Well-being

The importance of managing with a focus on well-being has been increasing in recent years. Well-being is a coined term derived from "Well" and "Being," referring to a state in which all people seek happiness and can lead healthy lives. It began to gain traction following its use in the preamble of the WHO Constitution in 1946, and the direction toward achieving well-being was also included in the declaration of the Sustainable Development Goals (SDGs) adopted by the United Nations General Assembly in 2015.

Global Trends

As the year 2030, which marks the goal of the SDGs, approaches, discussions about the next target, post-SDGs, are gaining momentum. In the context of an uncertain social environment, the concepts of happiness and satisfaction, which cannot be fully captured by GDP, are being reevaluated. At the United Nations Summit of the Future held in September 2024, the "Pact for the Future" was adopted as an agreement for the future. Within this pact, specific next steps have been agreed upon to capture the well-being and sustainability of humanity and the planet beyond GDP.

International organizations and countries around the world are making progress in addressing well-being. In France and Italy, it has been legally mandated to incorporate well-being into both budgetary processes and the cycle of economic and fiscal policy planning. New Zealand introduced the "Wellbeing Budget" in 2019, aimed at improving the well-being of its citizens, which has led to an increase in budget for mental health and the construction of schools and hospitals.

Additionally, there is a movement in Europe towards requiring disclosures related to well-being. Discussions are advancing regarding the Corporate Sustainability Reporting Directive (CSRD), a regulation that requires detailed disclosure of sustainability information from businesses within the EU. Among the proposed disclosure requirements is the delivery of products and services that consider the health and safety of consumers and end-users, indicating the importance placed on well-being.

Well-Being Measures in Japan

Since the 1980s, research on well-being has been conducted in Japan, and in recent years, collaboration among relevant government ministries has been advanced. Since 2019, the Cabinet Office has been conducting an annual "Survey on Satisfaction and Quality of Life." This survey aims to understand the structure of Japan's economy and society from the perspective of people's satisfaction (well-being) in a multifaceted manner and to utilize the findings in policymaking. In addition, a coordinating council of relevant ministries and agencies was established following the decision to set key performance indicators (KPIs) related to well-being in various basic plans established by the government.

However, Japan's "happiness level," which is closely related to well-being, is low when compared to other countries. According to the 2025 edition of the "World Happiness Report" published annually by the United Nations, Japan ranks 55th in happiness. Given that Japan is lagging globally, the issue of how Japanese companies will navigate towards management that takes well-being into consideration has become increasingly important.

Well-being

Nomura Asset Management’s Views on Well-Being

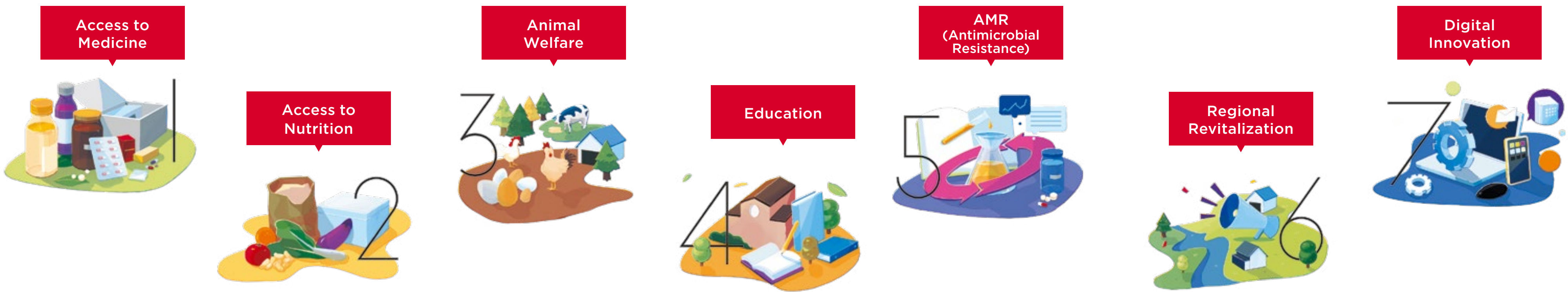
Why We Focus on Well-Being

We view the realization of a “well-being society” as one of the business opportunities related to ESG, and we highlight its importance in our ESG Statement. In our concept of “Appropriate management practices of investee companies” in P20-22, we also emphasize the 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. Furthermore, we underscore the need for measuring and disclosing the impact toward the resolution of social issues. We believe that developing and providing products and services that contribute to solving these societal issues represent crucial business opportunities for the company and lead to sustainable enhancement of corporate value.

Many Japanese companies have been increasingly focusing on enhancing well-being within the company, such as improving employee engagement and emphasizing health and productivity management that considers employees’ health. Companies with high levels of employee well-being tend to see higher productivity and motivation among employees, as well as lower turnover rates, resulting in a positive impact on corporate value. We focus on companies that not only work on the well-being of their own employees, but also strive to support the well-being of consumers and local communities. Efforts from such companies to realize a well-being society directly correlate with business growth and improved corporate value. From a global perspective, initiatives aimed at well-being for society are gaining more attention.

We engage with companies with the aim of them seizing business opportunities that contribute to a well-being society.

NAM’s Engagement Topics Related to Well-Being



Well-being

COLUMN

Initiatives Related to Well-Being

NAM is strengthening its collaboration with cooperative initiatives related to well-being. Specifically, we are partnering with initiatives such as Access to Medicine, which aims to improve access to pharmaceuticals in low- and middle-income countries, and Access to Nutrition, which focuses on solving nutritional challenges. Additionally, we are engaged with FAIRR, which incorporates animal welfare as an evaluation criterion. By acting as a bridge between overseas investors and Japanese companies, we contribute not only to solving the challenges faced by investee companies and enhancing their corporate value but also to improving their evaluations from a global perspective.

Access to Medicine (ATM)

NAM has been active as a lead investor for Daiichi Sankyo as part of the ATM initiatives since 2023. Through 2024, we conducted multiple meetings with the company and the ATM Foundation to review the challenges and approaches for improving access to pharmaceuticals. It has now been decided that we will continue as the lead investor for the company beyond 2025.

During the visit by the ATM Foundation's Investor Engagement Manager to Japan in February 2025, we met and held discussions. We talked about the recent 2024 index, its relation to corporate value, the challenges faced by Japanese pharmaceutical companies, and the business opportunities for Daiichi Sankyo. We confirmed the direction of future engagement initiatives.

For details regarding our activities related to ATM from our UK office, please refer to P80.

Access to Nutrition (ATN)

Since 2021, NAM has participated in ATN initiatives, aiming to address global nutritional challenges, and has been leading engagements with a major food company in Japan and food companies in India. According to the rankings announced in November 2024, only about 30% of the evaluated companies have achieved the target set by the ATN Foundation of having at least 50% of their sales come from "healthy" products. Among those, only one Japanese company has achieved the target (out of four evaluated companies). The ATN Foundation has reported findings indicating that companies with a healthy food portfolio tend to have higher EBIT margins.

In 2025, we became the lead investor for a Japanese company in this initiative. Through dialogue with this company, we will support efforts to expand affordable nutrition strategies and other initiatives.

Animal Welfare

In recent years, the consideration of animal welfare—specifically, livestock operations that take into account the burden on animals—has been increasingly emphasized as one of the ESG evaluation criteria for companies. In the revision of our engagement priority topics for 2024 (see P74), we incorporated animal welfare into the overview of a well-being society. NAM is a member of FAIRR, an initiative focused on natural capital and livestock, which evaluates corporate efforts related to animal welfare.

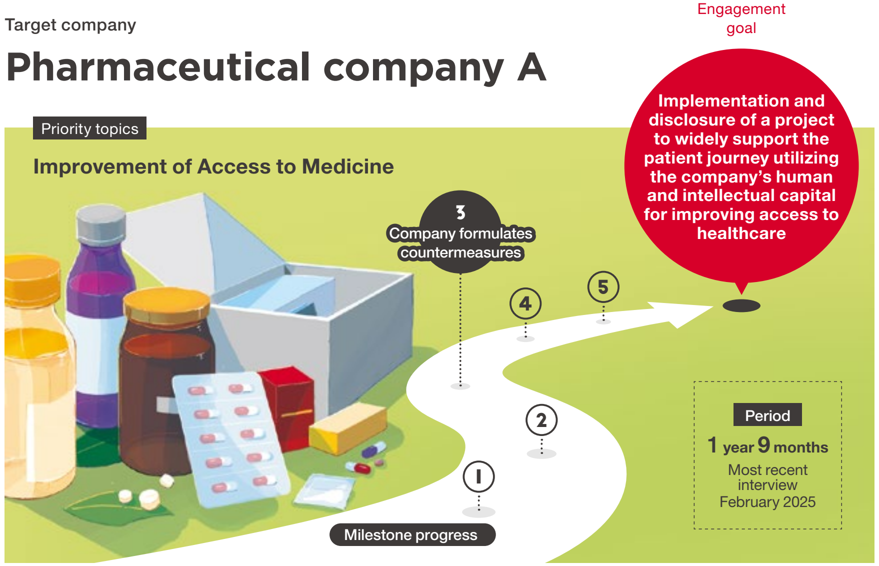
Internationally, shareholder proposals demanding improvements in animal welfare have become more prominent, particularly directed at major restaurant chains. We will strengthen our outreach to Japanese companies while keeping an eye on global trends.

Well-being

Domestic Engagement Activities Related to Well-Being

Target company

Pharmaceutical company A



Engagement overview

Our awareness of the issue

Improvement of access to medicine and disclosure of results are required.

Engagement progress

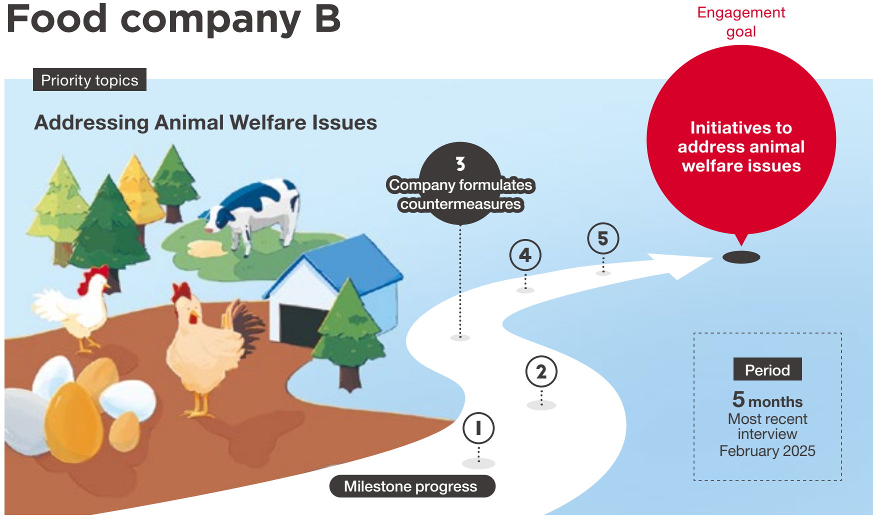
In past dialogues, we urged the company to more clearly state its achievements with respect to the ATM's efforts. In 2024, we continued the dialogue regarding ATM activities. The company explained that it is trying to create a system that allows it to supply products to low- and middle-income countries while keeping costs down, and it mentioned that this is being discussed globally. We confirmed that the company has made progress towards developing measures to respond to the issue.

Current status

In its 2024 Integrated Report, the company has listed "improving access to pharmaceuticals" as one of the challenges it will tackle going forward. It has stated that it will consider sustainable means to address this issue. In the latest ATM Index, its governance related to access was rated particularly high. We will continue to engage in ongoing dialogue with the company aimed at improving access to pharmaceuticals.

Target company

Food company B



Engagement overview

Our awareness of the issue

There is room for improvement in the disclosure related to addressing animal welfare issues.

Engagement progress

The company recognizes animal welfare as an important issue and is discussing it in a special committee. On the other hand, they explained the difficulties associated with transitioning to cage-free eggs domestically for their products. We informed them that there is room for improvement in their disclosures, such as the ratio of eggs sourced from poultry farms that adhere to the "Technical Guidelines for the Management of Laying Hens" established by the Ministry of Agriculture, Forestry and Fisheries.

Current status

The company has declared that, following the United States, it will transition to 100% cage-free eggs in Europe by 2025. Domestically, it has explained that it has confirmed its compliance with the guidelines issued by the Ministry of Agriculture, Forestry and Fisheries. Additionally, it has set a target for cage-free eggs in Japan and has expressed its intention to provide even more support to poultry farms.

Utilizing Human Capital

The Importance of Human Capital Management and NAM's Initiatives

In recent years, the importance of non-financial capital in corporate value has dramatically increased, and the sources of a company's competitiveness have shifted from traditional machinery and equipment to intangible assets. Due to the expansion of the IT industry and the advancement of the fourth industrial revolution driven by AI and robotics, product cycles have shortened, making the importance of innovations and innovative business models that do not follow the conventional trajectory even greater.

The labor market is also undergoing major changes. In Japan, as the structural decline in the working-age population leads to a serious labor shortage, the average rate of wage increases in the 2025 spring labor negotiations saw the highest growth in 34 years. On the other hand, due to the diversification of individual lifestyles and values, as well as work style reforms, the transition from a once uniform and homogeneous way of working to a diverse and flexible approach has become a crucial theme related to talent acquisition and productivity. In such a rapidly changing and complex environment, for companies to achieve continuous growth it is essential to not only develop and secure management personnel capable of driving global growth and personnel that will drive innovation, but also to significantly revise personnel strategies in line with business strategies. This includes reassigning and retraining employees to respond to changes in business models and implementing flexible human resources systems. As the source of corporate value shifts towards intangible assets generated by human talent, it is essential to approach personnel not as costs (i.e., a target of cost management) but as human capital (i.e., a target of investment). By investing in human capital, companies can enhance their corporate value. This approach is expected to support business sustainability in the long term while contributing to the realization of business strategies in the short term, ultimately leading to an increase in corporate value (see Fig. 1).

In response to the growing interest of companies in human capital information, the International Sustainability Standards Board (ISSB), which operates under the IFRS Foundation responsible for developing international accounting standards, has selected "human capital" as one of the themes for the next sustainability disclosure standards, following "climate change," which was announced in April 2024. Additionally, the International Organization for Standardization (ISO) is in the process of revising the guidelines for human capital disclosure, ISO 30414, which was published in 2018, in order to expand its content. The revised guidelines are expected to be released in the first half of 2025. In Japan, the disclosure of human capital information has been mandated starting from the securities reports for the fiscal year ending in March 2023, and many companies are now in their second year of disclosure. There has been an increase not only in the disclosure of actual data but also in target values. Moving forward, as guidelines for disclosure standards are solidified and the disclosure of human capital information further evolves, there is hope that the reliability, usefulness, and comparability of such disclosures will improve.

At Nomura Asset Management, we list "human capital with diverse values" as one of the most important issues in the "appropriate management practices" in our Basic Policy for Responsible Investment, and therefore we have positioned this as a priority area for our engagement with investee companies. When a company has a strategy of developing and maximizing the value of its human capital, improves the skills of its employees and places them in the right positions, it leads to improved productivity. In addition, developing human resources systems that enhance diversity, fairness, inclusion and a sense of belonging, and creating a corporate culture that promotes diversity and inclusion both enhance employee engagement, promote innovation, and bolster resilience through risk management based on diverse viewpoints. From this perspective, we believe that companies that engage in human capital management can improve their corporate value, and we engage with portfolio companies on this theme.

Fig. 1 Difference Between Human Resources and Human Capital

Source: Prepared by Nomura Asset Management from various materials

Utilizing Human Capital

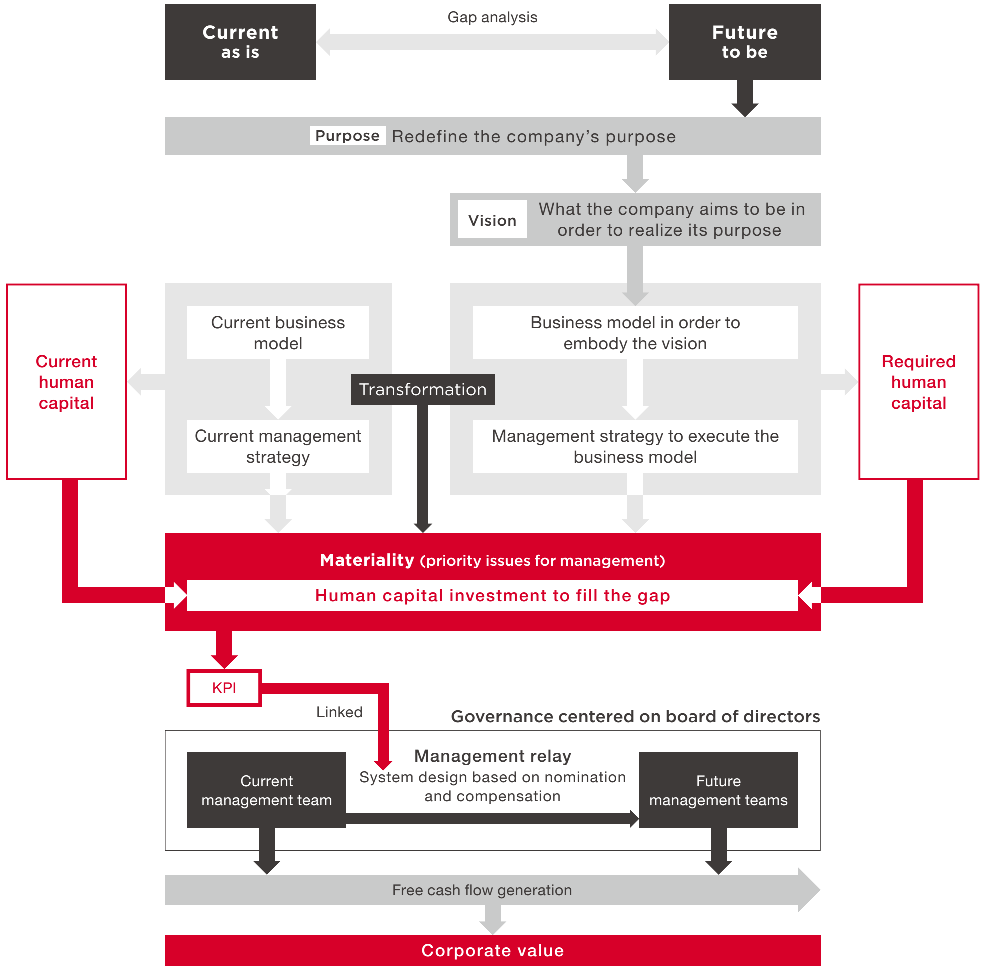
Nomura Asset Management's Views on Human Capital Management

In order to ensure that Japanese companies' human capital management leads to improved corporate value, it is first necessary to sort out the mechanisms and ideas that are the prerequisites for utilizing human capital. At Nomura Asset Management, our view on this is as follows Fig. 2 . Corporate value is defined in finance theory as the present value of future cash flows. These future cash flows are generated by a "management relay" that includes not only the current management team but also future management teams. What makes this management relay possible is a future-oriented system design centered on nomination and compensation, which are essential elements of board of directors-centered governance. By properly linking KPI based on materiality to the system design, the two wheels of the management vehicle, execution and supervision, can function. The materiality of each company is determined by that company's management strategy and its underlying business model. However, the environment surrounding companies is currently undergoing major changes and uncertainty is increasing. With this, the management strategies and business models that will generate future cash flows are also being forced to change in light of the future business environment and other factors. For this reason, companies need to update their current management strategies and business models to those that will generate future cash flows. This requires transformation. A company is only able to execute its management strategy and business model if it has human resources capable of putting them into action. No matter how grand a business strategy is, it is merely a fantasy if it cannot be put into practice. A company needs to verify that it has sufficient human capital to execute the management strategy and business model to generate future cash flow. If it does not, it must add human capital. Human capital management holds the key to this transformation.

Just as the current business model and management strategy differ from future business models and management strategies, the human capital supporting each will also be different. Only by recognizing this gap can the necessary human capital investment and management be realized. In other words, human capital management by a company is not possible without building the framework shown in Fig. 2 . Ultimately, through an analysis of the gap between the present and the future based on an "As-Is/To-Be" analysis, a company must redefine its purpose, which is its reason for existing as a company, and its vision, which is what it aspires to be in order to realize its purpose. A company's ESG initiatives and human capital management cannot be effective without this series of frameworks for creating corporate value. We always approach our engagement with companies from this perspective, and strive to understand the actual situation in the company by confirming the links between each item in this framework.

Fig. 2

Positioning of the Frameworks and Human Capital Investment Leading to Higher Corporate Value



Source: Prepared by Nomura Asset Management

Utilizing Human Capital

Dialogue on Human Capital

Through dialogue, we aim to improve the value of portfolio companies and raise the level of the Japanese market as a whole, and based on this we are focusing on engagement activities related to human capital with portfolio companies. Although information disclosure on human capital has just begun, the two standards issued by ISSB in June 2023, the General Requirements for Disclosure of Sustainability-related Financial Information (S1) and Climate-related Disclosures (S2), both require disclosure under the same framework as the TCFD and TNFD, which includes governance, strategy, risk management, and metrics and targets. Similarly, the Japanese version of the sustainability disclosure standards, which was published by the Sustainability Standards Board of Japan (SSBJ) in March 2025, has a similar structure aimed at establishing domestic disclosure standards for sustainability-related information. In the future, this framework is expected to be recognized as the standard for the disclosure of human capital information, and companies will be required to develop internal systems that acknowledge these four elements.

Based on the above, we have summarized the responses and information disclosures we expect of our portfolio companies as an investor with respect to governance, strategy, risk management, and indicators and targets for human capital in Fig. 3 . For example, in terms of governance, we are expecting boards of directors to bolster their commitment related to human capital by the board of directors' supervision of and involvement in human capital strategy, the clarification of management's role regarding human capital and linkage to executive compensation, and the confirmation of the impact that the board's consideration of human capital has on strategic decision-making. However, the majority of Japanese companies are considered to be at the stage where they will seriously work on human capital management from this point on, and it will likely be difficult for them to satisfy all the requirements at once. For this reason, we plan to encourage portfolio companies to improve their human capital management through a feedback loop in which we start a dialogue on human capital → the portfolio company sorts out and discloses its own human capital and human resources strategy → we provide feedback during dialogue → the portfolio company revises its human capital strategy and implements its human capital investments → we incorporate the company's actions in our assessment of the company's corporate value (visualization) Fig. 4 .

Fig. 3 Human Capital Engagement Framework

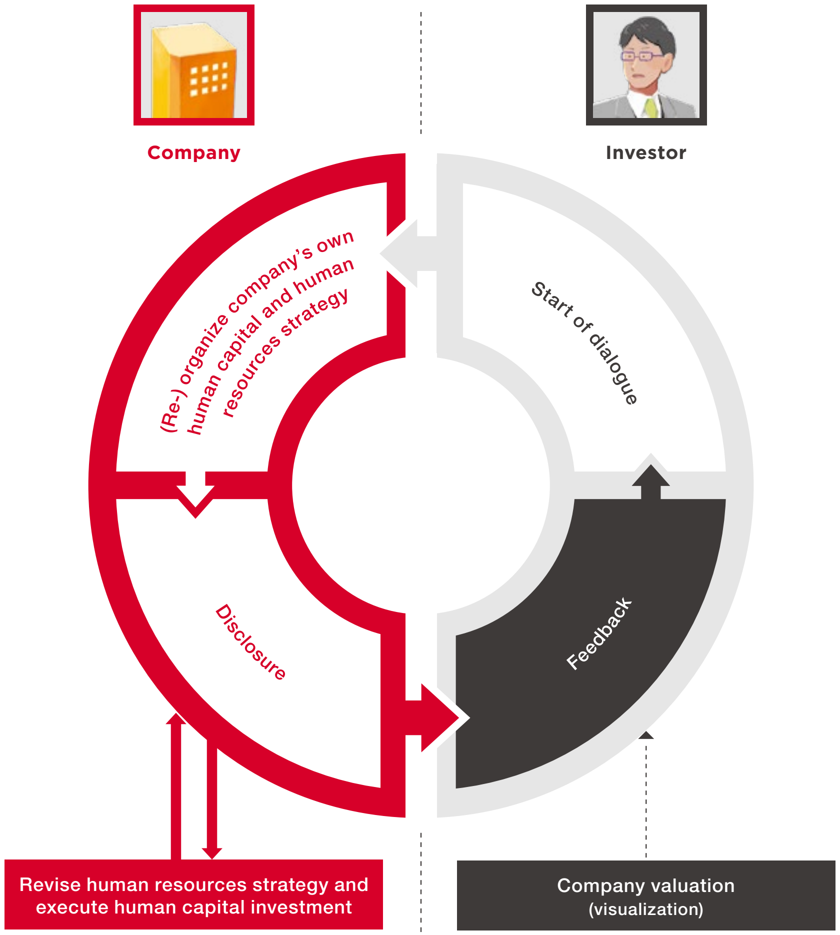
Governance and management	Business model and strategy	Risk management	Metrics and targets
Investors' expectations	**Investors' expectations**	**Investors' expectations**	**Investors' expectations**
■ Strengthening of commitment by board of directors (Consideration, evaluation and monitoring of human capital)	■ Clarify the relationship between human capital and the business model ■ Human resources as strategic capital and implementation of necessary human capital investment ■ Maximize value of human capital	■ Clarification of risks and opportunities arising from human capital and the company's response to these	■ Management of human capital information that impacts corporate value and management of targets
Response and information disclosure demanded of company	**Response and information disclosure demanded of company**	**Response and information disclosure demanded of company**	**Response and information disclosure demanded of company**
■ Disclosure of board oversight of and involvement in human capital ■ Clarification of the role of senior managers with respect to human capital and linkage with executive compensation ■ Description of the impact that the board's consideration of human capital has on strategic decision-making	■ Identification and clarification of the scope of a company's human capital ■ Description about methodology and implementation of strategic human capital investments ■ Description of the value creation process with human capital ■ Description of human capital in business model and corporate strategy ■ Description of the impacts of risks and opportunities related to human capital on corporate management	■ Description of processes for identifying, assessing and managing human capital-related risks and opportunities ■ Explanation of risks and opportunities related to human capital that have the greatest impact	Management and disclosure of the following types of metrics and targets ■ Metrics and targets for establishing a desirable corporate culture ■ Employee engagement metrics and targets ■ Metrics and targets related to incentive design, training/skill development, and promotions ■ Other metrics and targets necessary to improve corporate value, such as diversity

Source: Prepared by Nomura Asset Management

Utilizing Human Capital

Dialogue on Human Capital

Fig. 4 Human Capital Dialogue Feedback Loop



Source: Prepared by Nomura Asset Management

Example of Engagement Japanese Equity

Target Company

Financial Institution

Engagement overview

Because the company is a regional financial institution, the development of the region is essential for its growth. However, it was determined that the future vision for the region, the challenges it faces, and the talent strategy necessary to address these issues have not been adequately articulated. We therefore carried out engagement.

Company's response

Although a general sense of direction and the challenges were understood, initially this did not lead to detailed disclosure.

The results of the engagement and future plans

Through ongoing dialogue, the company clarified its priority issues aimed at achieving its long-term vision and presented a new medium-term management plan that includes a talent strategy. Moving forward, the company plans to continue monitoring progress toward the achievement of this medium-term management plan.

Initiatives on Human Rights

As legal and regulatory frameworks related to human rights become more robust in countries around the world, human rights issues have become an important factor in investment activity. The European Union (EU) implemented the Corporate Sustainability Due Diligence Directive (CSDDD) in July 2024, which requires large companies to conduct environmental and human rights due diligence. As a result, companies with high human rights risks may be excluded from supply chains. In addition, the European AI Regulation Law, which restricts the use of AI with risks of human rights violations, came into effect in August 2024, requiring companies to address new areas related to human rights. In Japan, in 2022 the Ministry of Economy, Trade and Industry formulated guidelines for companies to respect human rights, and in 2023 the government announced a policy to give preferential treatment in public tenders to companies that take human rights into consideration. Additionally, in June 2024, an amendment to the Immigration Control Act was passed to establish a new training and employment system to replace the technical intern system, which has faced criticism for human rights issues concerning foreign workers. Furthermore, starting in April 2025, a customer harassment prevention ordinance is set to be enforced in Tokyo, requiring companies to take measures to prevent nuisance behavior by customers. This indicates that the pressure on companies to respect human rights will continue to intensify.

A company's business activities involve procuring, producing, and transporting supplies and products, and providing them to users and end consumers. Various human rights risks lurk within the value chain, but especially when crossing national borders, differences in the economic strength, legal systems, and customs of each country affect people working on the frontlines, and there is a risk of human rights issues arising that are difficult to see from the surface. Once human rights issues arise, they can lead to various risks for companies, including operational risks such as the loss of trust from the surrounding community, employees, business partners, and customers, which may result in strikes or employee turnover. Additionally, there are reputational risks, including a decline in corporate image in society, social media backlash, and boycotts. Furthermore, companies may face stock price decline risks and legal risks arising from lawsuits and administrative penalties. If, on the other hand, a company is unable to resolve the issue over a long period of time, it will be forced to incur significant costs (such as expenses and time for restoring its reputation) to address human rights issues, which will also have a considerable impact on corporate value. At Nomura Asset Management, we believe that by raising awareness of human rights issues among our investee companies and encouraging them to take proactive measures, we can protect the assets we manage from risks related to human rights concerns.

The Nomura Group, including Nomura Asset Management, has established respect for human rights in the Nomura Group Code of Conduct. Additionally, we signed the United Nations Global Compact in 2015, committing to the respect for human rights as a business entity. In May 2023, we established the Nomura Group Human Rights Policy, which respects the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, ILO International Labor Standards, and the UN Guiding Principles on Business and Human Rights.

Nomura Asset Management positions human rights issues as important issues in our ESG Statement and, as an institutional investor, we promote initiatives to ensure respect for human rights by our investee companies. In 2024, we participated in a working group to create educational materials for institutional investors organized by the Ministry of Economy, Trade and Industry and the International Labour Organization (ILO) for the Project for Skills Development and Responsible Business Conduct for Transition. We contributed to the creation of a booklet* that outlines what constitutes an investment environment that encourages responsible corporate conduct from the perspective of business and human rights.

We carefully assess human rights risks for our portfolio companies 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.

***A guide to Business and Human Rights for Institutional Investors, What, Why How to Address Human Rights through Investment Practices**
https://www.ilo.org/publications/guide-business-and-human-rights-institutional-investors

Initiatives on Human Rights

Nomura Asset Management's Human Rights Risk Monitoring Process

Screening for Monitoring (Japanese companies)

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 Fig. 1. First, we screen companies in our investment universe for violations of international norms such as the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, the ILO International Labour Standards, and the UN Guiding Principles on Business and Human Rights, referencing data from ESG research organizations. Based on that screening, we engage with companies found to be in violation, and if there is no outlook for improvement, these companies become the subject of escalation, such as reflecting such violations in our proxy voting or even divestment from the company.

Fig. 1 Human rights risk monitoring of companies

Human rights risk monitoring of companies (based on individual companies)	■Human rights-related policies (child labor, forced labor, wages, safety, etc.) ■Check the status of compliance with international norms	■Human rights risk management systems(monitoring, grievance mechanisms, self-assessment, etc.) ■Investigations of misconduct related to human rights violations
Engagement (stocks with high human rights risk)	■Formulation of human rights policies ■Implementation and disclosure of human rights due diligence	■Creation of grievance mechanisms ■Action towards improvement
Integration into investment (investment decision-making)	■Buy ■Sell ■Continuous hold	

Human Rights Due Diligence and its results for companies in our investment universe(Japanese companies)

In order to ascertain the potential human rights risk level for companies in our investment universe, our ESG specialists perform human rights due diligence based on data including corporate disclosures, NGO reports and media information.

The detailed method is as follows. Sectors with complex supply chains and sectors that produce products in production areas and raw material procurement points with historically high human rights risks are designated as human rights high risk sectors Fig. 2, and we conduct focused investigations of the human rights management systems of companies belonging to these sectors. The evaluation items consist of three main areas with a total of seven points:**(1)Human Rights Policy:** ❶ Is there a human rights policy that complies with international norms? ❷ Does the human rights policy cover the supply chain? **(2)Human Rights Due Diligence:** ❸ Are human rights risks and their impacts identified and assessed? ❹ Are corrective actions taken based on the evaluation results? ❺ Is there disclosure of the content/results of human rights due diligence? **(3) Remedy Mechanism:** ❻ Is there a grievance mechanism for workers? ❼ Is there a grievance mechanism for external individuals and communities?

In 2024, in response to the growing global emphasis on the effectiveness of corporate human rights risk management systems, we focused especially on the “content” of human rights due diligence. Additionally, as customer harassment has gained attention as a social issue in Japan, we have added large retailers to our survey targets. As a result Fig. 3, it was confirmed that the majority of the Japanese companies surveyed have established human rights policies that comply with international norms and that these policies include the supply chain in their scope. Additionally, it was found that grievance mechanisms for workers are in place. Furthermore, approximately 70% of the companies disclose the content/results of their human rights due diligence, and more than 50% of the companies are taking actions based on their human rights risk assessments and evaluation results, an increase from just under 50% in the previous year. On the other hand, only about 50% of the companies have established grievance mechanisms for external individuals and communities, and further improvement is anticipated in this area.

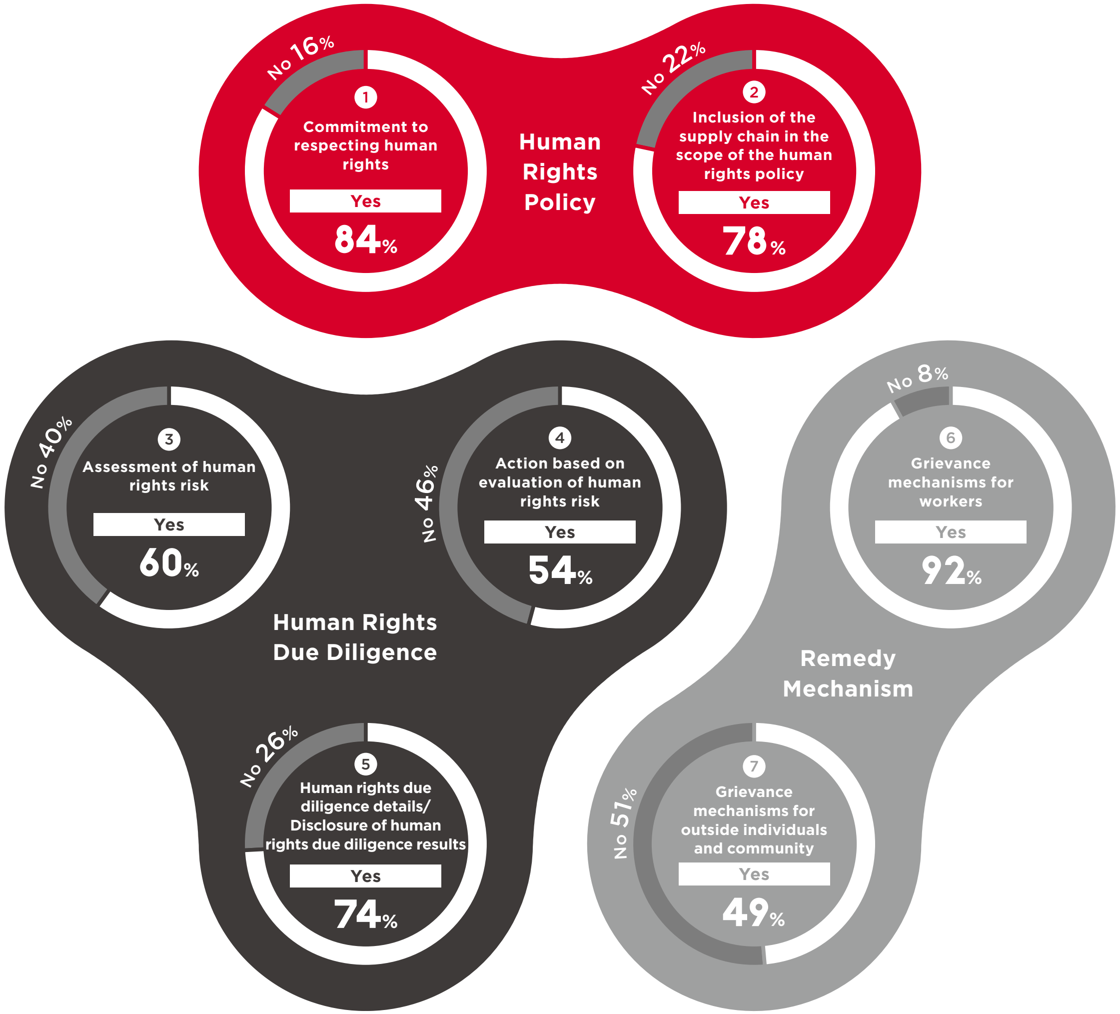
For those companies lagging behind in their efforts, Nomura Asset Management will continue to actively engage with respect to building human rights risk management systems.

Initiatives on Human Rights

Nomura Asset Management's Human Rights Risk Monitoring Process

Fig. 2 **Sectors with high risk of human rights issues**

Fig. 3 **Human Rights Due Diligence and its results for Japanese companies in our investment universe**



Initiatives on Human Rights

Nomura Asset Management’s Human Rights Risk Monitoring Process

Human Rights Engagement and Integration

If, after performing human rights due diligence on the companies in our investment universe, we find that we hold the stock of a company that has been determined to have high human rights risk, we will proceed with engagement. 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.

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. We feel that this will also advance our ESG integration related to human rights risk.

Required Elements of a Human Rights Management System

Human rights issues are an important theme for engagement, regardless of the company’s country of origin, and one of our responsibilities as an asset management company is to engage in dialogue about human rights issues with portfolio companies and encourage them to make improvements for any issues that exist. In recent years, human rights risk assessment has generally become demanded as a part of corporate activities. Companies that have put in place human rights risk management processes are able to reduce human rights risk not only in transactions with existing customers but also in transactions with new customer companies. In addition, these companies are expected to see an increase in business opportunities based on the fact that the products and services they provide will be evaluated higher.

In 2021, 10 years after the adoption of the UN Guiding Principles on Business and Human Rights, which are the basis of various international rules and policies regarding human rights, the U.N. published “UNGPs 10+: A Roadmap for the Next Decade of Business and Human Rights.” While this report recognized the significant increase in the number of companies that are committed to respecting human rights and that carry out human rights due diligence, it also noted that only a portion of such companies are able to carry out effective human rights due diligence. It also pointed out issues such as the fact that responsibility for respecting human rights has not been elevated to the board level.

The Corporate Human Rights Benchmark (CHRB), which assesses the human rights performance of global companies, published a report titled “The State of Play on Business and Human Rights” in November 2024, summarizing the evaluation results for the five years from 2018. In reflecting on the past five years, the report notes that while there has been an acceleration in the movement to integrate respect for human rights into business operations, there is still a lack of concrete actions. It also points out that there has been insufficient progress in enhancing the effectiveness of grievance mechanisms and in promoting responsible purchasing practices.

Human rights issues can be managed to some extent by establishing a management system, but due to their nature, risks cannot be completely eliminated. Industries and companies with complex supply chains, and operations in regions with unstable political situations and human rights policies, can pose unexpected risks to companies. The first thing that a portfolio company needs to do is establish an effective human rights management system. It is important to perform a risk assessment, understand which risks are of high importance, prioritize them, and take action. Because it takes time to build an effective management system, it is necessary to repeat the PDCA cycle, make improvements every year, and evolve step by step.

By widening disparities and causing social divisions, human rights violations are serious and significant risks that threaten the foundations of sustainable economic activity and affect long-term investment returns. We seek to reduce human rights risks by understanding the structures that cause human rights violations and working with portfolio companies to develop solutions to rectify them.

Initiatives on Human Rights

Example of Engagement Japanese Equity

Engagement Goal

Establishing a system to provide feedback on significant human rights risks to management and the board of directors

Milestone progress: 25 months, 4 interviews

5 Completed

Period of Engagement: 5 / 15 / 25

Nomura Asset Management	Japanese Machinery Company

Background

Although the nature of their business presents significant human rights risks, the lack of a system to provide feedback on major human rights risks to management raises concerns that important risk factors may not be considered in management decisions. Consequently, we have advocated for the realization of the aforementioned goal.

Nomura Asset Management: The rating from the international initiative CHRB, which assesses corporate human rights practices, is not high. This may be attributed to the lack of a system for addressing business transactions with partners that have human rights risks and the absence of mechanisms to provide feedback on human rights risks to management.

Japanese Machinery Company: Although we recently revised our human rights policy, the changes have only focused on enhancing management involvement, the grievance process, and freedom of association, and we have not yet taken the step of indicating a willingness to terminate transactions as a last resort in human rights investigations and evaluations.

Nomura Asset Management: These are important points, and in addition to strengthening efforts and disclosures focused on labor and occupational health and safety, we hope to see the establishment of a system and processes to provide feedback on significant human rights risks to management and the board of directors.

Japanese Machinery Company: We would like to work on improving the corrective measures for both our company and our business partners.

Subsequently, we confirmed that the integrated report included a description of the establishment of a system to provide feedback on human rights risks to management and the board of directors, and we marked the engagement as “complete.”

Example of Engagement Global Equity

Engagement Goal

Adoption of Strategy to Effectively Deal with Human Rights Risk Issues

Milestone progress: 36 months, 9 interviews

4 Company implements countermeasures

Period of Engagement: 12 / 24 / 36

Nomura Asset Management/ Morningstar Sustainalytics	Swedish Specialty Retailer

Nomura Asset Management/Morningstar Sustainalytics: As part of responsible purchasing practices, the company is committed to paying suppliers a price that covers labor costs, but is this verified by a reliable third-party organization?

Swedish Specialty Retailer: Purchasing practices are subject to independent reviews conducted through an external anonymized platform that involves suppliers. These results are compared with other brands and are used to inform actions for improvement as necessary.

Nomura Asset Management/Morningstar Sustainalytics: Due to the high level of opacity surrounding recruitment fees for workers, could including these fees in the price paid to suppliers for recruitment costs help promote transparency?

Swedish Specialty Retailer: I believe this observation is valid, but in reality, there are challenges. Would it not be better to prohibit fees and monitor through supplier evaluations? Our company has committed to eliminating fees by 2025. We provide training on ethical recruitment guidelines to our supplier partners, and they are required to adhere to these guidelines when hiring workers.

Nomura Asset Management/Morningstar Sustainalytics: What are your thoughts on effective due diligence?

Swedish Specialty Retailer: We recognize the limitations of worker interviews conducted through audits and are exploring how to combine them with internal management mechanisms to achieve better outcomes. It is essential to work with labor unions to understand workers’ perspectives and to establish effective grievance mechanisms.

Nomura Asset Management/Morningstar Sustainalytics: The company follows many best practices in human rights risk management, such as collaborates with IndustriALL Global Union, an international organization of labor unions, the disclosure of primary and secondary suppliers. Further disclosure of human rights-related information is necessary.

Swedish Specialty Retailer: We will continue to deepen our engagement with stakeholders and aim to strengthen our reporting on how affected stakeholders are engaged.

Initiatives on Human Rights

COLUMN

Activities with PRI Advance (Advance: a collaborative initiative on human rights and social issues)

Two years have passed since the launch of Advance, the PRI's collaborative initiative on human rights and social issues, in December 2022. We are collaborating as members of the Advisory Committee to build the initiative's framework and are acting as a co-lead investor in collaborative engagement with a Japanese steel company. In 2024, we had dialogues with the company in April and December, discussing the identification of human rights risks, including those in the supply chain, and enhancing information disclosure to improve their human rights risk management. The company established and publicly announced its human rights policy in April 2024 and disclosed the establishment and implementation of human rights due diligence mechanisms in its integrated report published in October of the same year, confirming progress in its commitment to respect human rights.

We actively participated in the Signatory Advisory Committee meetings organized by the PRI's Advance Team, group calls for the metals and mining sector, and various study sessions to acquire specific knowledge on human rights issues and key points for assessing the actions of investee companies.

During a group call for the metals and mining sector held in November 2024, we made a presentation about our experiences in engaging with the Japanese steel company, in which we have taken a leading role as co-lead investors, sharing insights on engagement with other investors participating in the collaborative initiative.

In March 2025, the first progress report on the outcomes of this initiative is scheduled to be released.

TCFD/TNFD

Disclosure in alignment with TCFD and TNFD

Introduction

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.

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.

Governance

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.

TCFD/TNFD

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.

TCFD/TNFD

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

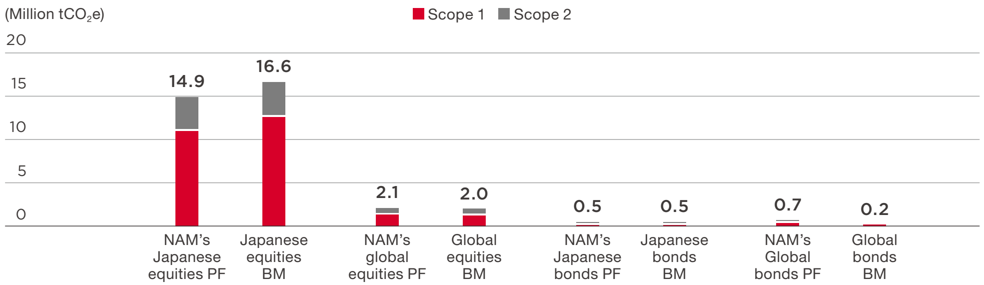
The information regarding the future included in this analysis is based on information available at the time of publication and certain assumptions deemed reasonable by our company, and it contains uncertainties.

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)

TCFD/TNFD

The climate-related analysis in our portfolio

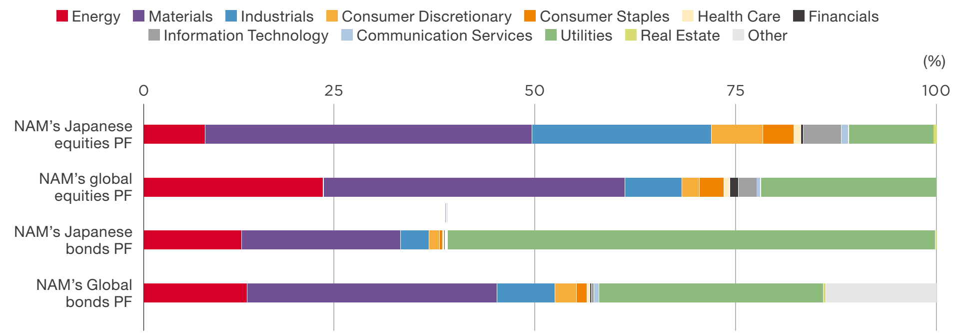
2 Analysis Results

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 .

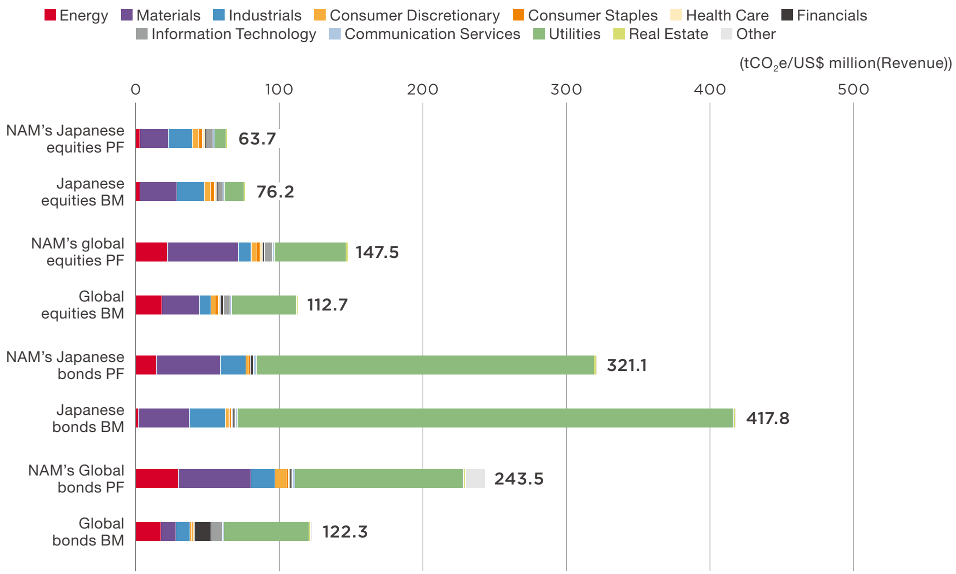
Moving forward, we will continue to engage with investee companies to encourage their efforts toward a decarbonized society.

Fig. 3 Breakdown of Financed Emissions by Industry



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

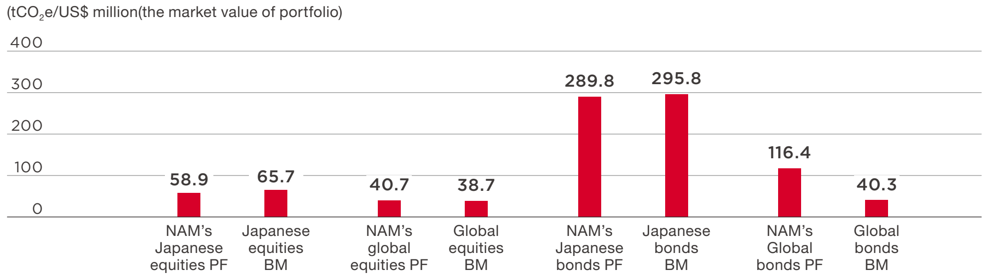
Fig. 2 Weighted Average Carbon Intensity of Our Financed Emissions(WACI)



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

(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. 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	BM	% of BM		NAM's PF	BM	% of BM
Scope 3 (Million tCO_2e)	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.

TCFD/TNFD

The climate-related analysis in our portfolio

❸ 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.

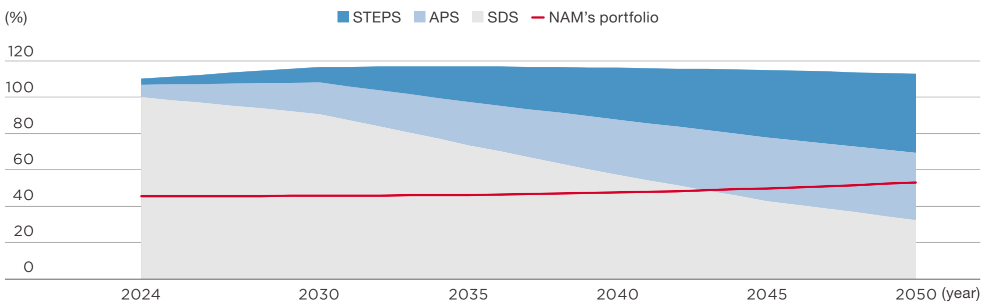
2 Announced Pledges Scenario (APS)
This scenario considers the commitments made by countries to fulfill their Nationally Determined Contributions (NDCs) and long-term net-zero targets, as outlined in Article 4 of the Paris Agreement, and assumes they are implemented fully and in a timely manner. The 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



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

TCFD/TNFD

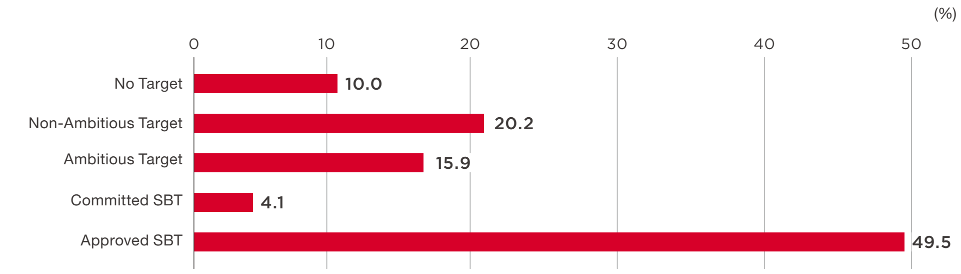
The climate-related analysis in our portfolio

❹ 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.

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

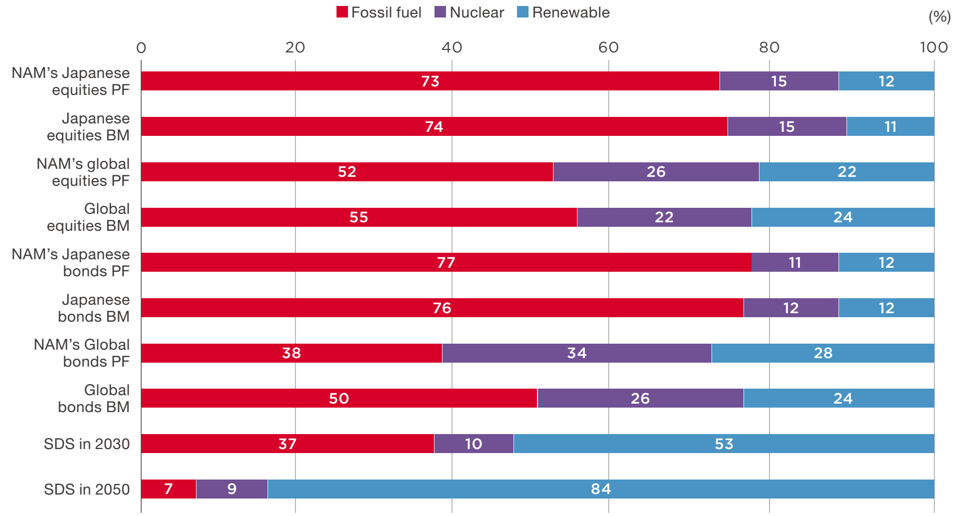
❺ Analysis of Transition Risks Based on Power Generation Mix

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 non-fossil energy, reduce transition risks associated with fossil fuels, and promote the reduction of financed emissions.

Fig. 9 Power Generation Mix (Portfolio, Benchmark, SDS)



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

TCFD/TNFD

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

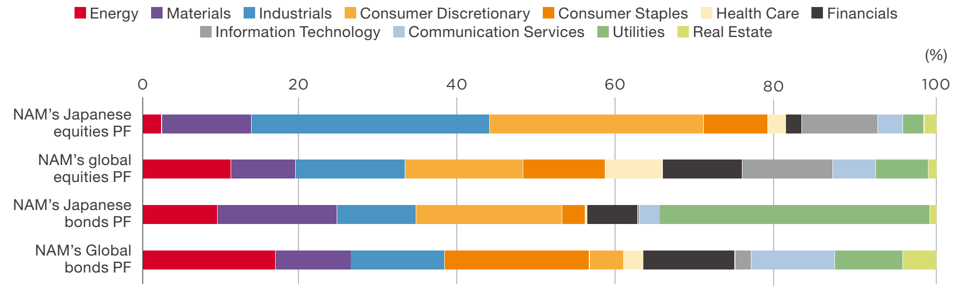
❻ Analysis of Physical Risks

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

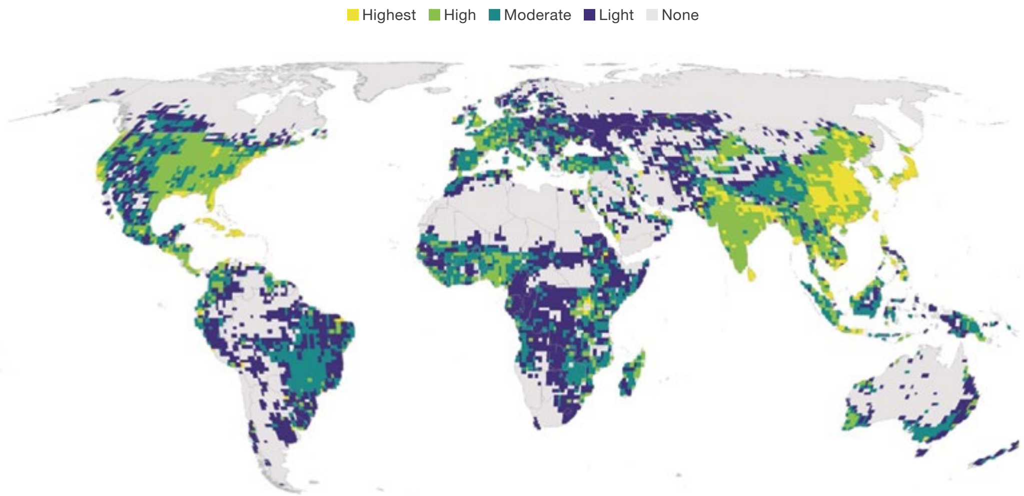
	NAM's Japanese equities portfolio	NAM's global equities portfolio	NAM's Japanese bonds portfolio	NAM's Global bonds portfolio
Portfolio	1.2%	0.5%	2.8%	1.0%
Benchmark	1.2%	0.5%	2.6%	0.5%
Differential	0.0%	0.0%	0.2%	0.5%

(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



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

TCFD/TNFD

The climate-related analysis in our portfolio

7 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

8 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.

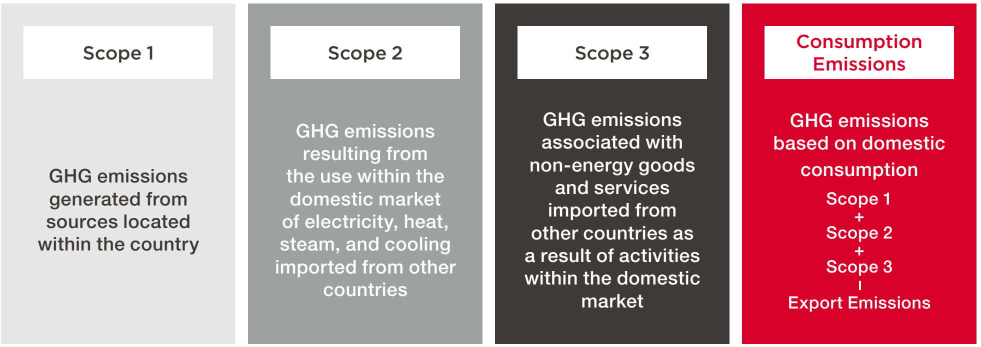
(Note) Due to space constraints, information regarding Non-Annex I countries under the UNFCCC has been omitted.

TCFD/TNFD

▶····· 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 for Measuring Government Bond Portfolio Emissions



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

Fig. 15
Breakdown of Consumption Emissions
(CO_2 only, excluding LULUCF)

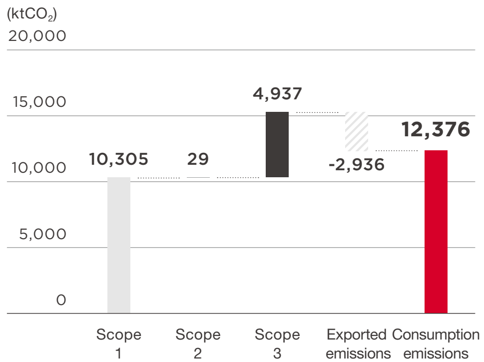
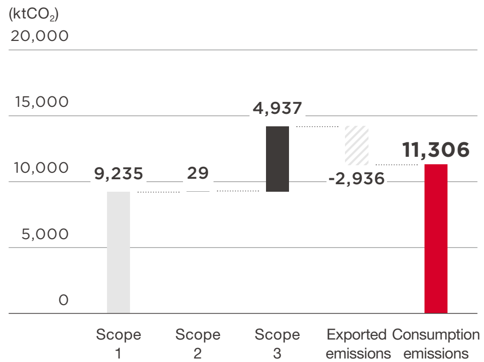
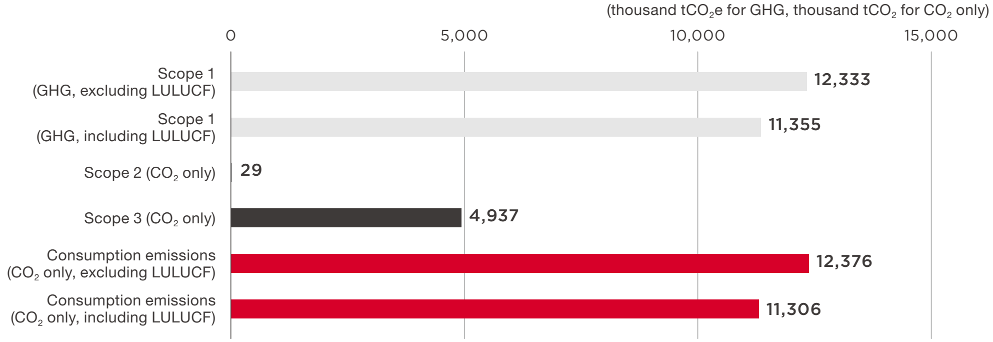


Fig. 16
Breakdown of Consumption Emissions
(CO_2 only, including LULUCF)



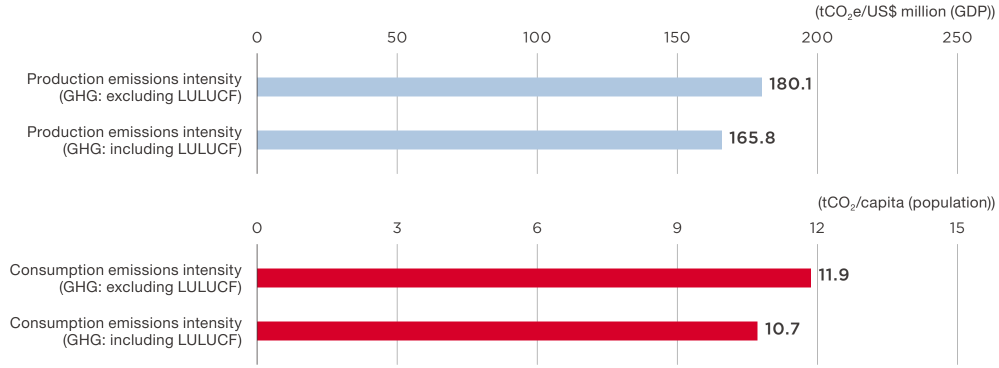
(Source) Created by Nomura Asset Management based on various materials
Note: For countries where Scope 1 data is not available, even if data for Scope 2 and Scope 3 is obtainable, Scope 2 and Scope 3 are excluded from the final calculation of consumption emissions. Therefore, the values for Scope 1 + Scope 2 + Scope 3 - export emissions do not match the consumption emissions values.

Fig. 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, CO_2 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 Annex 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.

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.

TCFD/TNFD

The climate-related analysis in our portfolio

❾ 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 and forming initiatives. We have contributed to the formulation of the “Basic Guidelines 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 (CO_2), methane (CH_4), nitrous oxide (N_2O), 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.

TCFD/TNFD

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

At Nomura Asset Management, we primarily focus on analyzing asset classes 1 and 7. 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/$M loaned or invested
Physical Emission Intensity	To understand the efficiency of a portfolio (or parts of a portfolio) in terms of total GHG emissions per unit of a common output	Absolute emissions divided by a value of physical activity or output, expressed as , for example, tCO_2e/MWh (for electricity generation and consumption) or tCO_2e/ton (for production).
Weighted Average Carbon Intensity	To understand exposure to emission-intensive companies	Portfolio's exposure to emission-intensive companies, expressed as tCO_2e/€M or tCO_2e/$M of company revenue.

TCFD/TNFD

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)

- **Total Carbon Emissions**: The total GHG emissions associated with the portfolio.
- **Unit**: tCO_2e (CO_2 equivalent)
- **GHG Emissions of investee companies**: Includes Scope 1, 2, and 3 emissions

$$\text{Financed Emissions} = \sum_{i}^{n}\left(\frac{\text{Market Value of Investee } i}{\text{EVIC of Investee } i^*}\right)\times\left(\text{GHG emissions of Investee company } i\right)$$

Carbon Intensity

- **Carbon Intensity**: The total carbon emissions divided by the revenue of the investee companies allocated to the portfolio
- **Unit**: tCO_2e/million USD (revenue)
- **GHG Emissions of Investee Companies in Total Carbon Emissions**: Includes Scope 1 and 2 emissions

$$\text{Carbon Intensity} = \frac{\text{Financed Emissions}}{\sum_{i}^{n}\left(\frac{\text{Market Value of Investee } i}{\text{EVIC of Investee company } i^*}\times\text{Revenue of Investee company } i\right)}$$

Carbon Footprint

- **Carbon Footprint**: The total carbon emissions divided by the market value of the portfolio
- **Unit**: tCO_2e/million USD (investment amount)
- **GHG Emissions of Investee Companies in Total Carbon Emissions**: Includes Scope 1 and 2 emissions

$$\text{Carbon Footprint} = \frac{\text{Financed Emissions}}{\text{Market Value of Portfolio}}$$

Weighted Average Carbon Intensity

- **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_2e/million USD (revenue)
- **GHG Emissions of Investee Companies**: Includes Scope 1 and 2 emissions

$$\text{Weighted Average Carbon Intensity} = \sum_{i}^{n}\left(\frac{\text{Market Value of Investee } i}{\text{Market Value of Portfolio}}\right)\times\left(\frac{\text{GHG Emissions of Investee } i}{\text{Revenue of Investee Company } i}\right)$$

*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

$$\text{Sovereign Bond Portfolio Emissions} = \sum_{i}^{n}\left(\frac{\text{Book value of amount invested } i}{\text{PPP-adjusted GDP } i}\times\text{GHG or } CO_2 \text{ emissions } i\right)$$

Sovereign Bond Portfolio Production Emission Intensity

$$\text{Sovereign Bond Portfolio Production Emission Intensity} = \sum_{i}^{n}\left(\frac{\text{Book value of amount invested } i}{\text{Book value of portfolio}}\times\frac{\text{Production emissions } i}{\text{PPP-adjusted GDP } i}\right)$$

Sovereign Bond Portfolio Consumption Emission Intensity

$$\text{Sovereign Bond Portfolio Consumption Emission Intensity} = \sum_{i}^{n}\left(\frac{\text{Book value of amount invested } i}{\text{Book value of amount invested}}\times\frac{\text{Consumption emissions } i}{\text{Population } i}\right)$$

NATURE & BIODIVERSITY

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 P108.

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.

NATURE & BIODIVERSITY

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 P78), 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.

NATURE & BIODIVERSITY

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 km^2.yr= 100% loss of biodiversity in 1 year over 100km^2

Weighted Average PDF Intensity

PDF per unit of sales for each company in the portfolio, weighted by each company's weight

Unit: PDF km^2.yr/ mil. EUR

$$\text{Weighted Average PDF Intensity} = \sum_{i}^{n}\left(\frac{\text{market value of the investment } i}{\text{market value of the portfolio}} \times \frac{\text{absolute PDF value of the investee company } i}{\text{sales of investee companies } i}\right)$$

NATURE & BIODIVERSITY

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. 1 Absolute Biodiversity Impact

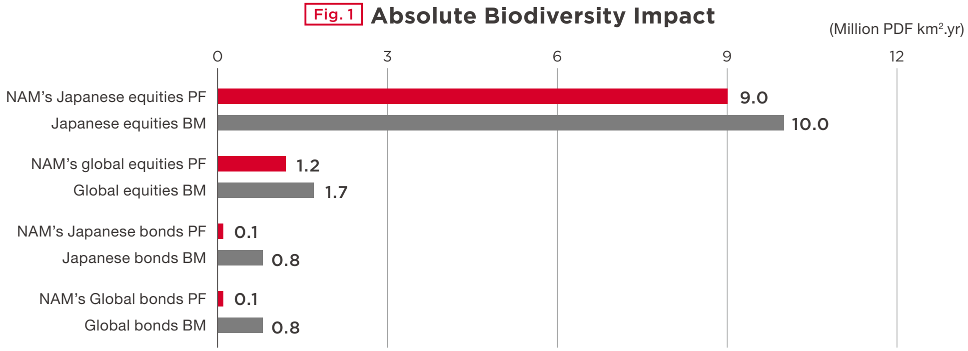


Fig. 1 Weighted Average PDF Intensity by Industry

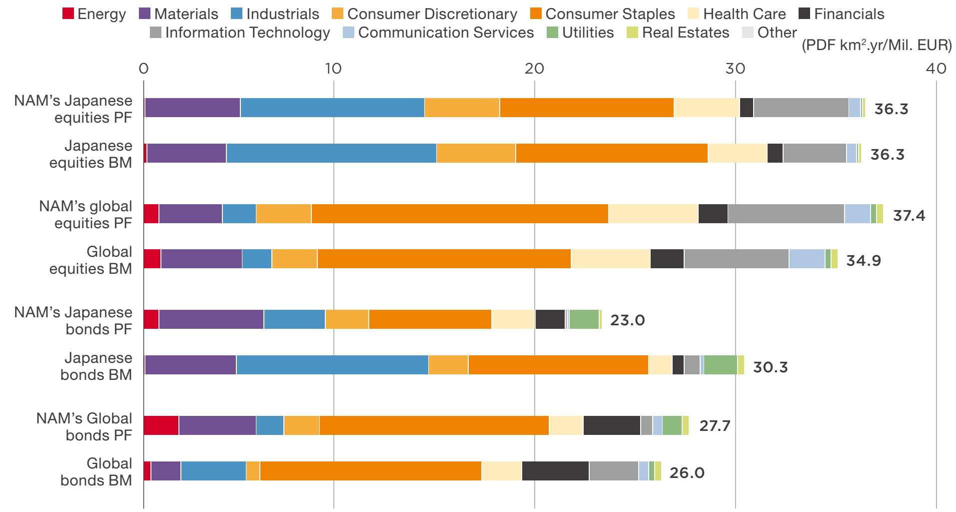


Fig. 3-1 Ecosystem Services Dependencies

(%)

	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

(%)

	Provisioning	Regulation & Maintenance	Cultural
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

NATURE & BIODIVERSITY

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 .

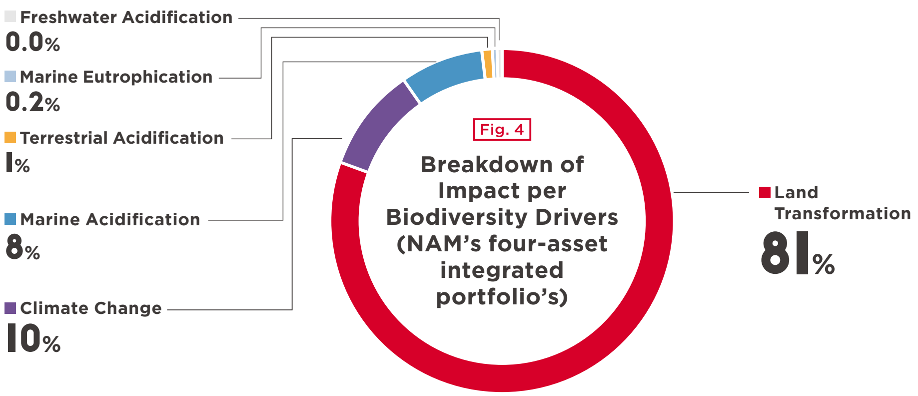
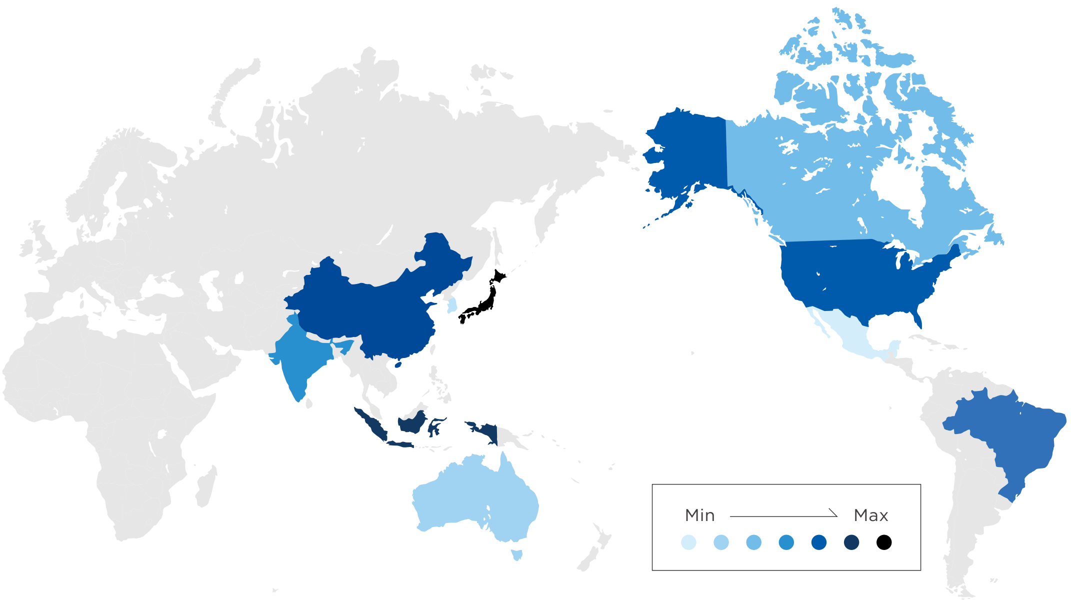


Fig. 4 Breakdown of Impact per Biodiversity Drivers (NAM's four-asset integrated portfolio's)

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.

NATURE & BIODIVERSITY

Fig. 6-1 Example of Engagement (Japanese company)

Natural Capital Risk Issues

Conservation of forests and biodiversity

23 months
3 interviews

Period of Engagement: 10, 15, 20, 23

Nomura Asset Management | **Japanese food company**

Nomura Asset Management: As demand for palm oil increases worldwide, problems such as the deforestation of tropical forests and peat swamp forests and the loss of biodiversity have emerged. What is the status of your procurement of palm oil?

Japanese food company: Our company is prioritizing palm oil because it is one of the most important and high-risk materials. We conducted TNFD analysis and disclosed the risks of raw materials, and we particularly focused on the disclosure for palm oil.

Nomura Asset Management: Human rights issues such as child labor at palm oil production sites are also attracting attention. What is the status of your implementation of human rights due diligence?

Japanese food company: At present, we have disclosed that there are no significant human rights risks. However, we are working on a system that can constantly monitor both environmental and human rights risks, starting with palm oil, and we intend to expand the knowledge we have gained to other areas.

Nomura Asset Management: Polyethylene has replaced polystyrene as the mainstream packaging material, and a shift to environmentally-friendly packaging material such as biomass is expected to occur. How will you address this?

Japanese food company: We are switching containers to plant-based biomass and changing the plastic seal used to secure the lid. These efforts are also helping to reduce Scope3 emissions.

Nomura Asset Management: We will continue to monitor your efforts to both protect forests and biodiversity, as well as to procure sustainable palm oil.

Japanese food company: We will continue procure and strive for sustainable procurement, including palm oil.

Fig. 6-2 Example of Engagement (Global company)

Natural Capital Risk Issues

Supply chain deforestation problem

Milestone progress
40 months
6 interviews

4 Company implements countermeasures

Period of Engagement: 20, 30, 40

Nomura Asset Management | **Switzerland consumer staple company**

Nomura Asset Management: Please explain the situation regarding deforestation incidents reported by satellite imagery reports in the second half of 2022.

Switzerland consumer staple company: We removed one company from our supplier list that we believe has the potential to be doing business with our supply chain.

Nomura Asset Management: Please explain the reason for the decline in the ratio of products assessed as deforestation-free for the five main supply chain commodities from 99.1% in 2022 to 97.9% in 2023.

Switzerland consumer staple company: The reason is the expansion of the scope of products, such as lecithin, which is a byproduct of soybeans. In some regions, there is an effort to include soy used for cattle feed as a covered item.

Nomura Asset Management: In terms of long-term forest conservation and restoration in the supply chain, how do you select the locations and types of trees to be planted?

Switzerland consumer staple company: We select reforestation sites based on carbon removal opportunities, aligning them with commodity sourcing. Despite sourcing from 86 countries, it is not easy to find suitable land due to factors such as regulations. We partner with local organisations for reforestation, taking 6 to 8 months to establish the optimal combination of species.

Nomura Asset Management: The company provides transparent explanations regarding the challenges related to biodiversity and the reasons for changes in their methodologies. Their net-zero goals are also detailed and integrated into the business. We look forward to their continued timely response to deforestation events.

Switzerland consumer staple company: We also plan to work on restoring the ecosystem around the plantations, which includes tree planting as well as the restoration of wetlands and peatlands.

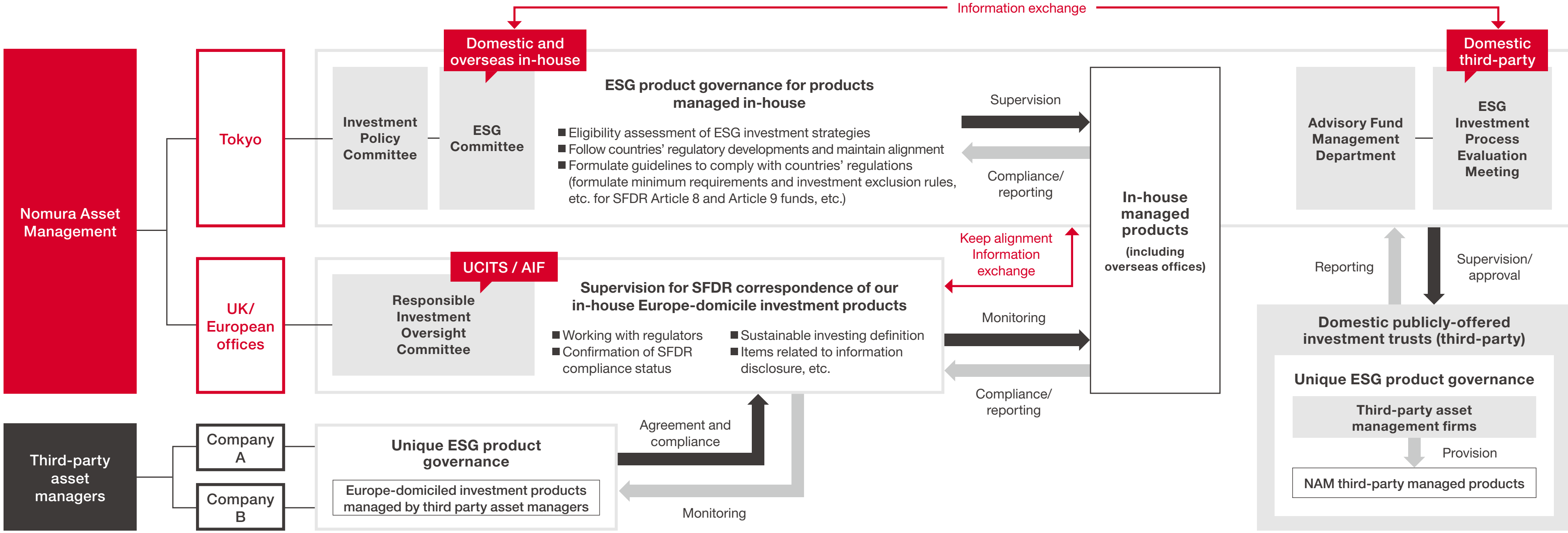
PRODUCT GOVERNANCE

Our Product Governance Initiatives

To earn and keep our clients’ trust, we believe we must be able to comply with global ESG regulations and provide high-quality investment products with accountability. For that reason, we not only manage ESG investment quality, but also continuously engage in ESG product governance initiatives, including those related to information disclosure. Our ESG investments are not limited to investments we manage internally, but also includes funds managed by third-party asset managers, and we are bolstering our governance efforts targeting these funds as well. (Please refer to P56 “Overall ESG Product Governance System for the Investment Side” for more information on our overall product structure) Our ESG Committee is the body responsible for quality control for ESG investments for which we make investment decisions internally. In addition to checking the ESG processes of Japan-domiciled funds, when it comes to overseas-domiciled funds (funds compliant with the European Commission’s UCITS Directive), the ESG Committee is responsible for complying with the European SFDR (Sustainable Finance Disclosure Regulation) and other overseas regulations including Taxonomy, sorting out the issues regarding ESG investment policies to ensure such compliance and identifying matters to disclose, among other issues. For our Europe-domiciled funds, we have established a Responsible Investment Oversight Committee(RIOC), which is a joint committee between the UK and Frankfurt office, to strengthen supervisory functions in Europe, including dealing with local regulatory authorities.

In response to the growing need to comply with ESG-related regulations in Europe, including the introduction of anti-greenwashing rules by the UK’s FCA in May 2024 and the resulting need to establish appropriate ESG policies at our UK office, we established a new Sustainability Committee in January 2025 as a sustainability-related decision-making body at Nomura Asset Management UK. Moving forward, we will strengthen our internal governance not only at the product level but also at the entity level. As part of our efforts in product governance, we have been issuing a Fund Review Report since FY2023. In FY2024, we enhanced the evaluation methodologies for information disclosure in the report, specifically assessing whether sufficient details regarding ESG are provided. In order to help customers understand that it is an ESG fund, we have revised the expressions related to ESG in the prospectuses and reports to be

Overall ESG Product Governance System for the Investment Side



more specific. We are also making improvements by including the measurement results for impact indicators, as well as noting key ESG issues and initiatives for companies held in the fund. In individual disclosure reports, we include information about the investment philosophy and framework, engagement, ESG officers and other matters, as we work to make ESG more accessible to our customers. In order to fulfill our fiduciary responsibility, when using a third-party asset manager we believe we should check and understand that asset manager's investment system, investment strategy, investment performance, and other specifics in the same way as we do for investments we manage internally, at an appropriate frequency and level of depth. Therefore, in the same way as for in-house investments, we are improving the quality of funds by performing due diligence on, and enhancing disclosure about, funds managed by third-party asset managers and funds based on indices provided by ESG index providers. (Please refer to P57 for more information about ESG index providers, and refer to P59 for more information about third-party asset managers.)

ESG investing has evolved to an era in which investments will be stringently selected. We will continue to monitor ESG-related regulations and developments and aim to provide high ESG investment capabilities. In addition, we will continue to enhance our information disclosure to help investors make investment decisions.

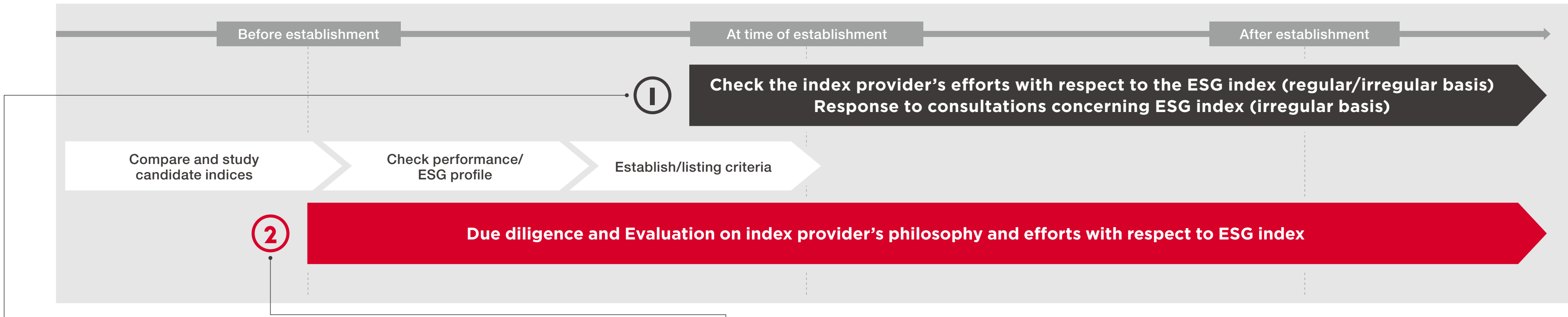
We have implemented the above-mentioned initiatives in terms of structure and has clarified the definition of ESG funds, which was disclosed in August 2022.
For more information about our main 'ESG funds,' please refer to the following link on our website.
https://www.nomura-am.co.jp/special/esg/esg-integration/esglineup.html

PRODUCT GOVERNANCE

ESG Product Governance for Index Funds

Nomura Asset Management is working to expand ESG investment solutions by providing individual and institutional investors with funds that track. ESG indices. We are also endeavoring to improve the quality of these ESG index funds by reviewing the ESG profiles of the adopted benchmark indices and bolstering communication with index providers.

Check ESG index quality



Communication with ESG Index Providers

We regularly communicate with ESG index providers regarding matters such as whether their ESG indices are maintaining methodologies aligned with addressing ESG issues, as well as whether they are appropriately reflecting market structural changes in their indices. In addition, in response to consultations about ESG indexes, we communicate our opinions, request improvements, or urge them to enhance index quality, as needed.

Also, Nomura Asset Management participates as an index advisory member for JPX Research Institute and FTSE. We exchange opinions based on our perspective as an asset management company, aiming to continuously improve overall index quality and governance.

Main topics of communication

Index providers' ESG research and ESG index provision system

Important topics in ESG evaluation and the latest global trends

Enhancement of information provision to end investors regarding ESG indexes

Due Diligence on ESG Index Providers

We regularly interview index providers to check on matters including the status of their efforts to ensure index quality and secure the transparency of ESG evaluations. Based on the results of these interviews, we evaluate index providers in cooperation with the Investment Department, the Responsible Investment Department and other relevant departments, and report the results to the ESG Committee. Through the evaluation of ESG providers, we learn about the relative strengths and issues for each provider. Also, we may communicate our opinions to the index providers and request improvements, as necessary.

In 2024, we received responses from all providers of ESG indexes that we use, and we confirmed that all providers, as providers of ESG indexes, have frameworks in place to appropriately explain how they ensure quality, develop specialized personnel, maintain independence, manage conflicts of interest, and ensure transparency. Over the past year, we have received weighted ESG scores for index portfolios and reference indexes from multiple ESG index providers, which has enhanced the disclosure of the characteristics of ESG indexes to investors.

Main topics of interview

Status of efforts to secure ESG index quality

Status of ensuring transparency and independence in computing ESG index, and conflict of interest management system

Efforts for ensuring specialized ESG assessment data as well as initiatives in collecting ESG assessment data

Initiatives for improving the quality of ESG indexes over the past year

PRODUCT GOVERNANCE

ESG Product Governance for Index Funds

Adopted Benchmarks and Overviews of NAM's ESG Index Funds

FTSE4Good Developed 100 Index

One of the indices in the FTSE4Good Index series.* This index excludes tobacco manufacturers and weapons and weapons system manufacturers from companies in developed countries around the world, and is comprised of approximately the top 100 companies by market capitalization screened using ESG selection standards.

*The FTSE4Good Index series is a series of stock indices targeting companies that meet globally recognized and accepted ESG selection criteria.

MSCI Japan Empowering Women(WIN) Select Index

A stock index developed by MSCI comprising Japanese companies that aim for and maintain a high level of gender diversity. In selecting companies, the index uses companies with high ratings in terms of gender diversity and scandal scores, as well as companies with high growth rates in capital investment and sales.

S&P 500 Scored & Screened Index

A stock index that incorporates ESG factors into the selection criteria of constituent stocks and aims to provide performance comparable to the S&P 500 and maintain sector weights similar to the S&P 500. In selecting stocks, constituent stocks are determined based on the S&P Global ESG Scores (calculated based on the quantified status of companies' sustainability initiatives and comprehensive ESG performance evaluation data).

MSCI Japan Country Selection Index

A stock index developed by MSCI comprising Japanese companies with high ESG ratings compared to industry peers. This index has been designed to seek high ESG performance using a simple and highly transparent best-in-class approach based on the parent index, the MSCI Japan Index.

Solactive Japan ESG Core Index

An ESG-focused stock index that uses the Solactive GBS Japan Large & Mid Cap Index, which is comprised of large- and mid-cap Japanese stocks, as the parent index. This index includes stocks that conform to ESG standards stipulated by Solactive from among multiple industries that are expected to have medium- to long-term growth potential from the perspective of development related to Japan's economic activity and sustainable growth, as well as stocks from other sectors that have relatively high ESG scores (low ESG risk ratings). The index focuses on emissions of CO_2 and other greenhouse gases.

MSCI Global Climate 500 Japan Selection Index

A stock index comprising Japanese companies that are constituents of the MSCI ACWI Select Climate 500 Index. This index is designed to support investors who aim to reduce exposure to greenhouse gas emissions and increase exposure to companies certified by the Science Based Targets initiative (SBTi) for their emission reduction targets.

PRODUCT GOVERNANCE

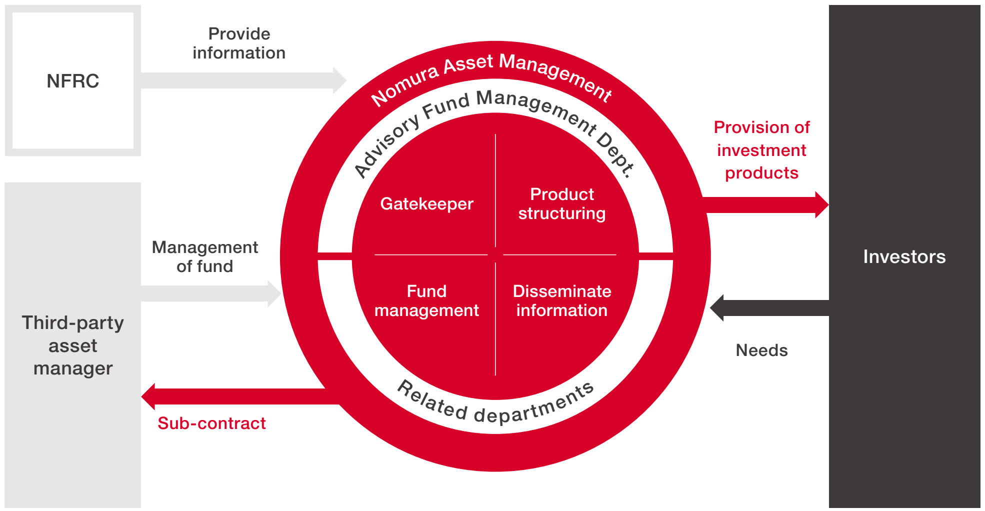
Governance of Third-Party Asset Managers' ESG Products

Overview and Qualitative Assessment of Third-Party Funds

At Nomura Asset Management, we collaborate with third-party asset managers both in Japan and overseas to provide investors in Japan with third-party funds in a wide range of asset classes. The Advisory Fund Management Department and other departments specializing in third-party investment are responsible for managing third-party funds. The Advisory Fund Management Department, which primarily handles traditional assets, collaborates with approximately 100 asset management firms to provide third-party funds (net assets totaling approximately ¥7.5 trillion as of December 31, 2024) to investors. These assets are broadly diversified in different asset classes, including equities, fixed income, and FOFs (funds of funds).

When we outsource investments to a third-party asset manager, we carefully examine the investment capabilities and operational execution capacity of that asset management firm before selecting them. In addition, in order to ensure the quality of a fund after we select it, we collaborate with Nomura Fiduciary Research & Consulting (NFRC) to continuously monitor the asset management firm, its investment system, investment processes, performance, and other matters as part of an annual third-party fund qualitative assessment. If we identify any serious issues in a third-party fund's management, we demand that the asset manager make improvements to its investment operations. This is part of our effort to maintain and improve the quality of these third-party funds.

Management of Third-Party Funds



ESG Evaluations of Third-Party Funds

In our annual qualitative evaluations of third-party funds, we added questions about ESG (responsible investment) in 2018, and began monitoring ESG, including engagement activities and proxy voting processes. From 2021 onwards, to verify the integration of ESG factors into the investment process, we added questions regarding ESG research systems and specific investment processes. Additionally, in 2024, we established an independent framework for ESG-related questions and implemented a new ESG survey that integrates questions used in the qualitative evaluation of ESG funds. This allows the Advisory Fund Management Department to perform similar ESG-specific evaluations across all traditional asset classes, thereby strengthening our ESG-related monitoring efforts.

We define ESG funds as those that actively utilize ESG integration, engagement and proxy voting, and other sustainable strategies. From 2021 onward, recognizing the importance of ESG issues and in light of our fiduciary duty, we have been conducting ESG-focused qualitative assessments under a framework separate from the annual qualitative evaluations of third-party funds. As of December 31, 2024, 12 of the third-party funds we offer are classified as ESG funds.

PRODUCT GOVERNANCE

Governance of Third-Party Asset Managers' ESG Products

Qualitative Evaluation of ESG Funds

If a qualitative evaluation of an ESG fund reveals a serious issue in the management of that fund, we will ask the third-party asset management firm to improve its management in the same way as we would for any other third-party fund. Qualitative evaluations of ESG funds are led by the Advisory Fund Management Department, which is responsible for managing third-party funds. Starting from 2022, as part of our progress on bolstering our evaluation system, the Advisory Fund Management Department has been strengthening collaboration with the Responsible Investment Department and other ESG-related departments as part of an effort to build a framework under which a wide range of relevant internal parties participate in evaluating third-party funds.

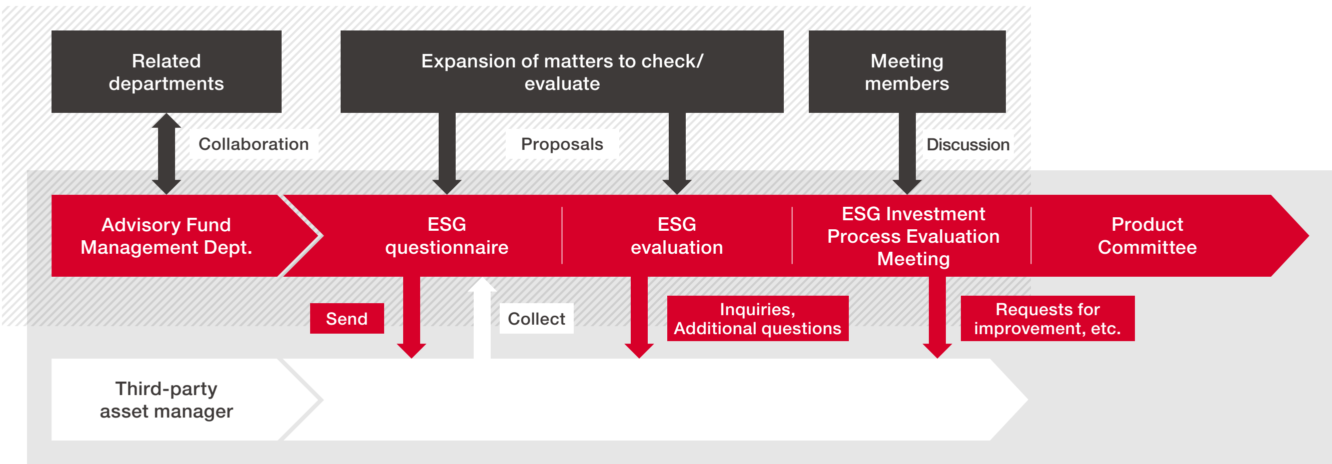
The qualitative evaluations are performed based on the seven investment styles identified by the Global Sustainable Investment Alliance (GSIA): corporate engagement and proxy voting, ESG integration, negative screening, positive screening, norms-based screening, sustainable-themed investment, and impact investing. In 2022, we added third-party asset managers' response to climate change and other ESG issues as well as cooperation with various initiatives as new items subject to evaluation.

In 2023, we engaged an external organization to provide consulting on our qualitative assessments, allowing us to receive evaluations from a third-party perspective. This has led to further improvements in our evaluation criteria, including the addition of new items such as initiatives related to human rights, biodiversity issues, and ESG risks. With these improvements, we are now able to perform more concrete checks, including of detailed information on ESG investments by third-party asset managers and the status of initiatives on a wider range of ESG issues.

Our efforts targeting third-party managed funds have been assessed externally, and in the 2024 annual evaluation by the Principles for Responsible Investment (PRI), our scores for equities and fix incomes improved from four stars to five stars(Please refer to P17 regarding the detailed results of the PRI annual assessment).

Going forward, disclosure rules related to ESG investment in countries around the world are expected to become more stringent. We will closely monitor the situation surrounding ESG investment and incorporate any necessary assessment items as we maintain and improve the quality of third-party managed ESG funds.

Qualitative Evaluation Process for ESG Funds



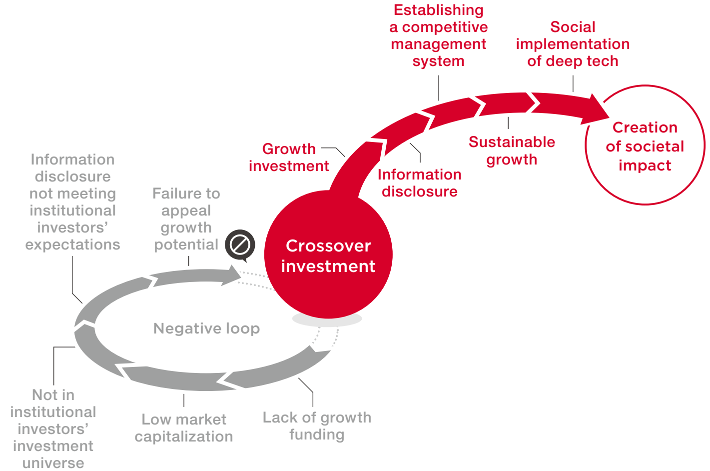
Responsible Investment: Our New Chapter in the Private Market

Structural Issues in Japan's Capital Markets

In March 2023, the Tokyo Stock Exchange communicated to all companies listed on the Prime and Standard markets regarding "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," based on discussions from the Council of Experts Concerning the Follow-up of Market Restructuring. This was in response to concerns that listed companies are not appropriately implementing capital policies and human capital investments with consideration for capital costs and capital profitability. This has resulted in a lack of sustainable growth, and consequently, stagnation in industrial renewal and innovation, which is contributing to economic decline. In addition, the Council also pointed out that Growth Market-listed companies need to enhance their information disclosure regarding growth strategies as well as their progress on such strategies in order to attract risk capital and realize high growth potential. These issues—namely, the lack of consideration for capital costs and capital profitability, the absence of sustainable growth strategies, and insufficient information disclosure—align with our long-standing recognition of the challenges in Japan's listed markets, as observed through our engagement with investee companies. It can be inferred that there are two factors arising from a structural challenge that crosses the private and public markets.

The first is the issue of "market depth." After being founded, companies raise funds for purposes such as research and development, capital investment, securing talent, and business expansion. They face difficulties such as lack of capital, market uncertainties, and intensified competition as they navigate the so-called "valley of death" from the seed and early stages to the mid-stages of growth, consequently, some companies consider going public as an option to pursue further growth. However, the Japanese market is confronted with the problem of having an extremely small number of capital providers connecting the private and public market during the later stages and post-IPO growth market compared to other countries. As a result, many companies fail to secure the necessary funding for growth investments, and end up going public without having reached a sufficiently large scale. In fact, 75% of companies that went public in the Growth Market from 2014 to 2020 had a market capitalization of less than 20 billion yen at the time of listing, with over 80% of them remaining below that threshold afterward. This has made it difficult for institutional investors, who target companies with market capitalizations of several hundred billion yen or more, to invest in them. There is a demand for funding that bridges the disconnect between the two markets and deepens the market.

The second issues is the problem of inadequate preparation brought about by the market disconnect. Venture capitalists (VCs) and investment banks, who have been "insiders" accompanying the company's growth before going public, usually disappear at the time of the IPO, leaving the company to face a multitude of "outsider" shareholders, such as institutional investors, who judge corporate value based on public information. Those newly listed companies may have an insufficient understanding of corporate governance and information disclosure expected by the public market, which could lead to a failure to effectively communicate their growth potential, as recognized by insiders, to outsider institutional investors. This situation may be attributed to the insufficient understanding of the post-IPO environment by private market investors, due to the disconnect between the private market and the public market. Consequently, institutional investors may not be able to accurately assess the company's growth potential and the likelihood of future cash flows, which prevents them from making investments. This can lead to a stagnation in the company's post-IPO market capitalization, and may result in a decrease in contact with institutional investors. Thus, the disconnect between the two markets may lead to stagnation in market capitalization both before and after a company goes public, along with creating information asymmetry between insiders and outsiders, resulting in a negative loop.



Building an Ecosystem to Transform Japan

In the "Policy Plan for Promoting Japan as a Leading Asset Management Center" announced by the Japanese government in 2023, promoting the supply of growth capital to startups is positioned as one of the priorities for achieving sustainable economic growth in Japan along with diversification of managed assets. In particular, there are growing expectations for startups with deep tech* that can

*Scientific technologies with the potential to impact society, such as solving economic and societal issues through the realization of commercialization and social implementation are achieved.

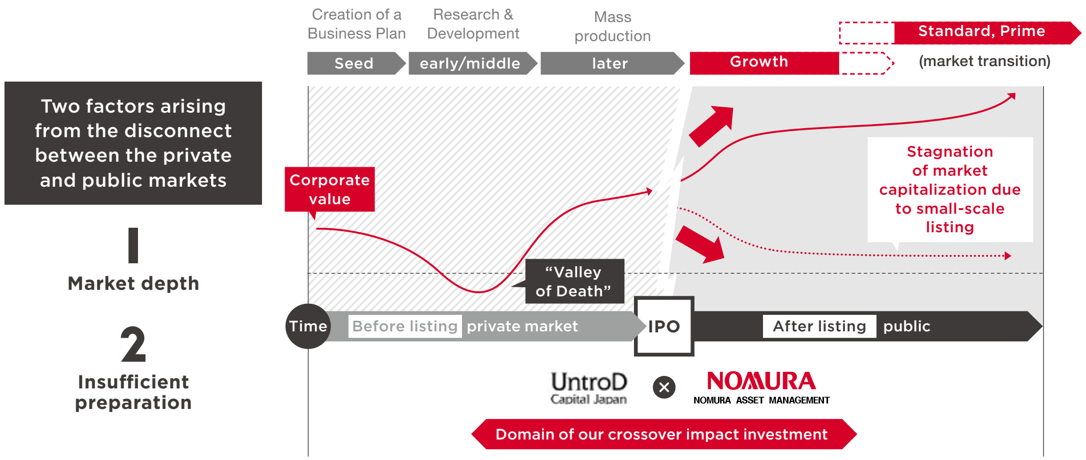
provide innovative solutions targeting various challenges facing Japan, such as declining birth rates and an aging population, climate change, natural disasters, and regional revitalization. In fact, according to the results of the "Survey on University-originated Ventures for FY2023" published by the Ministry of Economy, Trade and Industry, the number of university-originated venture companies expected to bring innovation to the economy and society increased to 4,288 companies in 2023, up 506 from the 3,782 identified in FY2022, marking a record high in both the absolute number and the annual increase.

The technologies and solutions needed to make society better become meaningful only when they are implemented in the real world. Therefore, it is necessary to go beyond the research stage and secure capital and excellent management teams to foster growth. For deep tech startups, including university-originated venture companies, continuous support from investors is essential to achieve sustainable growth and become a vital part of society. It is necessary for institutional investors to invest in startups before they go public, creating a deeper market and building an ecosystem that seamlessly connects the pre- and post-IPO markets to eliminate the disconnect.

Crossover Investment to Unlock Japan's Future

We believe that providing capital to technologies that transform and nurture a thriving society from the pre-IPO stage and supporting the establishment of both competitive management structures and information disclosure will lead to healthy market growth and a prosperous society. Therefore, we have started to collaborate with UntroD Capital Japan, Inc., a VC firm specializing in deep tech investment, to initiate impact-driven crossover investments. The strategy adopts a crossover investment approach involving investment in startups with deep tech from the pre-IPO stage and continuing to support their growth post-IPO, aiming to solve societal issues and bring positive impacts to society through impact investments. This combination of the three elements of deep tech, crossover and impact is a new endeavor in Japan.

It has conventionally been perceived that addressing social issues involves a trade-off with corporate growth and profitability. We believe that solving societal issues means developing new markets, and that appropriately reflecting the scalability of those markets in management strategies leads to sustainable corporate value enhancement and larger investment returns. The "Grand Design and Action Plan for a New Form of Capitalism" revised by the Japanese government in June 2024 stipulated that "The consideration of non-financial factors, including impact, when making investments does not constitute 'consideration of irrelevant matters,' similar to ESG considerations." Furthermore, it positioned the promotion of impact investments that pursue both the resolution of societal issues and economic returns as top policies, which was a strong message for us. We consider enhancing our clients' investment returns and creating a society where both our clients and future generations can enjoy prosperity as fulfilling our fiduciary duty, and we engage in impact investments with this in mind. We also believe that connecting the future envisioned by startups aiming to solve societal issues with the future desired by our clients is a role of an investment fund.



Building on a Decade of Progress: Embracing New Challenges in the Private Market

Together with UntroD Capital Japan, Inc., we will identify promising startups and execute investments. By combining our long-cultivated methods for enhancing the value of listed companies with UntroD's extensive knowledge in venture capital investment in the deep tech field, we will support the development of growth strategies focused on capital costs and profitability, strengthen corporate governance systems, and enhance information disclosure from the pre-IPO stage. Additionally, we will continue to hold shares post-IPO to provide growth capital and support the establishment of corporate structures that adequately meet the expectations of the public market, thereby achieving sustainable growth for deep tech companies.

As we celebrate the 10th anniversary of the establishment of the Responsible Investment Department in April 2016, we will embrace the new challenge of responsible investment in the private market. Our goal is to expand the investment chain into the private market and revitalize Japanese society. We are looking forward to keeping you posted on future developments.

ENGAGEMENT

We engage in constructive dialogue with companies to promote their continued value creation and sustainable growth

Basic stance on engagement

Engage in dialogue with a cordial and constructive attitude	Work to understand non-financial information, including companies' efforts to address ESG issues, and the strategies and philosophies behind them	Listen to the views of portfolio companies on the efficient use of capital, and communicate our thoughts	When a serious scandal or accident has occurred, promote sound management by hearing the causes and measures to prevent recurrence

Our Idea of Constructive Dialogue with Portfolio Companies

We have established a basic policy for engagement as part of our responsible investment policy formulated by the Responsible Investment Committee, the highest decision-making body for responsible investment.

We believe that engagement, or constructive dialogue with portfolio companies, starts with a thorough understanding of the target company and its business environment as well as its future. We also view engagement as one of the most powerful means to fulfill our stewardship responsibility.

Summary

In order to promote engagement activities, we established the Engagement Department in 2021 (which was restructured as the Sustainable Investment Strategy Department in 2025). Over the past three years since its establishment, we have generally set engagement goals for more than 350 key target companies, and we have steadily observed the results of our engagement efforts. The chart below shows the progress of our milestones for 2024. This year, we have also seen over 100 new engagement goals progress to the “completed” status, along with the “corporate change” that we were hoping for.

On the other hand, there is a growing expectation for the engagement activities of institutional investors to enhance the corporate value of Japanese companies as a whole. In light of these voices, we are not just keeping our engagement activities as they are but continuously updating and improving them on a daily basis.

To enhance the effectiveness of our engagement activities, we are advancing escalation measures. We are fostering “corporate change” not only through dialogue with IR representatives and the management team (executive side) but also through discussions with outside directors who lead the “supervision of management” and by reflecting these insights in our proxy voting.

This year, we focused on initiatives known as “deep engagement.” With anticipated statutory amendments and other developments, we expect to be able to undertake more in-depth engagement activities. Therefore, we have set key target companies for engagement by sector and are advancing discussions with each company regarding industry restructuring and business portfolio reform. In this report, we introduce engagement examples from the chemicals and watch industries as symbolic cases.

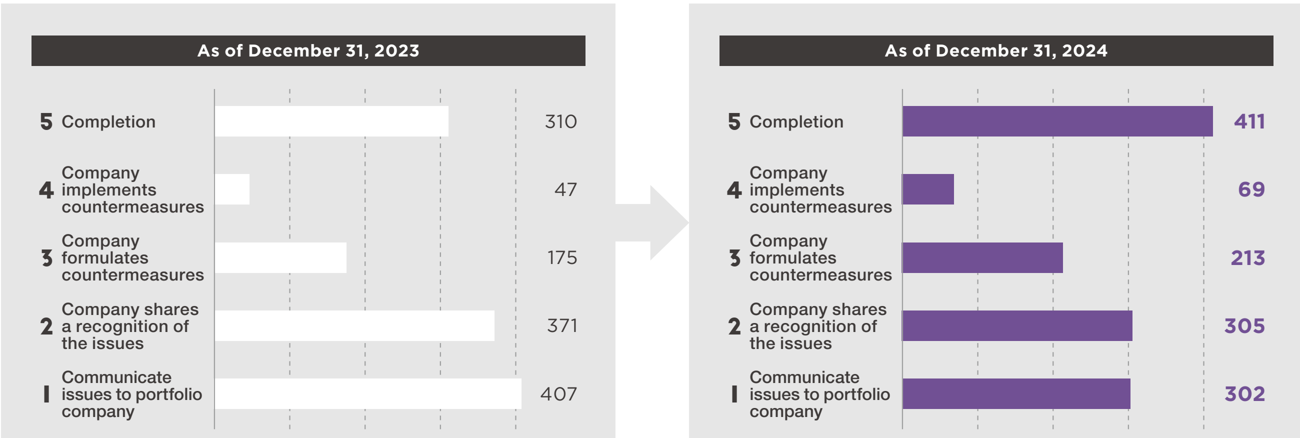
Regarding impact measurement, which has garnered high interest from diverse stakeholders, we are continuously improving our measurement model and other aspects. This year, we take pride in having achieved statistical significance using Tobin’s Q, a key indicator of corporate value, as one of our accomplishments.

As attention on institutional investors’ engagement activities continues to grow, we will continue to review and enhance our activities. With the advancement of digital transformation (DX) in companies, the impact of digital risk management on corporate value is increasing more than ever. Therefore, we have added “Digital Risk Management in a Digital Society” as a new focus theme for 2024.

Additionally, as we expect an increase in dialogue between Japanese companies and institutional investors, we are undertaking initiatives that will help facilitate communication opportunities for small and medium-sized enterprises (SMEs), which have typically had limited access to such dialogue.

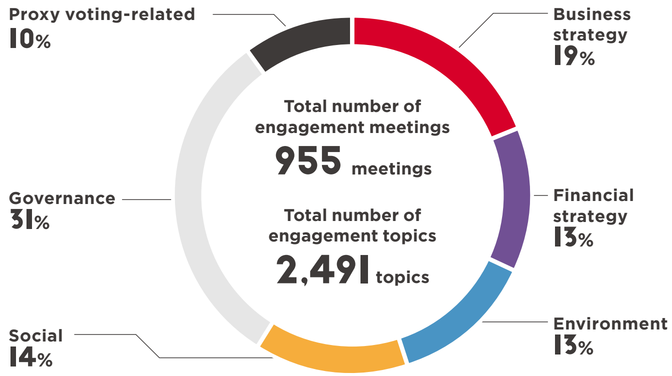
In fulfilling our stewardship responsibilities, the importance of engagement activities is becoming increasingly clear. Moving forward, we will continue to enhance the level of sophistication of our engagement activities by promoting them while simultaneously closely examining and expanding the content of these activities.

Status of Milestone Management*



*Check the progress of milestones regarding engagement goals that have been set as of the end of December 2023.

2024 Engagement Meetings



*Breakdown of engagement meetings throughout 2024 (number of topics)

Engagement Process

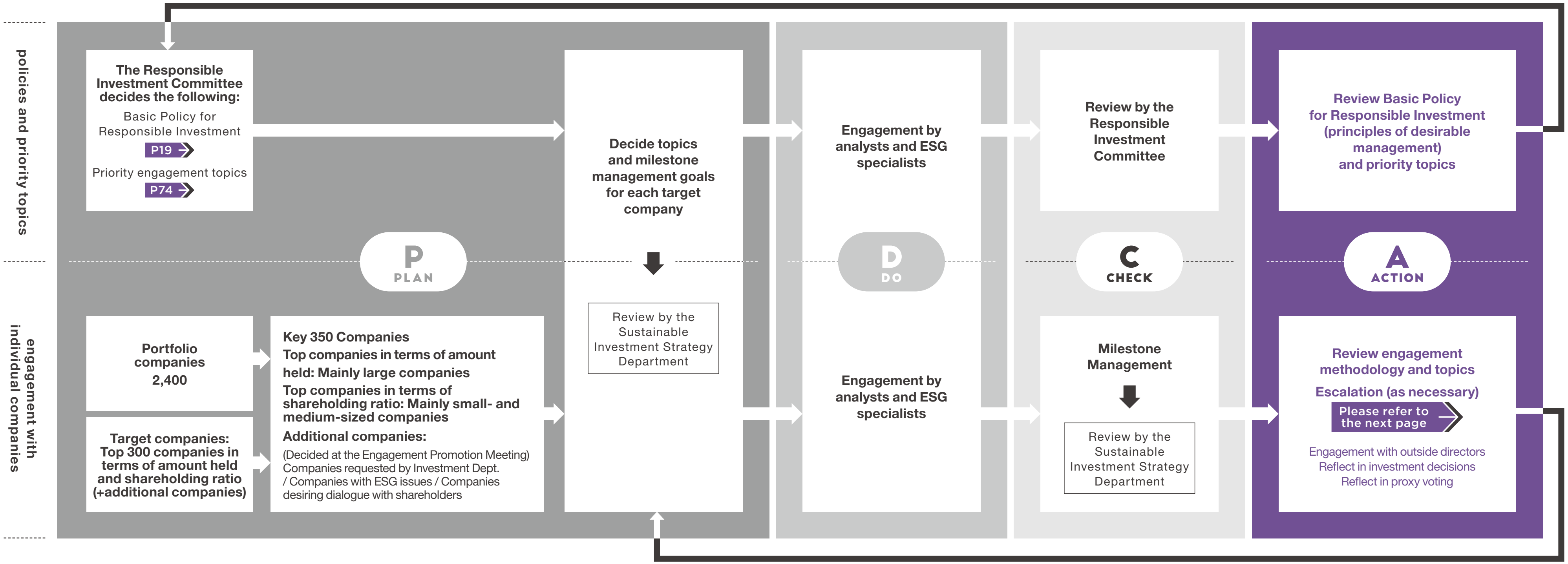
Our engagement activities are driven based on the “Basic Policy for Responsible Investment” and the “Priority Engagement Topics,” which have been established by the Responsible Investment Committee. These priority topics encompass a wide range of topics, spanning from business and financial strategies to ESG issues such as environmental, social, and governance challenges.

Engagement with individual companies is carried out in accordance with these basic policy and priority topics. For the “Key 350 Companies”, which are selected taking into account factors such as market capitalization, we establish engagement activity policies (engagement goals) for each company. Analysts, ESG specialists, and portfolio managers participate in the Engagement Promotion Meeting, where multi-faceted discussions are held to set goals.

After the engagement goals are set, engagement is carried out by the assigned analysts and ESG specialists. The progress of the engagement is monitored and managed through milestones, and for goals that are showing insufficient progress, we will review the goals and change the engagement methods (such as escalation measures).

The “Basic Policy for Responsible Investment” and the “Priority Engagement Topics” are regularly reviewed based on the industry environment and our engagement progress. Both the “policies and priority topics” and “engagement with individual companies” follow a PDCA (Plan-Do-Check-Act) cycle to ensure a structured and effective process.

Promoting the PDCA Cycle in Engagement Activities



Escalation Process

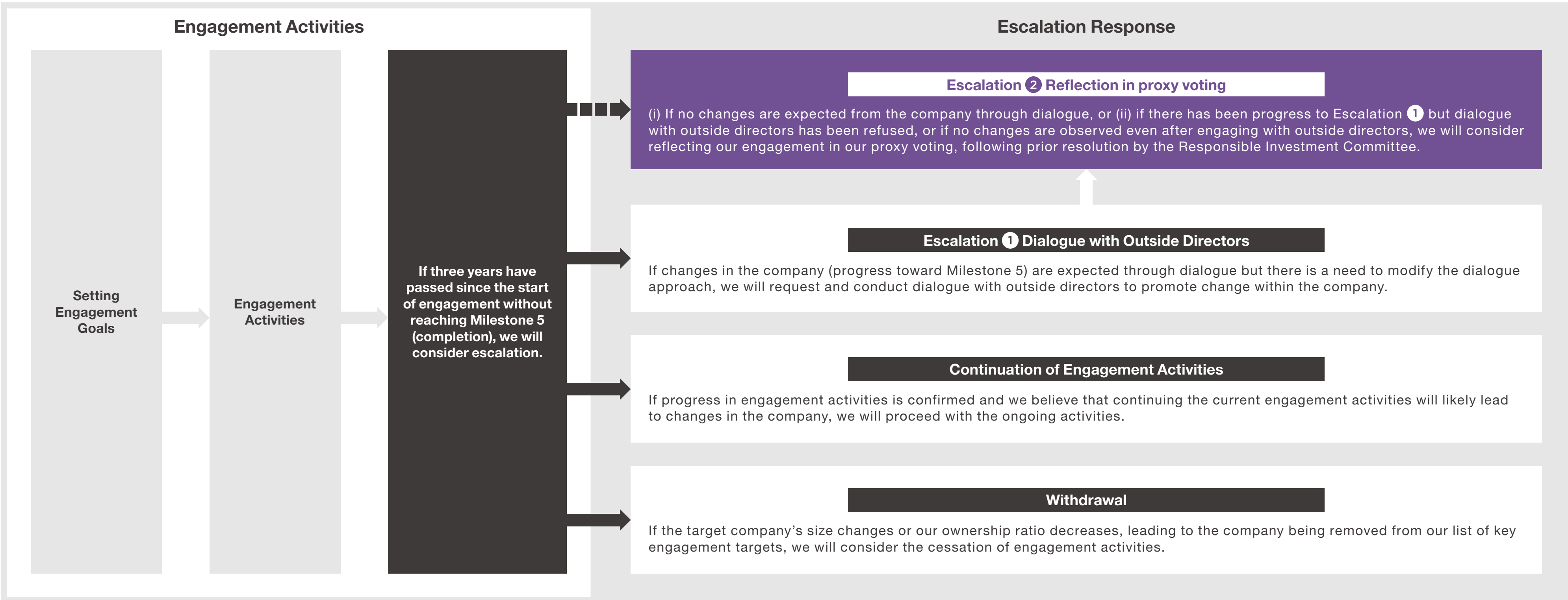
The foundation of our engagement activities is constructive dialogue with the target companies. However, if no changes are expected from the companies after the engagement activities have been implemented, we will consider changing our engagement approach.

The chart below outlines our escalation process. If no expected changes are observed in a company after three years of engagement, we will consider escalation.

Escalation 1 involves dialogue with outside directors. Compared to executive officers and inside directors, outside directors hold a more neutral position. The goal here is to share the challenges faced by the company and the necessity of promoting solutions through discussions with outside directors, who lead the "supervision of management."

Escalation 2 involves reflecting our engagement in proxy voting. If ongoing dialogue with various company representatives (inside and outside directors, the president/CEO, and IR officers) do not lead to expected changes, we will consider reflecting our engagement in proxy voting, following prior resolution by the Responsible Investment Committee. As mentioned earlier, escalation measures are a last resort in engagement activities, and instances of escalation are infrequent; however, we have already carried out proxy voting based on our engagement activities.

Overview of Our Escalation Process



Deep Engagement

(Industry Restructuring) Chemical Industry

– Challenges and Strategies in the Chemical Sector

Capital Efficiency

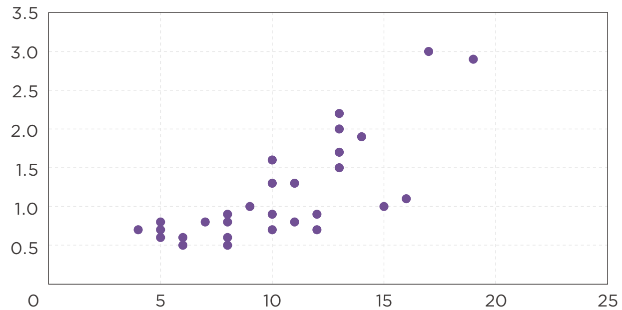
In the chemical industry, particularly among diversified chemical manufacturers comprising a wide range of supply chains from upstream to downstream, low capital efficiency has resulted in stagnant corporate value, with many companies facing a price-to-book ratio (PBR) below 1.0.

This issue can be attributed to a lack of effective transition from an era characterized by "if you produce it, it will sell" to one focused on "quality over quantity." We believe that collaboration across the industry is essential for the future development of a platform and the greening of naphtha cracker operations.

Nomura Asset Management, as a medium- to long-term investor, is promoting engagement aimed at improving asset efficiency across the entire Japanese materials industry and enhancing capital efficiency through business portfolio reforms. Our goal is to increase the corporate value of the chemical industry, the backbone of Japan's materials sector. Additionally, we are advocating for the incorporation of capital efficiency indicators such as ROE and ROIC into performance-linked KPIs for director compensation, aiming to enhance governance.

ROE and PBR in the Chemical Industry

PBR (Times: Vertical Axis) vs. ROE (%: Horizontal Axis)



Medium-Term Growth

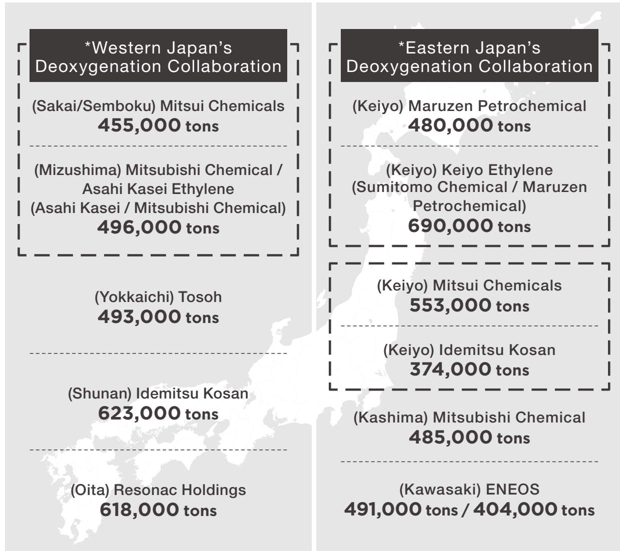
We have performed analysis concluding that chemical manufacturers possess various technologies from upstream to downstream and not only provide their materials to a wide range of industries but can create innovations by combining their materials to generate new added value.

However, recently announced structural reforms have often focused on short-term profits, leading to cuts in research and development budgets and investments necessary for future growth, as well as restructuring that undermines the overall strength of the supply chain. This trend has a strong correlation with the stock market's propensity to support short-term restructuring measures, which poses a risk of diminishing Japan's overall materials supply capabilities.

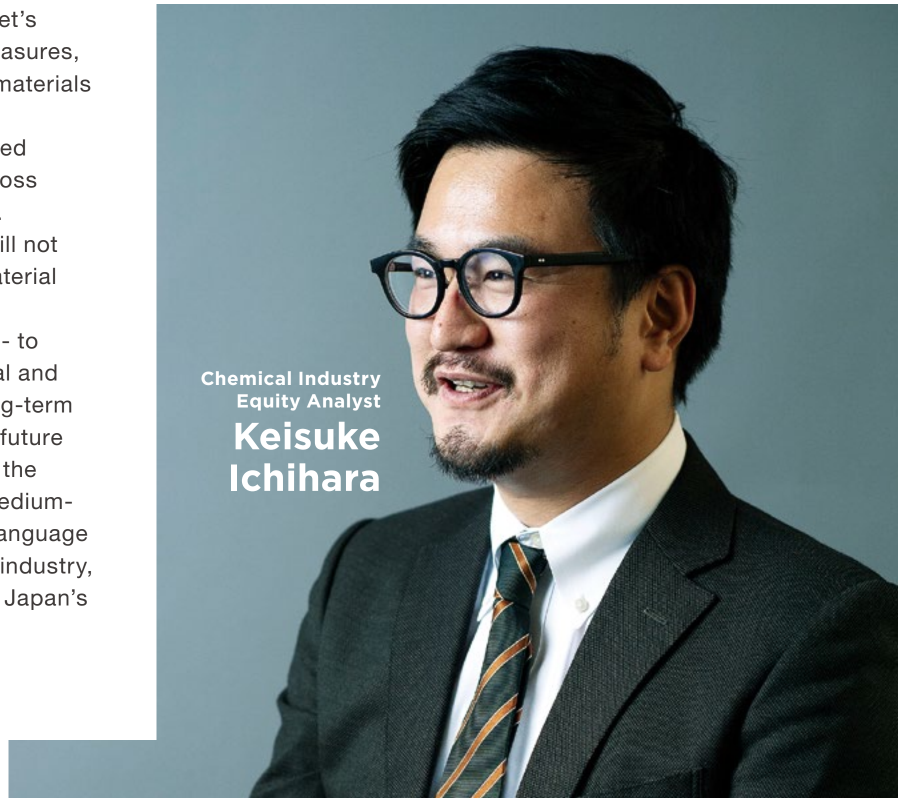
The chemical industry is intricately interconnected within its integrated manufacturing complexes across upstream, midstream, and downstream segments. Consequently, simply halting certain operations will not achieve medium-term profit growth, as various material balances must be maintained.

Nomura Asset Management engages in medium- to long-term dialogue with companies in the chemical and materials sectors, discussing their medium- to long-term strategies, core technological competencies, and future growth stories. Our analysts, with backgrounds in the chemical industry, facilitate the development of medium- to long-term growth narratives by translating the language of the capital markets and the chemical/materials industry, thereby striving to enhance the corporate value of Japan's entire chemical and materials sector.

Ethylene Complexes in Japan



*As of March 2025



Precision
Equipment Industry
Equity Analyst
Feng Yichun

Deep Engagement

(Business Portfolio Reform) Precision Equipment Industry

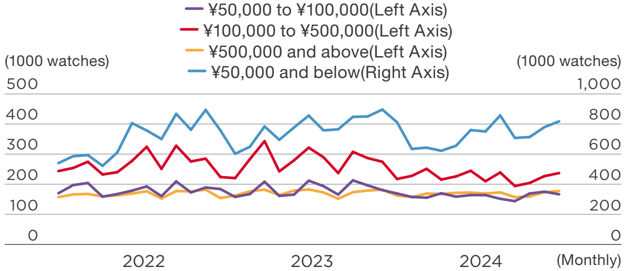
– Vertical Integration Strategy in the Watch Industry

Trends in the Wristwatch Market

Global wristwatch production is just over one billion units annually, of which Swiss exports account for about 10-20% of the total volume. However, in terms of monetary value, Swiss watches represent more than 50% of the global market, highlighting their high added value. Looking at Swiss watch export volumes over the past decade, there has been a declining trend since peaking between 2011 and 2014. Nonetheless, the export quantity of mechanical watches has not significantly decreased, and the average selling price (ASP) has been rising. This indicates that the watch market, especially the luxury watch segment, still holds potential for growth.

Analyzing market trends by price range, sales of mid-range watches priced between ¥100,000 and ¥500,000 have shown a decreasing trend, while sales volumes of luxury watches priced over ¥500,000 and affordable watches priced below ¥100,000 remain robust. Even if 2024 turns out to be a market correction year, this polarized market trend is expected to continue. Consequently, strategies are needed for high-end product offerings in the middle-to-high price range and a focus on cost performance for products in the middle-to-low price range.

Swiss Watch Export Volume Trends (By price range)



(Source) Created by Nomura Asset Management based on data from the Swiss Federal Customs Administration's foreign trade statistics.

Current Challenges

- Company S: Profitability of non-premium products is difficult to improve due to low in-house production rates.
- Company E: The watch business primarily focuses on OEM for Company S, making it challenging to raise margins.

Our Proposal

As a hypothesis to address this issue, we propose that Company S acquire Company E's watch business.

Expected Benefits

- Company S: Improvement in the profitability of non-premium products due to an increase in the in-house production ratio.
- Company E: Shed low-profitability businesses and then can focus management resources on growth businesses

Example of Proposal from Nomura Asset Management

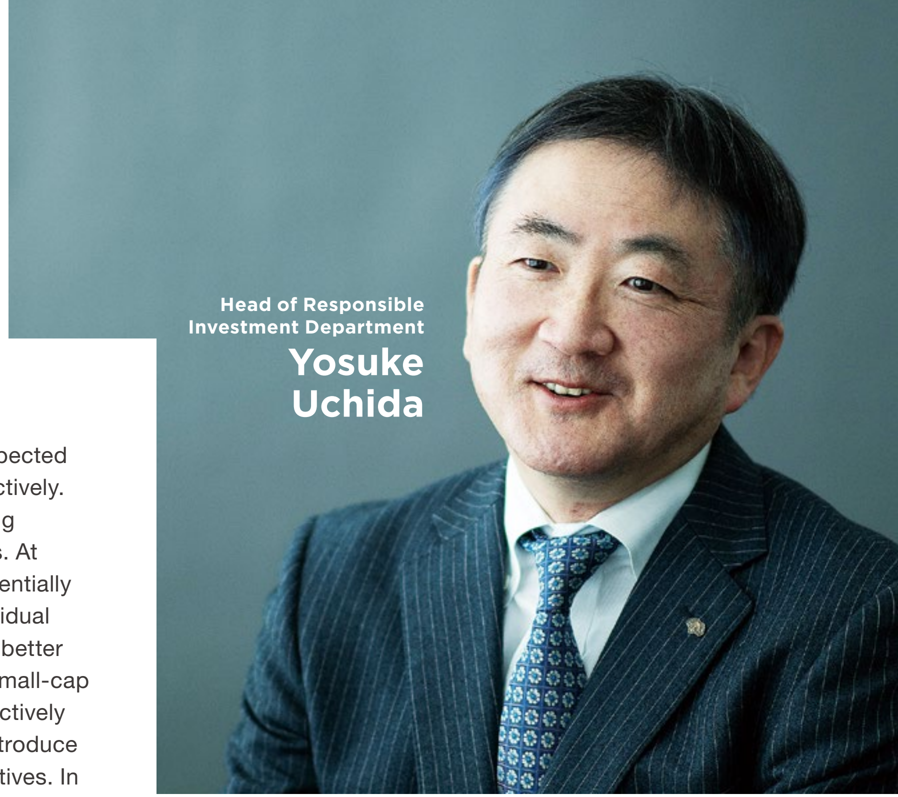
The luxury watch market is already consolidated among several brands, with each brand's strategy functioning effectively, resulting in no significant issues. On the other hand, companies producing watches in the mid-price range and below need industry-wide structural reforms to enhance growth potential and profitability.

In the Japanese watch market, while there are companies with strengths in high-priced products, some companies continue their watch business without improving profit margins. One such example is Company S.

Company S has seen a profitability improvement in its watch division in recent years, attributed to an larger proportion of premium products (high-priced items). Company S has successfully implemented its high-end watch strategy, resulting in overall performance improvement. However, profitability improvements for non-premium products have been slow, particularly due to low in-house production rates, which negatively affect cost efficiency. Company E supplies watches to Company S through OEM. Company E primarily operates three business segments, but the watch-related segment has been sluggish. This situation creates a contradiction, leading to challenges where Company S's non-premium products struggle to improve profitability due to low in-house production rates, while Company E's watch business, largely based on OEM for Company S, faces difficulties in improving margins.

In this regard, we proposed a strategy where Company S acquires Company E's watch business. This acquisition is expected to improve the profitability of non-premium products for Company S through an increase in in-house production rates. On the other hand, by separating from the low-profitability business, Company E would be able to concentrate its management resources on growth businesses.

Initiatives for Enhancing Dialogue with Small- and Medium-Sized Enterprises



Head of Responsible Investment Department
Yosuke Uchida

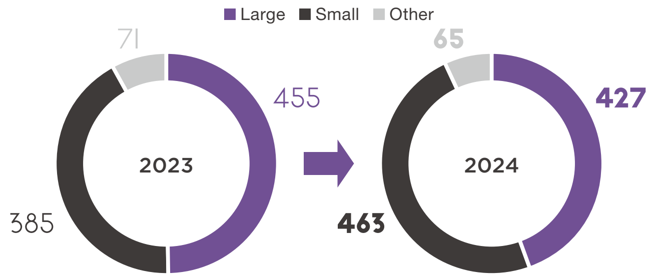
We have primarily focused our engagement efforts on the "Key 300 Companies," which are significant for us due to our high ownership stakes in them. Consequently, this has mainly involved large companies whose shares are heavily held by passive funds. However, we are now expanding our target to include approximately 50 small- and medium-sized enterprises (SMEs) that have requested engagement from active funds. Following recent legislative changes, we have begun to encourage initiatives aimed at enhancing corporate value through more in-depth dialogue and recommendations. SMEs are more significantly affected by individual factors than by semi-macro or industry-wide factors, and we believe that our company can leverage its strength, given the wealth of experience among our Japanese equity investment and research professionals.

Currently, with the revision of market classifications on the Tokyo Stock Exchange, listed companies are expected to address capital costs and stock prices more effectively. However, SMEs have expressed difficulty in obtaining opportunities for dialogue with institutional investors. At present, our company is committed to receiving essentially all requests for dialogue and engagement from individual companies. In practice, many SMEs seek advice on better information disclosure and integrated reports. Our small-cap investment managers and engagement specialists actively engage with SMEs by participating in seminars to introduce proxy voting standards and stock selection perspectives. In our efforts to revitalize the Tokyo Stock Exchange's Growth Market, we are beginning to provide advice on equity story development prior to listing, as well as follow-up post-IPO, thereby helping to energize Japan's IPO market.

The Current State of Dialogue with Small and Medium-sized Enterprises and Solutions

Current Challenges	In the Japanese equity market, there is an ongoing initiative to enhance dialogue between issuing companies and institutional investors. However, the following issues have emerged: ① Some issuing companies, particularly small- and medium-sized enterprises (SMEs), have reported a lack of opportunities for dialogue with institutional investors. ② Institutional investors are unable to allocate resources (such as time to spend on pre-research and individual interviews) to companies that offer limited investment potential or appeal.
To address these challenges, we suggest the following:	■ Equity Story Development: Issuing companies prepare equity stories that resonate with institutional investors, including the formulation of medium-term management plans or comparable disclosures. ■ Targeting Small-Cap Fund Managers: Instead of reaching out to analysts who cover a wide range of stocks, companies aim to contact small-cap fund managers who may express interest.
Our Support Measures for Problem Solving	■ Host Workshops: We will hold workshops featuring our investment managers. During these sessions, we will share insights on stock selection criteria with issuing companies, providing them with guidance for crafting their equity stories. ■ Crossover Engagement: For companies before and after their IPOs, we will implement crossover engagement that includes advice before listing and follow-up support afterward.

Engagement Count by Company Size Based on Russell/Nomura Classification* Engagement Count



*Russell/Nomura Japan Equity Index
This index consists of stocks that account for the top 98% of cumulative free-float adjusted market capitalization among all listed companies. Stocks in the top approximately 85% by free-float adjusted market capitalization are classified as Large Cap, while those in the bottom 15% are classified as Small Cap.

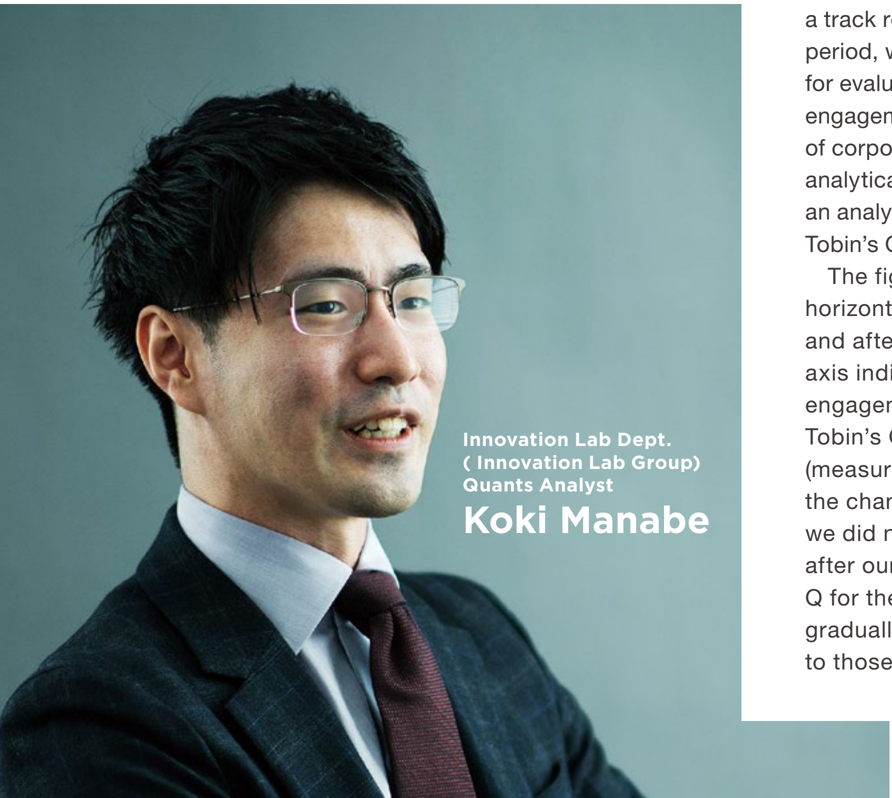
Measuring the Effects of Engagement Activities

Contributing to Long-Term Corporate Value Enhancement

Features of the 2024 Analysis

1 › Incorporation of the framework proposed in the latest academic paper*1 on econometrics, allowing for the tracking of temporal changes in engagement effects.

2 › Confirmation of the positive impact of engagement activities on Tobin's Q.



Innovation Lab Dept.
(Innovation Lab Group)
Quants Analyst
Koki Manabe

Engagement is an important social duty required of asset management companies, including us, aimed at fostering sustainable growth of investee companies and expanding the medium- to long-term investment returns for beneficiaries through constructive dialogue. In fulfilling this responsibility, it is essential to maintain an ongoing evaluation and improvement posture regarding these activities, alongside the individual engagement efforts we have previously introduced. Our Advanced Technology Research Department for Asset Management continues to accumulate data from past engagement activities and is engaged in efforts to quantitatively measure and analyze engagement effects.

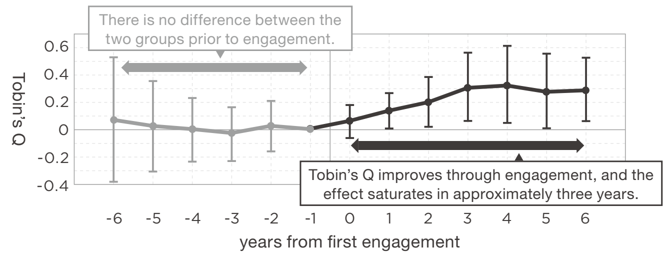
In the FY2024 project, considering that we have built up a track record of engagement activities over an extended period, we focused on Tobin's Q,*2 a widely used indicator for evaluating corporate value, to verify whether our engagement activities are linked to long-term enhancement of corporate value. For this purpose, we expanded the analytical framework used in previous years and conducted an analysis to decompose and visualize the impact on Tobin's Q before and after engagement over time.

The figure on the right shows the outcome . The horizontal axis represents the passage of years before and after the engagement commenced, while the vertical axis indicates the engagement effect on Tobin's Q. The engagement effect is measured using the change in Tobin's Q for the group of companies we engaged with (measured against the period just before engagement) and the change in Tobin's Q for the group of companies that we did not engage with. The figure on the right shows that after our engagement began (in black), the level of Tobin's Q for the companies that we engaged with increased gradually over approximately three years compared to those that we did not engage with. Furthermore, we analyzed the period before the engagement began (in gray) and confirmed that there was no statistically significant difference between the two groups, indicating that the positive engagement effect (represented by the black line) is not due to any pre-existing trends. These results suggest that our engagement activities contribute to the long-term enhancement of corporate value and that achieving this enhancement requires several years. We are proud that this underscores the importance of our ongoing engagement activities.

However, as noted, it remains a challenge to isolate the effects of our engagement activities alone, which remains an analysis issue from the previous year. Addressing these challenges, we will continue to accumulate data and measure impact, using the insights we gain to improve future engagement activities.

Effects of our Engagement on Tobin's Q

pretrend pval=0.37, overall att=0.19



The fiscal year in which engagement was first conducted is aggregated as -1 to 0.

Note: The engagement records for the fiscal years 2016 to 2021 and the Tobin's Q data for the periods before and after, including 2013 to 2024, were used. The horizontal axis represents the years before and after the engagement commenced, while the vertical axis indicates the estimated effect of engagement. The analysis focuses on the group of companies comprising the TOPIX 500.

*1 B. Callaway and P. H. C. Sant'Anna, J. Econom. 225, 200 (2021).

*2 Tobin's Q is defined as (Market Capitalization + Interest-Bearing Debt) / Total Assets.

Engagement with the Food Industry

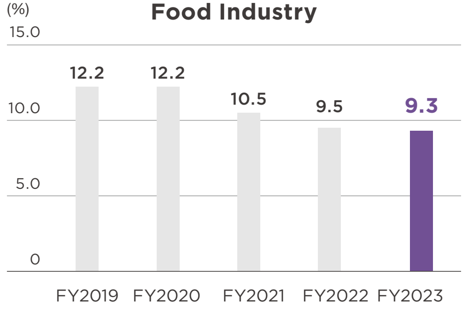
In the food industry, as of the end of December 2024, out of 67 companies listed on the Prime Market (TOPIX sector: Food), 58 have disclosed measures related to "realizing management with consideration for capital costs and stock price." However, 27 of these companies have a PBR of less than 1.0. While senior management teams' have clearly become more aware of capital costs and stock prices, it is also true that there is a disparity in the level of disclosure regarding the measures taken, indicating significant potential for enhancing corporate value through engagement activities.

In terms of strategically held stocks and the ratio of net assets, the food sector ranks second after banks among the 17 sectors on the Tokyo Stock Exchange, with the median ratio of net assets being relatively high (according to a survey by Azusa Audit Corporation). There are even companies with a net asset ratio exceeding 20%. Due to a growing awareness of improving capital efficiency, there has been a trend toward selling strategically-held shares in the food industry in recent years; however, unfortunately, the speed of this change has been lacking. We are actively reassessing non-operational assets that do not contribute to corporate value enhancement and engaging with companies to redirect more capital toward growth investments and shareholder returns.

The food industry is highly dependent on natural capital. As the number of food companies disclosing information based on the TNFD recommendations increases, there has been progress in understanding the impacts, risks, and opportunities related to nature on food companies, leading to improvements in their disclosures.

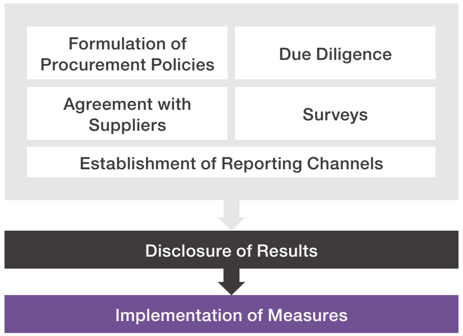
Building a sustainable supply chain requires comprehensive efforts involving the entire supply chain to ensure traceability and comply with regulations and laws. It is essential for companies to engage with primary and secondary suppliers not only to address risks related to the depletion of raw materials and natural resources, as well as climate change risks, but also to recognize and mitigate risks associated with human rights and labor issues, as well as geopolitical risks. We are committed to strengthening engagement initiatives aimed at these efforts.

Strategically-held Stocks and Net Asset Ratios in the Food Industry



*Average of 30 major food companies excluding Japan Tobacco Inc. and Suntory Beverage & Food Limited
(Source) Created by Nomura Asset Management

Key Points for Engagement on Supply Chains



Engagement with the Food Industry

Engagement by Analysts

We believe that when the ratio of strategically-held stocks and net assets exceeds 10%, it is highly likely to be a factor suppressing capital efficiency. As such, we have engaged in discussions primarily with food companies that fall into this category. Some companies have agreed to resolve cross-shareholdings (mutual sales of strategically-held stocks) upon request; however, they are not taking proactive steps to reduce their strategically-held stocks on their own. Additionally, we have encountered companies that are hesitant to reduce their strategically-held stocks due to concerns about deteriorating transaction terms unless their competitors first eliminate cross-shareholdings with their trading partners. We have discussed case studies where companies successfully reduced strategically-held stocks and shifted towards proactive shareholder returns, leading to enhancements in corporate value. Conversely, we have also highlighted companies with good business performance but facing stagnant stock price valuations due to concerns about declining capital efficiency.

While the overall level is still not satisfactory, the engagement efforts we have undertaken are beginning to yield results in some areas. As illustrated in the engagement case below, Nisshin Seifun Group Inc., despite having a strategically-held stocks and net asset ratio of over 10%, has taken a cautious stance on further reductions after selling a certain amount of strategically-held stocks. We pointed out that their weak commitment to capital efficiency is a burden on their stock price. Subsequently, Nisshin Seifun Group Inc. announced plans to increase both the scale and pace of their sales of strategically-held stocks in the second half of FY 2024, as well as an increase in their dividend payout ratio. While we view these developments positively, we would like to deepen our discussions on how the funds from these sales can be effectively utilized to enhance corporate value.

Engagement with Nisshin Seifun Group Inc.

Overview of Engagement

The medium-term plan indicates goals for capital efficiency and emphasizes the need for further reduction of strategically-held shares, even though efforts are already underway.

Company Response	Regarding the sale of strategically-held shares, we are reducing them in accordance with the goals set in the medium-term plan. While they have proceeded with caution due to our relationships with business partners, we acknowledge that the pace of reduction is not meeting the expectations of the capital markets and we want to take a more proactive approach.
Outcomes of Engagement	In the review of the medium-term plan in November 2024, the dividend payout ratio target was raised from over 40% to a target of 50%, and the reduction of strategically-held shares was increased from over 15 billion yen over three years to over 40 billion yen over five years, representing increases in both in scale and speed.

COMMENT

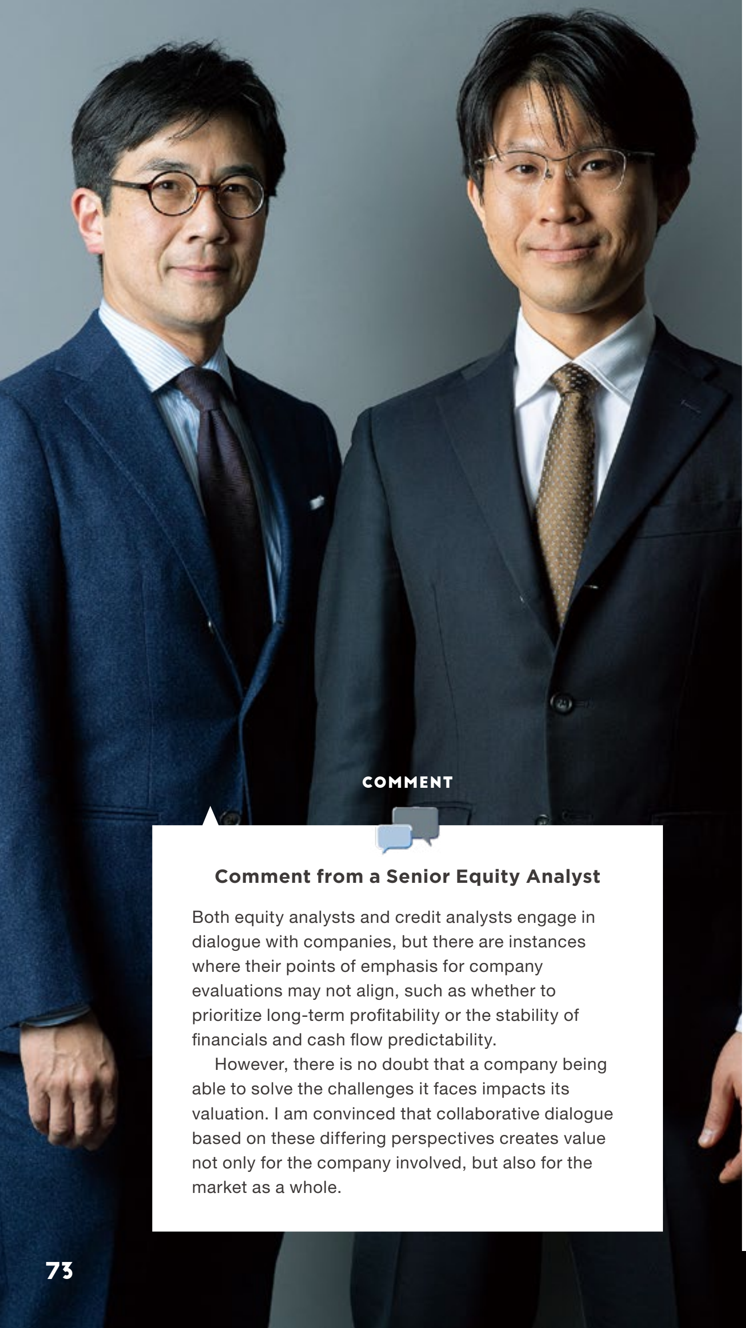
Nisshin Seifun Group Inc

We have been able to gain many insights through our quarterly communications with you, not only regarding the reduction of strategically-held shares but also in various other aspects. Moving forward, we will continue to listen to your opinions and work towards further improving capital efficiency and enhancing corporate value in response to changes in the capital markets and the external environment.

Food Industry Equity Analyst
Li Xiang

Senior Equity Analyst
Toshihisa Gamo

Senior Credit Analyst
Masaya Konagai



COMMENT

Comment from a Senior Equity Analyst

Both equity analysts and credit analysts engage in dialogue with companies, but there are instances where their points of emphasis for company evaluations may not align, such as whether to prioritize long-term profitability or the stability of financials and cash flow predictability.

However, there is no doubt that a company being able to solve the challenges it faces impacts its valuation. I am convinced that collaborative dialogue based on these differing perspectives creates value not only for the company involved, but also for the market as a whole.

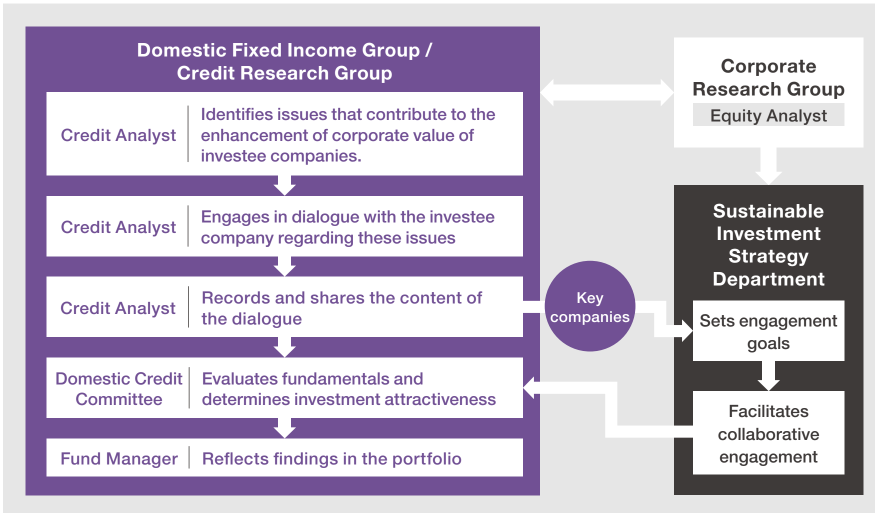
Fixed Income Engagement

In domestic credit investment, credit analysts identify issues that if improved would allow for a more bullish investment recommendation for their assigned securities, and engage in dialogue with issuers during individual meetings regarding these issues. When considering the challenges faced by issuers, credit analysts focus not only on financial soundness, which is paramount in bond investing, but also take into account the issuer's growth strategies and shareholder returns, emphasizing the enhancement of corporate value.

In this respect, we often provide opportunities for both credit analysts and equity analysts to engage in discussions with issuers during IR meetings. This allows credit analysts to consider issues that would lead to an enhancement of corporate value while also referencing input from the perspective of equity investors. For example, in a case where an issuer is experiencing deteriorating financials due to aggressive investments, we might propose solutions not limited to simply improving the company's financials, but rather suggest leveraging hybrid finance or bolstering its explanation of its financial policy.

Furthermore, for particularly important issuers, discussions are held from various perspectives by the Sustainable Investment Strategy Department, which includes both equity and fixed income portfolio managers and analysts, as well as ESG specialists. This department sets engagement goals and keeps track of progress using a common framework with the equity division. The details of dialogue with issuers and the status of engagement progress are shared and discussed at the Domestic Credit Committee, contributing to high-quality investment decisions.

Fixed Income Engagement Process



CASE

Machinery sector company M

The biggest challenge for company M, according to credit analysts, is its weak financial foundation, which is attributed to its aggressive investment stance. On the other hand, equity analysts pointed out insufficient control over cash flow, indicating a lack of alignment between the two perspectives. However, via thorough discussions, both parties reached the conclusion that the fundamental issue for company M lies in its financial strategy. We collaborated to engage in discussions with company M, requesting clarification on the optimal capital structure. While the dialogue has only just begun, the plan is to continue the engagement together moving forward.

Reorganization of Priority Topics

The priority topics for our engagement activities are reviewed annually. In 2021, we set advanced themes such as "Natural Capital" and "Human Rights Risks," and in 2022, we focused on "Solving Issues Towards a Well-Being Society," all aimed at promoting the sustainability of Japanese companies in the ESG domain.

For 2024, we established a new focus theme: "Risk Management in a Digital Society." Recently, digital transformation (DX) has been regarded as an essential issue for corporate growth, and there are high expectations for the application of cutting-edge technologies like AI in business settings. However, incidents related to personal data management and cybersecurity have been on the rise, alongside emerging challenges such as AI ethics. We recognize that risk management related to these issues is a crucial effort towards stable corporate value enhancement, and we will continue to demand appropriate responses, including the establishment of risk management systems in the digital field.

Category	Priority Topic	Topic Overview
1 **Business**	**Rational explanation of growth strategy**	■ Encourage rational explanations regarding strategies (including building the business portfolio) to achieve growth. ■ Request an explanation of risk management associated with the above strategy (identification of key risks aligned with the growth strategy, establishment and enhancement of risk management systems, and identification of materiality).
2 **Financial/ Governance**	**Strengthening commitment to capital efficiency**	■ Request a financial strategy aimed at achieving capital efficiency that exceeds the cost of capital (including setting capital costs based on stock price levels and fluctuations, and reducing strategically-held shares in consideration of dialogue with investors). ■ Seek commitment through executive compensation towards achieving capital efficiency that exceeds the cost of capital.
3 **Environment**	**Climate Change**	■ Request the setting of targets for achieving net zero and obtaining SBT certification. ■ Request information disclosure and explanations of business opportunities related to climate change in line with the TCFD recommendations.
4 **Environment**	**Natural Capital**	■ Request information disclosures in line with the TNFD, and explanations concerning risks and business opportunities related to biodiversity and the circular economy, aiming to achieve nature-positive outcomes.
5 **Social**	**Human Rights Risks**	■ Request the implementation of human rights due diligence, specifically the formulation of human rights policies, conducting human rights impact assessments and disclosing results, remediation measures, and integration into enterprise-wide risk management.
6 **Social**	**Human Capital with Diverse Values**	■ Request an explanation of the strategy related to human capital that aligns with growth strategies, including gender diversity and employee well-being.
7 **Social**	**Well-Being Society**	■ Request explanations of initiatives aimed at realizing a well-being society (e.g., addressing health issues such as access to medicine/nutrition, drug resistance), animal welfare, regional revitalization, and innovation utilizing digital technology). ■ Request disclosure of the impact towards realizing a well-being society.
8 **Social, Governance**	**Risk Management in a Digital Society**	■ Request responses to risks arising from digitization (e.g., addressing cybersecurity, ethical use of AI, and protection of personal information).
9 **Governance**	**Highly-effective Monitoring Board**	■ Encourage the transition to an effective monitoring board, whereby the board of directors primarily bears the responsibility of overseeing senior management through nominations and compensation.

Risk Management in a Digital Society

Recognition of Issues

In recent years, incidents related to personal data management and cybersecurity have been on the rise. Amid growing uncertainty, Japanese companies are required to address the risks associated with digitization. While some companies have made progress in addressing risks, information disclosure remains insufficient.

Examples of Engagement Activities

- ■ Enhancement of Overall Disclosure
- ■ Current status of policies and systems in place
  - □ Development and Disclosure of Information Security Policies ❶
  - □ Establishment of a Chief Information Security Officer (CISO) and relevant committee ❷
  - □ The CISO and committee oversee the entire group (and, if possible, the supply chain).
- ■ Incident Response: Particularly, the establishment of a Computer Security Incident Response Team (CSIRT). ❸

Global Equity Engagement

We continue to enhance our engagement activities for global equities as well. Companies are facing many global ESG issues, and collaboration with overseas investment teams is essential not only for engagement with overseas companies but also for engagement with Japanese companies. Because global equities encompass a large number of target countries and companies, we are leveraging the expertise of our investment teams around the globe, as well as utilizing outside resources, to optimize our engagement activities.

In 2024 our overseas offices conducted engagement on a total of 508 topics (the total number of engagements was 245). We divide engagement topics into a total of six topics: Business strategy; Financial strategy; Environmental; Social, Corporate governance; and Disclosure/Dialogue. The investment managers and analysts in each office decide the engagement topics and carry out engagement with companies.

Our engagement partner overseas is Morningstar Sustainalytics, and we either conduct collaborative engagement with Morningstar Sustainalytics or fully outsource engagement to Morningstar Sustainalytics (Refer to P78). In addition, we also make use of collaborative initiatives such as the Access to Medicine Foundation to carry out engagement alongside other asset management firms on specific topics (For details, please refer to P79-80).

Engagements with Global Equities

Total number of engagement topics by overseas offices

2024 **508** topics (245 meetings)

Engagements by Morningstar Sustainalytics*

2024 **384** meetings

	Ratio	Number of topics
Europe	16%	79
North America	30%	153
Asia and Emerging	54%	276
Total number of topics		**508**

* Target universe: MSCI ACWI ex Japan

	Ratio	Number of topics
Business strategy	6%	30
Financial strategy	5%	26
Environmental	37%	188
Social	18%	91
Governance	13%	68
Disclosure/dialogue	21%	105
Total number of topics		**508**

Example of Engagement at Overseas Offices (Case study about ultra-processed foods (UPFs))

NAM UK's Global Equity Team became increasingly concerned that certain Consumer Staples companies in our Global Sustainable Equity (GSE) strategy may be having a negative effect on the Mitigate the Obesity Epidemic goal with Big Food and UPFs fostering an environment in which obesity could be allowed to grow in prevalence. The term UPF is still relatively new and was popularly categorised by researchers in Brazil in 2009. These foods are the product of industrial processes in either the way they are formulated, constructed, or preserved. The category is broad and the foods are popular in many countries. In the UK, consumers obtain 60% of their calories from UPFs. However, unfortunately, there appears to be an increasingly strong link between consuming UPFs and poor health outcomes.

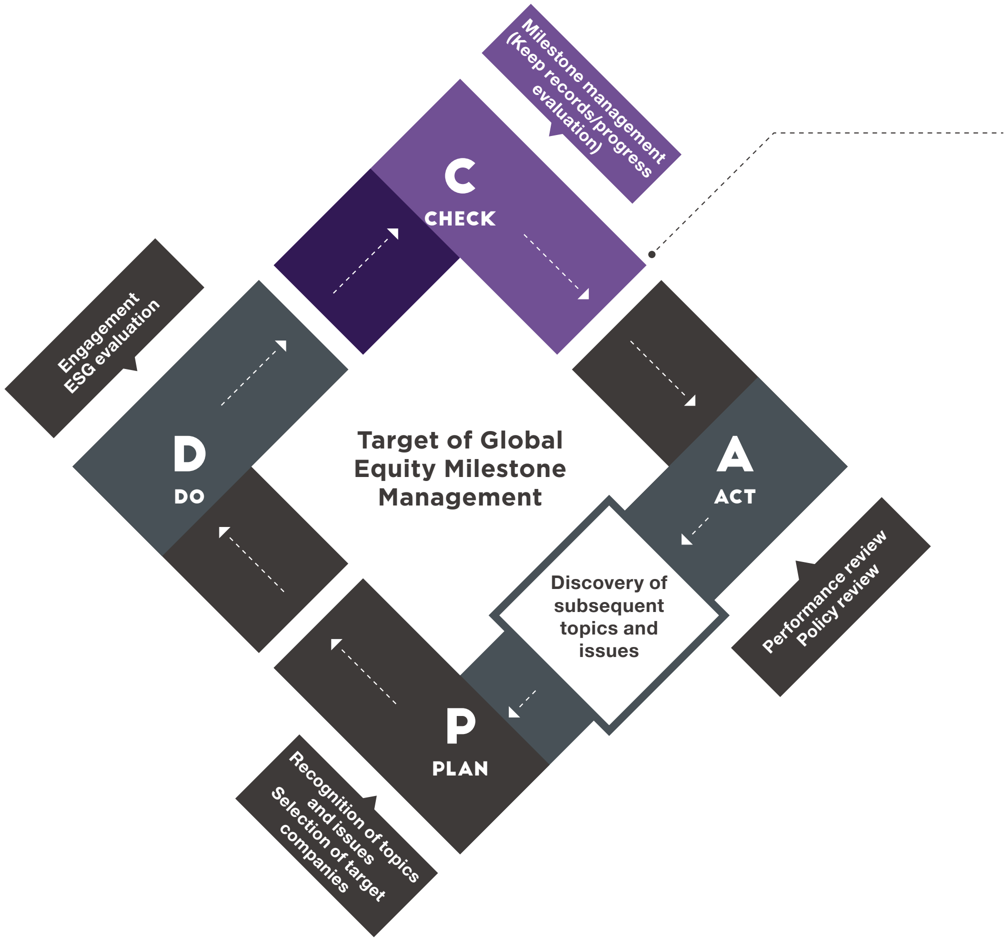
Following extensive research, the team have published a white paper on the topic highlighting studies that show how both cardiovascular events as well as obesity can be linked to the consumption of UPFs. This research had two interesting conclusions as the team integrated it into our investment process. Firstly, from a sustainability perspective the team have re-evaluated the Consumer Staples companies in the strategy's Total Impact Framework to take a more critical view of the impacts from their products. This ultimately led several businesses to have lower scores in the framework. Secondly, by evaluating the quantity of UPFs by country and the new effect from weight loss medications (GLP-1s) the team also became less constructive on the fundamental growth drivers of several Big Food companies. Ultimately, this led to several exits from the GSE portfolio. The team have also engaged extensively with these businesses and continue to push for a more responsible approach to UPFs.

To access the Ultra Processed Food White Paper click here:
https://www.nomura-asset.co.uk/download/insight/NAM_Ultra_Processed_Foods_May_2024.pdf

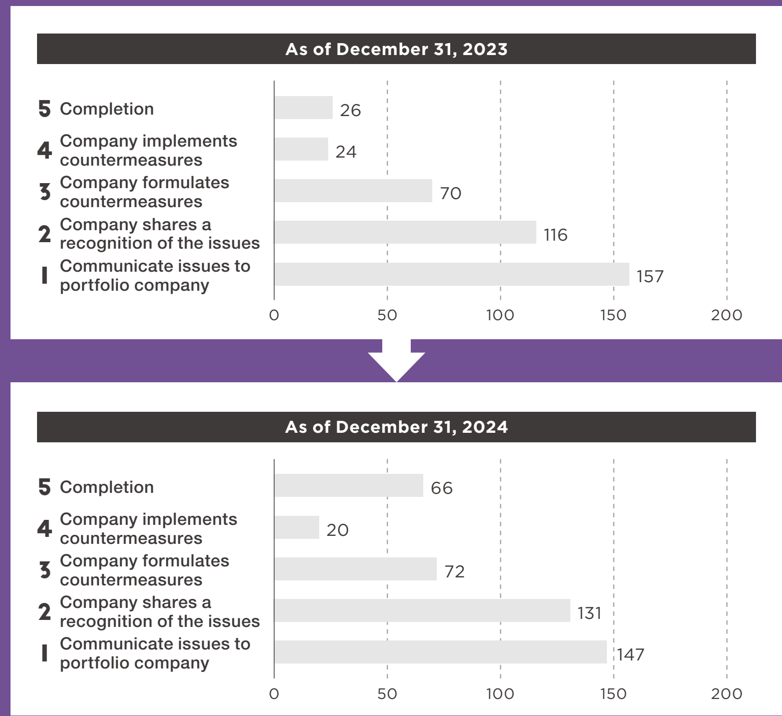
Global Equity Engagement

Global Equity Milestone Management

In our global equity engagement as well, we share our awareness of ESG issues with companies, set specific goals, and carry out milestone management until the goals are achieved. In addition to the engagement and milestone management that we conduct on our own, we also perform milestone management for collaborative engagement with Morningstar Sustainalytics. As with milestone management for Japanese companies, milestones are divided into five stages with an engagement period of three years. By establishing clear goals and having a set timeline, and then evaluating the engagement process, we are able to effectively implement PDCA (Plan, Do, Check, Act).The ESG issues focused on during engagement and the goals established vary greatly depending on the company.



Status of Milestone Management



In 2024, we carried out engagement across 508 topics. As of the end of 2024, we are managing milestones for a total of 436 topics(308 companies). Of these, 66 topics are already at "Step 5: Completion".

Global Equity Engagement

Global Equity Engagement example (milestone)

Target Company

Taiwan Semiconductor company A

Engagement overview

Our awareness of the issue

Continuous engagement on best practices in water conservation at times of expansion of manufacturing capacity.

Engagement progress

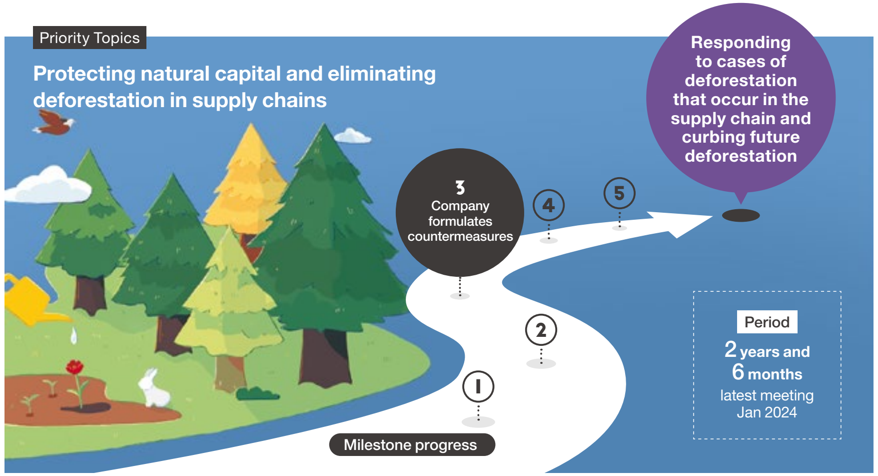
In past engagements, we learned that water conservation and recycling standards in their home country is amongst the best in the world as their home country has a shortage of drinking water, especially when there is a drought, which happens more frequently due to climate change. We wanted to know whether the same high standards would be used in Japan. A large part of our investor base sits in Japan and are interested to see Kumamoto's (in Japan) groundwater protected.

Current status

The company has reduced its planned water usage by 30% since when the fab was first announced and has committed to groundwater replenishment of over 100% of the used water. The company has signed an agreement with the local council to accelerate the promotion of groundwater recharge.

Target Company

United States Beverages company B



Engagement overview

Our awareness of the issue

Monitoring systems and traceability efforts are needed in the supply chain to prevent deforestation.

Engagement progress

We asked for comments on three satellite images related to deforestation events in the company's supply chain. The company explained that all of the cases entered in their grievance management process and now have two grievance partners that they are working with. In their grievance management processes, they review the progress and action plans and either put them on a monitoring status or drop them. They also explained that suppliers are required to submit remediation plans with 3rd party validation.

Current status

We plan to continue the dialogue to seek further explanations and actions regarding satellite images of deforestation events. We also intend to promote efforts to strengthen traceability in the supply chain.

Engagement by Morningstar Sustainalytics

In global equity engagement, Nomura Asset Management's overseas offices also actively engage portfolio companies, but due to the broad scope of coverage for global equities, we partner with Morningstar Sustainalytics to carry out collaborative engagement and outsource engagement to Morningstar Sustainalytics.

Morningstar Sustainalytics provides Global Standards Engagement, in which companies are selected for engagement based on violations of international norms such as the United Nations' Global Compact, Material Risk Engagement covering companies with critical ESG risks, and Thematic Engagement, which focuses on solutions to specific topics, such as biodiversity and natural capital, Net Zero transition from a global perspective.

Global Standards Engagement

Engagement Policy

Encourage companies to resolve severe incidents as well as build a strategy aimed at preventing future recurrences and improving ESG practices

Target companies

Companies that severely or systematically violate the United Nations' Global Compact or other international norms

Material Risk Engagement

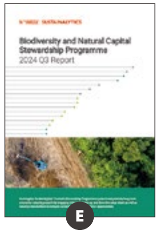
Engagement Policy

Encourages companies with financiallymaterial ESG issues to construct strategies to handle ESG risks and opportunities with the aim of increasing long-term corporate value

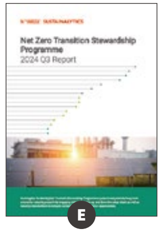
Target companies

Companies with particularly high ESG risk in their industry

Thematic Engagement

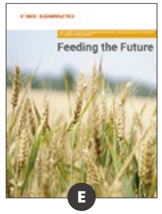


Biodiversity and Natural Capital Stewardship Programme



Net Zero Transition Stewardship Programme

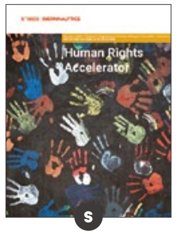
Scaling Circular Economies Stewardship Programme



Engagement related to Feeding the Future

Engagement related to Climate Change –Sustainable Forests & Finance

Human Capital Management Stewardship Programme



Engagement related to Human Rights Accelerator

Sustainability and Good Governance Stewardship Programme

Cooperation with Global ESG Initiatives

INITIATIVE_01

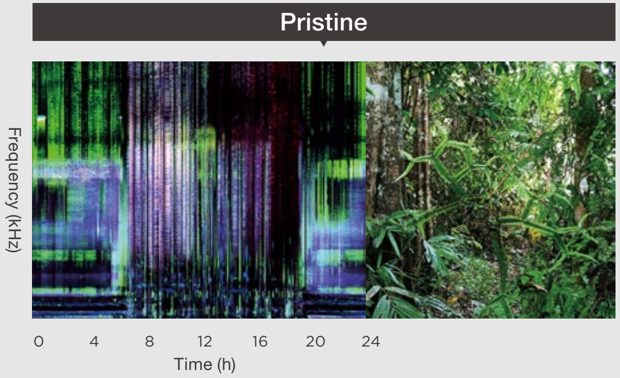
Bioacoustic research efforts for natural capital protection

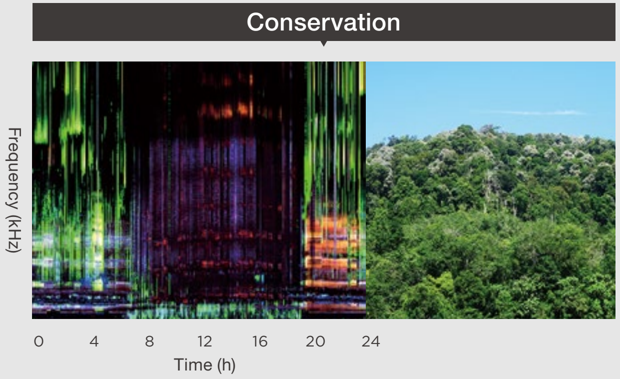
In December 2024, we were pleased to receive the final results from the second ecoacoustics study Nomura Asset Management (NAM) sponsored, along with a wider investor group and in collaboration with Green Praxis. The study was conducted in a palm oil plantation in Malaysia and similarly to phase one of this project, which took place in September 2022 in Indonesia, utilised rapid acoustic survey (RAS) and an automated AI-enabled daily soundscape analysis as a fast, affordable, non-invasive and reliable estimate of biodiversity abundance and richness in the area. The data gathering stage of the process took place over a three week period in June 2024, during which the Green Praxis team took measurements on three types of plots in the area including production (palm oil plantation), conservation (secondary forest) and pristine forest (outside of concession). One shortcoming of the previous study undertaken in Indonesia two years ago was the lack of a true pristine forest to serve as a control for the study, given all of those have been long been deforested. The investor group is incredibly pleased that this time around the Green Praxis team managed to gain access to one of the few remaining and among the oldest pristine tropical jungles globally - the Ulu Kinta forest reserve.

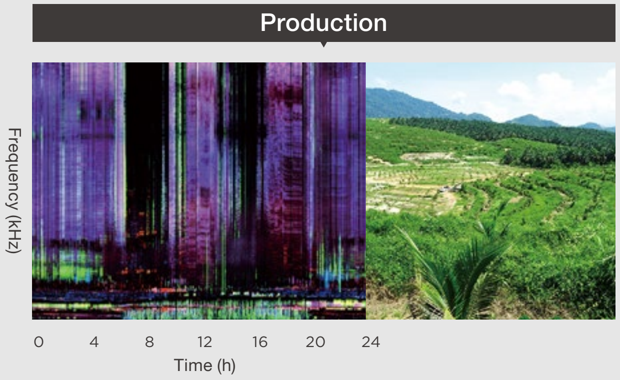
Similar to the previous study, while on site the Green Praxis team also evaluated the flora and fauna for each plot to map to the recorded database. The study concluded that conservation plots are successful at restoring local biodiversity to a certain extent (especially considering the young age of the conservation plots studies), and that can be identified through AI-assisted soundscape analysis as intermediate between pristine and production plots.

In terms of protocol, the study included 30 plots in total, or 10 per plot type using in parallel two sets of recorders – a proprietary recorder and a simpler, cheaper and more widely used model. The reason, for the dual use of recorders by the Green Praxis team was to establish if the quality of the study can be preserved by using a more efficient recorder, which would allow for reduction of costs (ca 15x cheaper) of the study and would have the potential to improve scale given lighter weight of the recorder, allowing for more equipment to be transported and installed by the team. This leads us to the second key finding of the study - the new recorders being tested can produce comparable and reliable results vs the previous equipment used, which makes them suitable for increasing the scope of the project, including the potential for remote recording (by collaborating with local communities) and remote assessment of the data gathered.

NAM continues to be a proud partner of the Green Praxis team and to support their research and efforts towards achieving an affordable and reliable biodiversity measurement tool which can be more universally used.







More information regarding phase one of this project is available at:
https://www.nomura-asset.co.uk/download/news/GreenPraxis_research_study_press_release.pdf

Cooperation with Global ESG Initiatives

INITIATIVE_02

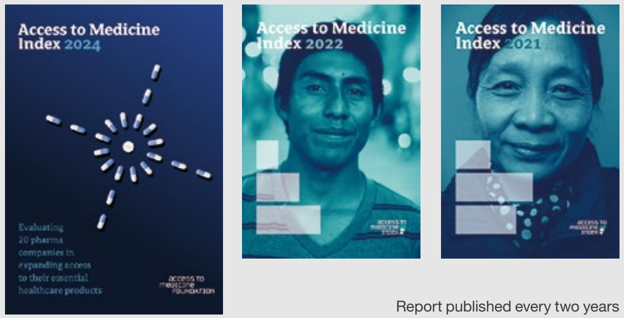
Access to Medicine Foundation/ Access to Medicine Index

We have a long-running relationship with the Access to Medicine Foundation (ATM). Since we initiated a new position in a large pharmaceutical company within the Global Sustainable Equity (GSE) strategy, the team also took the opportunity to become the lead investor engaging with the company on behalf of ATM and a larger investor group. Through several emails and a call, we tried to persuade the company to provide more information to the foundation to improve their score on ATM's Index, which ranks pharmaceutical companies by their access levels. Since then the pharmaceutical company has committed to submit data to ATM directly for review.

The Access to Medicine Index report was released in November 2024, and we are pleased to see that the company has improved its ranking and score compared to the 2022 evaluation.

At our Tokyo office, we play the role of a lead investor in engaging with DAIICHI SANKYO COMPANY, LIMITED, which is one of the companies evaluated in the Access to Medicine Index, and discuss the company's evaluation in the Access to Medicine Index and drug access plans (Please refer to P25 for details).

In July 2024, we endorsed and signed the investor statement expressing concerns about antimicrobial resistance (AMR), released by the "Investor Action on Antimicrobial Resistance" (IAAMR) initiative which was established by the Access to Medicine Foundation, FAIRR, and the UK Department of Health and Social Care. This statement calls on global leaders and policymakers to take action to curb the spread of antimicrobial resistance ahead of the second high-level meeting on AMR at the United Nations General Assembly held at the end of September 2024. The total assets held by the institutional investors who endorsed the statement amount to $1.3 trillion. The excessive and inappropriate use of antimicrobials in healthcare, livestock, and agriculture, as well as the environmental release of residual antimicrobials, poses a significant global risk of AMR, which our company is also closely monitoring. The statement emphasizes that in order to mitigate the risks of AMR, it is essential for all stakeholders, including governments, investors, and companies, to actively participate and adopt a "One Health" approach that considers human and animal health alongside environmental integrity.



Report published every two years

For more details about the investor statement, please refer to the information below.
https://accesstomedicinefoundation.org/medialibrary/20240829-iaamr-signatories-for-atmf-website-1725347275.pdf

PROXY VOTING

Promoting the transition to monitoring boards through disciplined proxy voting

Features of Proxy Voting

1 Systematic and Continuous Approach

Along with engagement, we aim to realize “appropriate management practices.”

2 Effective and Robust Process

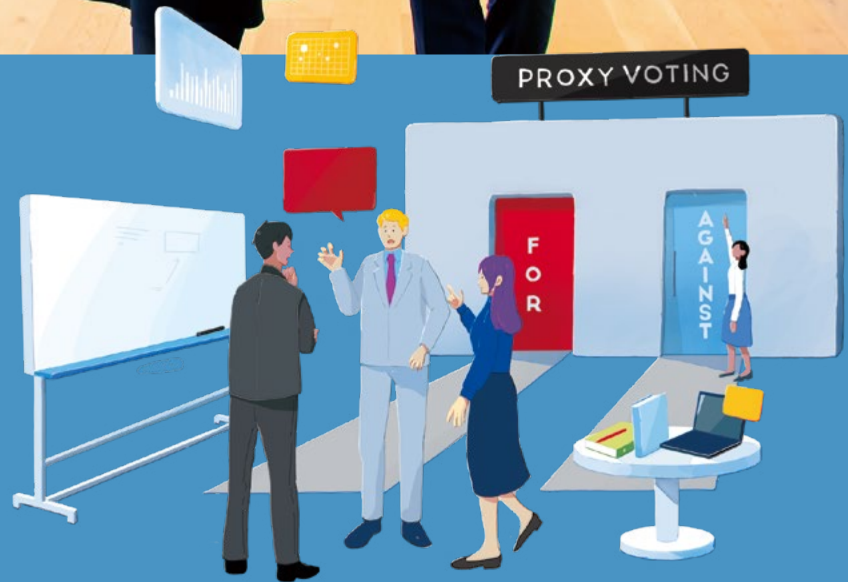
Thorough discussions within the Responsible Investment Committee + real-time monitoring of conflicts of interest by the Responsible Investment Council.

3 High Standards of Accountability

Disclosure of reasons to vote for or against all proposals. Detailed explanations for proposals that require particular clarification.

4 Standards Beyond Merely Listing Criteria to Vote Against

Introducing criteria not only to vote against when progress is lagging but also to encourage average companies to strive for higher levels.



Proxy Voting

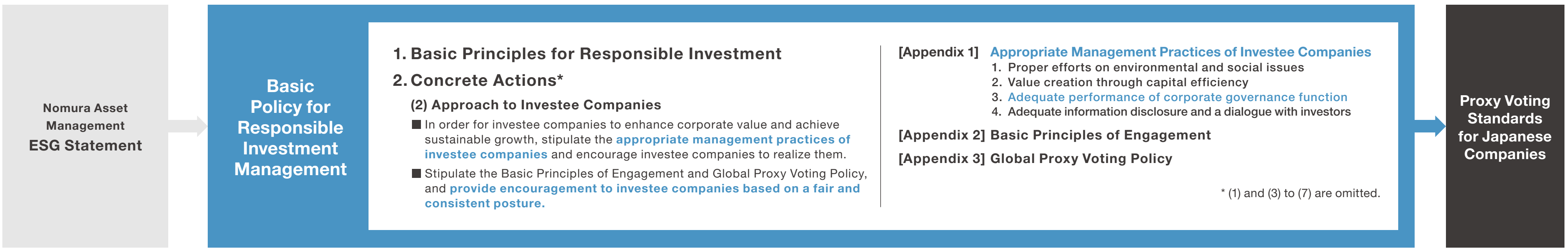
In proxy voting, we focus on the corporate governance of investee companies. The basic structure of corporate governance is that directors and statutory auditors are elected at a shareholders' meeting, and directors (the board of directors) and statutory auditors supervise senior management through nominations, compensation matters, and audits. Accordingly, the following three aspects are particularly important in proxy voting: the election of directors (nomination), executive compensation (compensation) and the election of statutory auditors (audit). In addition, the appropriation of surplus funds is important when it comes to Japanese companies because Japanese companies are often criticized for retaining a large amount of cash and deposits and being unwilling to return profits to shareholders through dividends and share buybacks. Moreover, proposals submitted by shareholders have also been increasing in recent years. Due to differences in legal systems, it is easier to make shareholder proposals in Japan than in Europe and the United States, and these proposals can often have a direct impact on the management of companies. Accordingly, these proposals must be considered carefully. We regard proxy voting as part of our engagement with investee companies, and we make judgments on proposals for all investee companies in accordance with our own proxy voting standards.

Basic Structure

1 Basic Philosophy

Framework

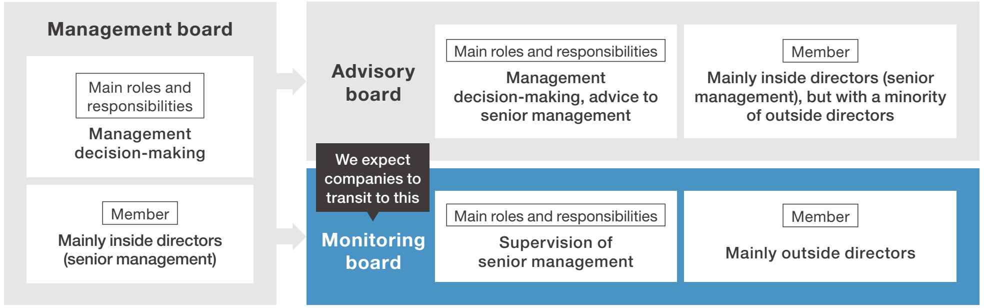
We systematically establish our approach as shown in the diagram below for continuous initiatives for responsible investment, including proxy voting. In accordance with the ESG Statement formulated at the company-wide level, we have established our **Basic Policy for Responsible Investment Management** in the Investment and Research Division, which is responsible for proxy voting and engagement. Here, we define the appropriate management practices of investee companies and give encouragement to investee companies from a fair and consistent posture to realize this objective. Below, we explain our views on the adequate performance of corporate governance functions as one aspect of appropriate management practices.



❶ Basic Philosophy

Nomura Asset Management supports the transition to monitoring boards

Traditionally, the boards of directors of Japanese companies have functioned as management boards focused on decision-making led by inside directors (i.e., senior management). However, following the introduction of the Corporate Governance Code (CG Code), the roles and responsibilities of boards of directors have changed with the increasing number of outside directors. There are two potential directions: one is an advisory board, where the management team receives advice from outside directors; the other is a monitoring board, where outside directors primarily supervise senior management. We expect the latter.



Why do we support the transition to a monitoring board?

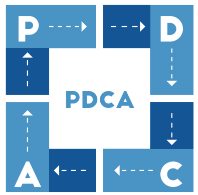
The CG Code defines corporate governance as "a structure for **transparent, fair, timely and decisive decision-making**." Let us consider this definition. First, to ensure that decision-making is transparent, it is necessary to clarify who is responsible for decisions. Specifically, the management team, as decision makers, must fulfill their accountability to the board of directors and take responsibility for outcomes. Additionally, for the decision-making process to be fair, it must contribute to the enhancement of corporate value. When these requirements are met and appropriate authority is delegated to the senior management team, led by the CEO, timely and decisive decision-making becomes possible. As illustrated in the diagram to the right, such decision-making can be structured according to the PDCA cycle. While it is important for the management team to autonomously implement the PDCA cycle, particularly in the Check phase, the independent outside directors can add an element of outside authority that enhances transparency and fairness by taking a central role. A traditional management board focuses on the Do phase, but we believe that the importance of the Check phase is increasing in order to achieve transparent, fair, timely and decisive decision-making. Therefore, we consider a board of directors that primarily takes on the role of supervising, that is, a monitoring board, to be the most appropriate structure. Since the CG Code highlights "monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management" as the role and responsibility of independent outside directors, we believe our view is in alignment with the aims of the CG Code.

P PLAN

Senior management is accountable at the board of directors meetings for management strategy and other matters, and discussions take place so that the content contributes to the enhancement of corporate value.
(→ transparency, fairness)

D DO

Delegate authority to senior management for decision-making aligned with the management strategy, etc. The board of directors ascertains the situation based on reports received from senior management, and discusses the need for "Act."
(→ timely, decisive)



A ACT

Provide feedback to senior management on the evaluation results and revise the management strategy, etc.
(→ timely, decisive)

C CHECK

Evaluate the outcomes of decision-making, and reflect in the nominations of senior management (= whether to keep in office or replace) and compensation
(→ transparency, fairness)

❶ Basic Philosophy

Appropriate monitoring board

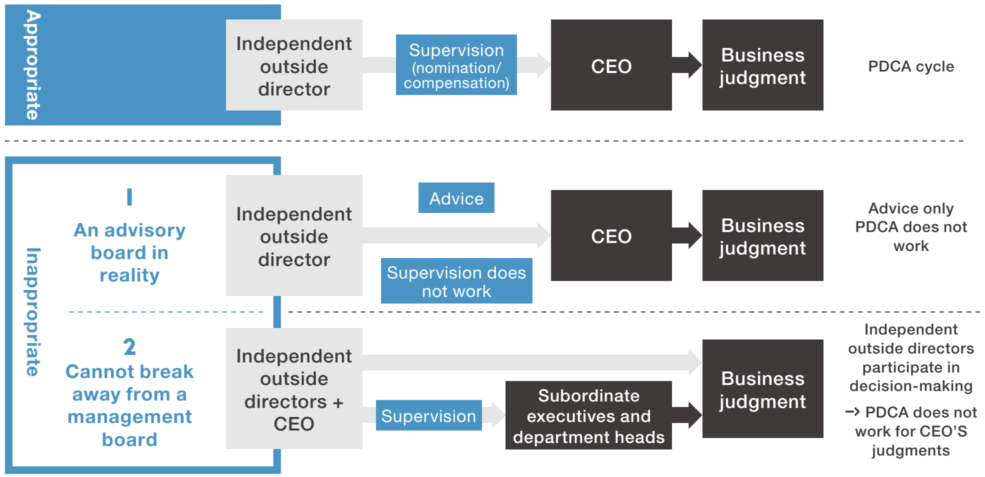
Corporate governance is defined as a structure, so to function as a monitoring board, it is necessary to meet formal criteria such as the number of independent outside directors. However, merely satisfying these criteria is not sufficient. Even if they are met as formalities, there may be instances where the supervision of senior management functions effectively, but other instances in which it does not. Here, we will refer to the former as an appropriate monitoring board and the latter as an inappropriate monitoring board.

The primary focus of an appropriate monitoring board is the supervision of the CEO, who is responsible for the highest-level decision-making within the management team (the title may vary by company, but for convenience, we will refer to them as CEOs). Independent outside directors engage in thorough discussions with the CEO regarding business strategies and evaluate the outcomes, which are then reflected in nomination and compensation. Nomination involves deciding whether to reappoint him/her or appoint a new CEO, with a succession plan being crucial in the case of the latter. Furthermore, compensation serves not only as an incentive for the CEO but also reflects a commitment to achieving the goals outlined in the strategies. It is important to design a compensation structure that incorporates not only sales and profits, but also capital efficiency indicators such as return on equity (ROE) as well as initiatives addressing environmental and social issues, thereby reflecting the overall management efforts of the CEO.

On the other hand, there are two cases that can be considered as inappropriate monitoring boards. The first case is when independent outside directors overly focus on providing advice to the senior management team, resulting in ineffective supervision. Although it may be formally categorized as a monitoring board, it would be more appropriate to consider it an advisory board in practice.

The second case involves independent outside directors participating in management decision-making alongside the CEO, while they supervise not the CEO, but rather executives and department heads working under the CEO. While there may be processes in place to evaluate these subordinate executives in order to develop the next generation of senior management as potential candidates for CEO, if there is no regular evaluation process for the current CEO to decide his/her reappointment, it cannot be said that supervision is functioning effectively.

Even if the board of directors meets the formal criteria of the monitoring board, there may be an inappropriate board of directors



Required ability and experience of directors

The ability and experience (skills) required of directors vary depending on the characteristics of the business. However, considering that the role of a monitoring board entails supervising senior management in pursuit of sustainable enhancement of corporate value, there are certain skills that are commonly required across companies, including business management, finance, and ESG. Disclosing the skills of each director in a matrix format is not only clear but also useful for selecting successors. It is essential to distinguish between the skills of independent outside directors who are responsible for supervision, and those of the senior management team members who are being supervised (internal directors and executive officers). If the focus is on valuing the advice of independent outside directors, it may be reasonable to compensate for the skills lacking in senior management members with those skills possessed by independent outside directors. However, since the primary role is oversight, both senior management team members and independent outside directors should possess the necessary skills.

❶ Basic Philosophy

Protection of Minority Shareholders' Interests and Anti-Takeover Measures

In situations where conflicts of interest arise, such as when engaging in transactions with major shareholders or receiving acquisition proposals, the judgment of the board of directors, especially the independent outside directors, becomes crucial. We believe that, with the presence of a conflict of interest, it is not sufficient to merely demonstrate that such transactions do not harm the interests of minority shareholders; it is necessary to show that they are in the best interests of minority shareholders. The protection of minority shareholders' interests is particularly questioned in the context of anti-takeover measures. In our view, as anti-takeover measures limit the rights of shareholders to buy and sell shares freely, they are unnecessary as long as the senior management team and the board are appropriately working to enhance corporate value and for the common interests of shareholders.

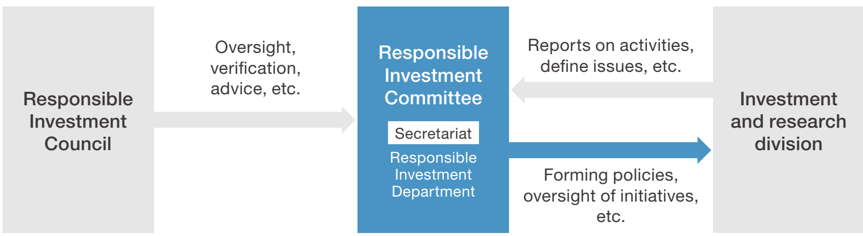
An exception arises in cases where there is a significant risk that such a transaction or fight will significantly impair corporate value and the common interests of shareholders. In such instances, the board of directors is required to fulfill its accountability from the perspective of the best interests of minority shareholders regarding that risk. Recently, reactive anti-takeover measures activated in response to specific acquirers have garnered attention. However, even with proactive measures, if the design mandates a shareholders' meeting to confirm shareholder intent before activating countermeasures, such as the free allotment of new share subscription rights, it exhibits characteristics closer to those of reactive measures. We believe there is no fundamental difference regarding the importance of the board of directors' accountability, whether in proactive or reactive measures.

❷ Structure of Proxy Voting

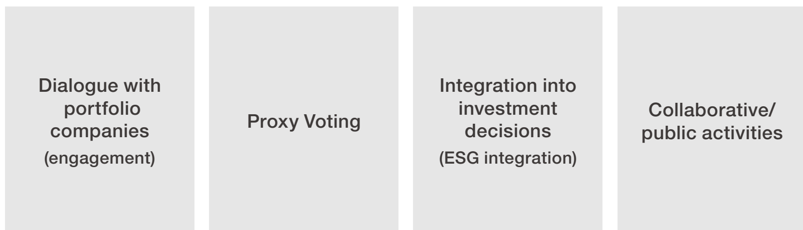
Responsible Investment Committee and Responsible Investment Council

The organizational structure for proxy voting is illustrated in the figure below. We have established a Responsible Investment Committee, which serves as the highest decision-making body, along with a Responsible Investment Council that oversees this committee. The Committee formulates the basic policy for responsible investment management and proxy voting standards, and it deliberates and makes decisions on proposals submitted to shareholder meetings that are unable to be judged in accordance with the standards. The Committee consists of six members, while the Council consists of four members: two independent outside directors, one external expert, and one Chief Conflict Officer (as of the end of December 2024). The chairperson of the Council was previously the CCO, but since July 2024, this role has been held by an independent outside director.

Organizational Structure for Responsible Investment



Main activities

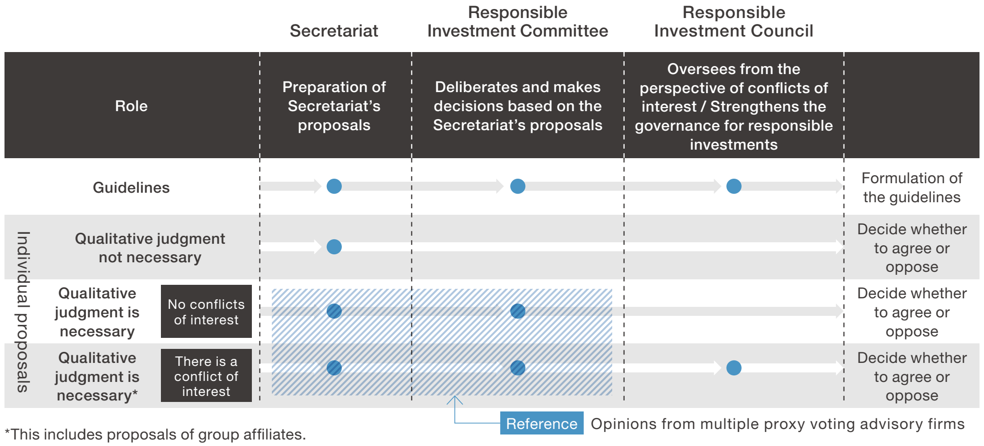


❷ Structure of Proxy Voting

The proxy voting process

Proxy Voting Process for Japanese Equities

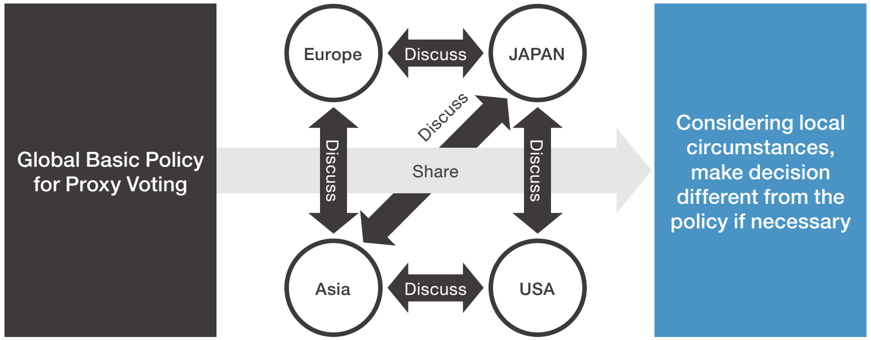
The proxy voting process is as shown in the figure below. The process for proposals that can be judged in accordance with the proxy voting standards. (qualitative judgment is not necessary) is different than the process for other proposals (where qualitative judgment is necessary). For group affiliates, the judgments on proposals are made based on the same standards as for other investee companies.



*This includes proposals of group affiliates.

Proxy Voting Process for Global Equities

For proxy voting (excluding Japanese equities), we generally decide to vote for or against a proposal in accordance with our Global Basic Policy on Proxy Voting. However, if investment managers and analysts with a deep understanding of local conditions determine it to be necessary, we may, upon deliberation, make a decision that differs from the basic policy on proxy voting. The final decision is shared with all offices, and proxy voting is then carried out uniformly on a global basis.

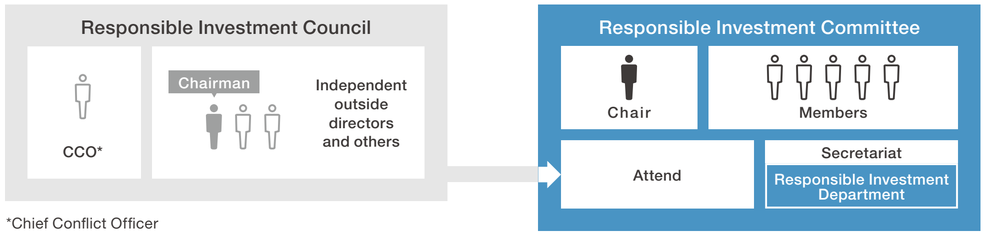


Management of Conflicts of Interest

Members of the Responsible Investment Committee, the highest decision-making body, include, in principle, only persons involved in investment and research decision-making, while people in a position with a conflict of interest or people with the possibility of acting on behalf of such persons are excluded. In addition, under the Audit and Supervisory Committee, we have established a Responsible Investment Council comprising only the Chief Conflict Officer and persons in independent positions in the company, including independent outside directors. This Council monitors the Responsible Investment Committee's decisions as well as its overall management. The Council monitors stewardship activities, especially proxy voting involving conflicts of interest, to ensure that decisions are made that do not adversely affect the interests of clients as a result of conflicts of interest. As required, the Council recommends improvements to the Executive Management Committee and/or the Responsible Investment Committee, and reports on this to the Board of Directors and the Audit and Supervisory Committee. Furthermore, members of the Responsible Investment Council attend Responsible Investment Committee meetings, where they are able to state their opinions right away.

Please refer to this regarding the conflict of interest management policy.
https://www.nomura-am.co.jp/conflict/

Nomura Asset Management's System to Manage Conflicts of Interest



*Chief Conflict Officer

❷ Structure of Proxy Voting

Relationship between Engagement and Proxy Voting

We carry out engagement and proxy voting so that investee companies implement appropriate management practices, and to encourage them to enhance corporate value and realize sustainable growth. We reflect the information about investee companies obtained through engagement in: $\boxed{1}$ Revisions of our proxy voting standards; $\boxed{2}$ Escalation; and $\boxed{3}$ Proxy voting decisions on individual proposals.

The most important point among these is $\boxed{1}$. We review all the proposals for shareholder meetings of our investee companies to grasp the current state of corporate governance. Through engagement, we deepen our understanding and convey our approach to proxy voting standards. The Responsible Investment Department consolidates information and prepares a proposal based on our standards explained above, which is then thoroughly discussed and decided upon by the Responsible Investment Committee. While normal proposals are judged according to these standards, if circumstances arise that were not anticipated during the process of formulating the standards, we may make decisions regarding individual proposals $\boxed{3}$ that differ from these guidelines after deliberation by the Responsible Investment Committee. We take pride in the fact that, due to the extensive discussions in $\boxed{1}$, the identification of proposals that require $\boxed{3}$ and the deliberations within the Responsible Investment Committee are conducted in a rational manner.

Engagement

$\boxed{1}$ Voting guidelines

Information and opinions obtained through engagement are valuable materials for formulating proxy voting guidelines.

Based on the content of engagement, we determined that there were significant concerns regarding conflicts of interest in parent-subsidiary stock listings. Consequently, we established a standard to vote against the reappointment of the CEO and outside directors if a listed subsidiary satisfying certain conditions is providing loans or other financial assistance to the parent company.

$\boxed{2}$ Escalation

We may vote against director election proposals if the initiatives to realize appropriate management practices (including initiatives directed at ESG issues) are inadequate.

Example: We conducted engagement with a company whose share price significantly dropped due to the issuance of convertible bonds. We believe this should be carried out under the supervision of outside directors with appropriate skills, and therefore requested the board to appoint outside directors with financial expertise. However, as we did not see any improvements, we voted against the reelection of the chairman.

$\boxed{3}$ Voting judgments

Our decisions may differ from the guidelines if we identify actions targeting improvement, or in cases in which there are circumstances we did not anticipate at the time the guidelines were formulated.

Although it does not meet our performance standards, considering that it meets the requirements for a monitoring board and there are observable improvement trends in indicators reflecting the business characteristics, we voted in favor.

3 Overview of Proxy Voting Standards for Japanese Companies

We list criteria not only for voting against a company's proposal when progress in bolstering corporate governance is lagging, but also to encourage average companies to strive to reach higher levels.

Standards Overview

We have established a Global Basic Policy for Proxy Voting, and for Japanese companies we apply the Proxy Voting Standards for Japanese Companies established in accordance with this policy.
The outline of this is below.

Key Point	Underlying Philosophy	We may vote against a company proposal in the cases below (Standards in bold text were revised in November 2024)
Escalation *1	**Reflect the results of engagement targeting the realization of appropriate management practices** (refer to P20-22)	■ If a investee company had been encouraged by us through engagement to address the inadequacies in its initiatives to realize appropriate management practices pointed out by us but failed to carry out adequate initiatives and is not expected to make improvements.
Rigorously judge corporate actions, transactions involving a conflict of interest, and responsibility taken for outcomes	**Decisions made and the responsibility taken to deliver business results by the senior management team and the board of directors will be scrutinized and rigorously judged.**	■ If the company is found to have engaged in any activity that is materially harmful to shareholder value (misconduct, etc.) ■ For companies in the TOPIX100, if initiatives to become role models are clearly insufficient (refer to P90) ■ If ROE is slumping. In the case of a monitoring board (refer to P89), if ROE is slumping and no effort for improvement is demonstrated (ROE standard). ■ If the company has particularly large number of strategically-held stocks ■ If a cash-rich listed subsidiary is lending money to the parent company. ■ If minority shareholders' interests are not protected in M&A, etc.
Board of Directors Composition	**In order to oversee the senior management team, the board of directors must comprise an appropriate number of people and possess diversity and independence.**	■ When the number of directors is less than 5 or greater than or equal to 20 ■ If the number of outside directors falls below the minimum level (below) Majority. However, 1/3 if a company has no controlling shareholder and has nomination governance in place*2. ■ If the number of female directors falls below the minimum level (below) Until October 2025: 1, After November 2025: 10% ■ In a company with a board of corporate auditors, the term of office for directors is two years
Independence and Effectiveness of Outside Directors	**Highly-independent outside directors are required to effectively monitor the senior management team.**	■ If the term of office of an outside director is 12 years or more, if the notification as an independent director is not confirmed, or if the outside director has worked for a company that is a major shareholder ■ Attendance at board meetings is less than 75% ■ When it is clear that they have not fulfilled their expected roles, such as the selection and dismissal of senior management members or the supervision of conflicts of interest between the company and its management, controlling shareholders, etc.
Appropriate compensation governance	**Since transparency is required in the process of determining executive compensation, it is essential for appropriate oversight (i.e., compensation governance) to function effectively.**	■ If, for a company that does not have compensation governance in place*2, there is a proposal related to executive compensation or executive retirement benefits
Appropriate incentives	**Although stock compensation is important as an incentive for senior management, it can be counterproductive if not properly designed.**	■ The stock compensation is designed so as to encourage the management team to be short-term oriented ■ The persons to whom stock compensation is given are not appropriate ■ The stock compensation could lead to excessive dilution
Effective utilization of financial assets	**It is essential that financial assets are utilized effectively to enhance corporate value.**	■ Financial assets are not utilized effectively, and shareholder returns (dividends and share buybacks) are not appropriate

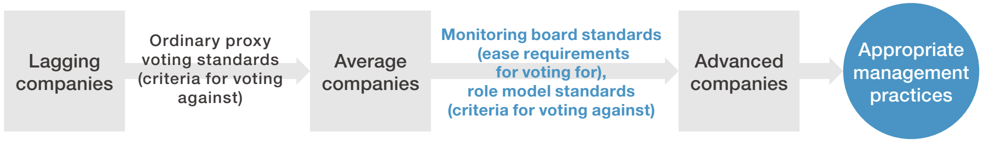
*1 Measures taken to bolster involvement with a investee company if engagement is not successful within a specified period
*2 A case in which nomination and compensation governance is in place refers to the case where statutory or voluntary nomination and compensation committees have been established, 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.

Please refer to the file below for more details.
https://global.nomura-am.co.jp/responsibility-investment/vote.html

❸ Overview of Proxy Voting Standards for Japanese Companies

In order for investee companies to enhance corporate value, we stipulate the appropriate management practices of investee companies and encourage investee companies to realize them.

Ordinary proxy voting standards mainly focus on companies that are lagging in both financial and non-financial initiatives. Therefore, it is often difficult for these standards to serve as a means to encourage average-performing companies to strive for higher levels of achievement. We believe that even the initiatives of average Japanese companies fall well short of what we believe to be appropriate management practices, and that we need to encourage them to aim to reach higher levels. To this end, in November 2020, we introduced monitoring board standards, and in November 2023, we established the Role Model Standards (described later), aiming to expand this to encompass all ESG issues.



Monitoring board standards

For public companies, the function to supervise senior management on behalf of a large number of unspecified shareholders is essential, and the board of directors which fulfills this role is a "monitoring board." In November 2020, we introduced monitoring board standards with the expectation that the boards of directors of Japanese companies would transition to monitoring boards.

The monitoring board standards specify that if the eight criteria for a monitoring board (see the table on the right) are met, we will respect the opinions of the board of directors and lower the requirements to vote for company proposals. To avoid superficial transitions that lack substance, we will not vote against a company's proposal solely on the grounds that it has not transitioned to a monitoring board; however, to support a transition to a monitoring board over the medium to long term, we are gradually shifting the requirement for a monitoring board to be a condition for voting against proposals.

At the time we introduced the standards at the end of September 2020, there were only about 50 companies listed on the First Section of the Tokyo Stock Exchange that met the requirements for a monitoring board. However, by the end of September 2024, the number of companies listed on the Prime Market that meet these requirements has significantly increased to approximately 160 companies.

*Note that the criteria for a monitoring board have been revised since the introduction, and our most recent definition of monitoring board differs from that in 2020.

Handling of proxy voting standards › **To avoid superficial transitions and encourage voluntary transitions, the proxy voting standards specify the following:**

- We will clarify the criteria for a monitoring board (as shown in the table).
- Rather than voting against company proposals on the grounds that the criteria are not met, we will make it easier to vote for company proposals if the company has a monitoring board.
- The aforementioned criteria will gradually transition to the requirements to vote against company proposals if not met, with adjustments made as necessary (e.g., changing thresholds).
- In addition to engagement towards effective transitions to monitoring boards, we will vote against the reappointment of outside directors if it is obvious that outside directors failed to fully fulfill their expected roles.

Revisions in November 2024

		Monitoring board standards		Standards to vote against company proposals	
		Criteria for a monitoring board*1	Vote for or against proposals	Requirement for voting against	Proposals voted against
1	Number of directors	5 or more, fewer than 20	**If all eight criteria to the left are satisfied, the board is determined to be a monitoring board and;** **The requirements to vote for company proposals to elect directors (ROE standard*2) and some company proposals related to executive compensation are relaxed.** **We do not vote against company proposals solely on the grounds that the criteria to be a monitoring board are not met.**	Fewer than 5, 20 or more	Director election
2	Number of outside directors	Revised A majority are outside directors that satisfy the standards for independence		Falls below the minimum level Effective 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	Director election
3	Nomination/ Compensation committee	Establish a nomination and compensation committee in which outside directors comprise a majority and the committee chair is an outside director		Compensation governance is not in place*3	Executive compensation/ executive retirement benefits
4	Diversity	Female directors account for at least 10%		Falls below the minimum level: Minimum level is one female director. Effective from November 2025 Minimum level is 10%.	Director election
5	Anti-takeover measure	Not introduced		Introduced	Anti-takeover measure or director election
6	Strategically-held stocks	Not held in excess (for financial institutions: less than 25% of net assets; for non-financial companies: less than 10% of invested capital)		Particularly high level of holdings (for financial institutions: more than 50% of net assets; for non-financial companies: more than 20% of invested capital)	Director election
7	Directors' term in office	In the case of a company with a board of auditors, a director's term in office is one year		In the case of a company with a board of auditors, a director's term in office is two years	Director election
8	Chairperson of board	Outside director, if a company has controlling shareholders		—	—

*1 We view the above requirements as the bare minimum for being a monitoring board.
*2 Standards to vote against re-appointment of CEO who has been in the position for the most recent three or more consecutive fiscal years, if return on equity (ROE) has been below the threshold 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.

3 Overview of Proxy Voting Standards for Japanese Companies

Role Model Standards

Like the monitoring board standards, the role model standards aim to encourage companies to strive for higher levels and expresses our expectation that TOPIX 100 companies will become the role models for realizing appropriate management practices(refer to P20-22). Depending on the initiatives carried out on specific ESG issues (as listed below, 1–4), we may vote against the reappointment of CEO. However, the aim is to encourage a pursuit of a higher level, so such voting will be limited to cases where we judge the initiatives to be clearly insufficient. While the criteria apply exclusively to the companies comprising the TOPIX 100, we also expect that they will also encourage other investee companies to work to achieve even more appropriate management practices.

1 Information disclosure integrating ESG issues	2 Climate Change	3 Gender diversity	4 Outside directors with effective skills
Disclose information in accordance with internationally agreed upon standards through appropriate media, including integrated reports, and obtain third-party assurances for numerical data to the extent possible.	Set medium- to long-term net zero targets for greenhouse gas (GHG) emissions and obtain science based targets (SBTs) certification, as well as disclose governance, strategy, risk management, as well as metrics and targets.	Disclose the ratio of women in managerial position and establish and disclose medium- to long-term targets for increasing the ratio.	Disclose the skills matrix in general shareholder meeting materials, and indicate that outside directors have relevant skills and experiences, including in the areas of management, finance, and ESG.

November 2024 Revisions

1. The independence requirements were added to the existing criteria regarding the number of outside directors.

While the independence of outside directors is essential for the supervision of senior management as a monitoring board, there was concern that the pool of companies eligible for having monitoring boards would become excessively limited and there would no longer be any cases to which these standard apply. Thus, until this revision, the criteria were met if the majority of the board of directors were outside directors, including non-independent outside directors. However, as the number of companies with a majority of outside directors has grown and more than 200 companies listed on the Tokyo Stock Exchange's Prime Market now qualify as having monitoring boards, we have decided to limit the majority to outside directors who meet the independence requirements. As a result of this revision, the number of companies that qualify as having monitoring boards will decrease to approximately 160, but this remains at a level similar to the previous year.

Pre-revision monitoring board criteria	Majority of outside directors
Post-revision monitoring board criteria	Majority of outside directors **who meet all independence criteria**

2. Regarding the role model standards introduced in November 2023, it was stated that from November 2024 onward, if the initiatives related to three ESG issues were judged to be clearly insufficient, this would be reflected in our voting decisions on director elections. We will implement this as planned and add gender diversity, an ESG issue receiving significant attention.

Prior to the revision	We expect companies comprising the TOPIX 100 to actively work to realize appropriate management practices and to become role models for other Japanese companies. **From November 2024 onward**, if the initiatives, particularly in the following areas, are judged to be clearly insufficient, we will vote against the reappointment of the CEO. 1 Information disclosure integrating ESG issues, 2 Climate change, and 3 Outside directors with effective skills
After the revision	We expect companies comprising the TOPIX 100 to actively work to realize appropriate management practices and to become role models for other Japanese companies. If the initiatives, particularly in the following areas, are judged to be clearly insufficient, we will vote against the reappointment of the CEO. 1 Information disclosure integrating ESG issues, 2 Climate Change, 3 **Gender diversity**, and 4 Outside directors with effective skills

3 Overview of Proxy Voting Standards for Japanese Companies

November 2024 Revisions

3. In order to promote management that is conscious of the cost of capital and stock prices, we raised the ROE threshold for cash-rich companies in the performance criteria (there are no changes for companies other than cash-rich companies).

Prior to the revision	If the ROE of the company in question has been **below 5% and below the 33rd percentile in the industry** for the most recent three consecutive fiscal years, except in cases where the board of directors is a monitoring board and efforts for management improvement have been demonstrated, we will in principle vote against the re-election of a director who has been in the position of chairperson and president, etc., for the most recent three or more consecutive fiscal years.
After the revision	In the case of cash-rich companies,* if the ROE of the company in question has been **below 8% and below the 50th percentile** of the industry for the most recent three consecutive fiscal years, except in cases where the board of directors is a monitoring board and efforts for management improvement have been demonstrated, we will in principle vote against the re-election of a director who has been in the position of chairperson and president, etc., for the most recent three or more consecutive fiscal years.

*A "cash-rich company" is a company that satisfies all of the following criteria for the most recent two consecutive fiscal years: Shareholders' equity ratio > 50%, Net financial assets / Sales > 30%, and Net financial assets / Total assets > 30%.

4. After November 2025, we will raise the minimum number of female directors from 1 to 10% of all directors. If this threshold is not met, we will in principle vote against the re-election of a director who has been in the position of chairperson and president, etc.

Prior to the revision, until October 2025	Minimum number of female directors: **1**
After the revision, after November 2025	Minimum level for the number of female directors: **10%**

5. We had planned to raise the minimum number of external directors starting November 2024, and we are implementing this as scheduled. If this threshold is not met, we will in principle vote against the re-election of a director who has been in the position of chairperson and president, etc.

Until October 2024	If there are no controlling shareholders, the minimum is 1/3; if there are controlling shareholders, the minimum is a majority.
After November 2024	The minimum is a majority. However, for companies without controlling shareholders that have established effective governance on nomination,* the minimum is 1/3.

*"Effective governance on nomination is established" refers to a situation in which a statutory or voluntary nomination committee has been established, its members include two or more outside directors, and the number of inside directors among the committee members is less than the number of outside directors among the committee members.

Effectiveness of outside directors

We have established the following three points in our proxy voting standards. Point 2 involves carrying out proxy voting in alignment with engagement. For points 1 and 3, we also conduct engagement as necessary, facilitating effective proxy voting and encouraging companies to undertake effective initiatives.

1 We will vote against the reappointment of an outside director if it has become clear that the outside director has not adequately performed the roles expected of them. Past cases in which this standard has been applied include the following:

- A listed subsidiary with a large amount of net financial assets lent funds to its parent company.
- A tender offer was made for treasury stock at a price above the most recent share price, aiming to acquire shares held by a specific shareholder.
- Despite the identification of inappropriate related party transactions by senior management, the pursuit of accountability was insufficient.

2 We have defined 'Adequate Performance of Corporate Governance Function' as the 'appropriate management practices of investee companies,' and we engage with them to achieve this. If we determine that escalation to proxy voting is necessary based on the situation, we will vote against the reappointment of directors who have been in the position of chairperson and president, etc.

3 We expect TOPIX 100 companies to serve as role models for Japanese companies. If we determine that the skills of the outside directors are clearly insufficient, we will vote against the reappointment of directors who have been in the position of chairperson and president, etc.

Environmental and Social Issues

We have established the following four standards related to environmental and social initiatives. Point 2 involves proxy voting in alignment with engagement. For points 1, 3, and 4, we also engage as necessary to facilitate effective proxy voting and encourage companies to undertake effective initiatives.

1 If we identify a problematic action in terms of addressing ESG issues and determine that the action would significantly damage shareholder value, we will vote against a proposal to elect the person responsible for that action as a director.

2 We have defined 'Proper Efforts on Environmental and Social Issues' as the 'appropriate management practices of investee companies,' and we engage with them to achieve this. If we determine that escalation to proxy voting is necessary based on the situation, we will vote against the reappointment of directors who have been in the position of chairperson and president, etc.

3 We expect the companies that compose the TOPIX 100 to serve as role models for Japanese companies. If we identify a company within the TOPIX 100 that is clearly insufficient in its disclosure of ESG-related information or its climate change-related efforts, we will vote against the reappointment of directors who have been in the position of chairperson and president, etc.

4 We will vote for shareholder proposals seeking amendments to the articles of incorporation regarding the disclosure of basic policies on ESG, as well as governance, strategy, risk management, metrics and targets related to the issue of climate change, provided they meet the requirements, such as not including details related to specific business operations.

❸ **Overview of Proxy Voting Standards for Japanese Companies**

History of the Standards

Here, we introduce the changes to our Proxy Voting Standards over the years.

Month/Year of Revision	Proposal Category	Key Point	Key Change
NAM Created the Proxy Voting Committee (2001)			
March 2006	**Director election/ Remuneration**	**ROE standard**	**NEW(ROE threshold=3%, taking into account efforts for management improvement)**
March 2007	Director election/ Remuneration	ROE standard	Raised ROE threshold from 3% ▶ 5%
	Director election	Independence requirements for outside directors	NEW (Applied to companies with committees at the time)
January 2010	Director election	Number of outside directors (listed subsidiaries)	NEW(at least one member, if there is a director from the parent company)
METI Ito Report* indicated ROE of 8% (August 2014) ISS Introduced business performance standard based on ROE (February 2015)			
April 2015	Director election	ROE standard	In addition to 5%, references relative values (industry median value)
		Number of outside directors	NEW(at least one member, vote against if ROE is less than 8%)
Tokyo Stock Exchange Enactment of Corporate Governance Code(June 2015. Revised in June 2018, re-revised in June 2021)			
April 2016	Director elections/Auditor elections	Effectiveness of outside executive officers	NEW(Vote against if attendance rate is less than 75%)
April 2017	Director elections	Number of outside directors	Raised minimum from one (1) to two (2) outside directors
		Number of outside directors (listed subsidiaries)	Raised minimum from one (1) to two (2) outside directors
		Independence requirements for outside directors	Clearly state the requirement for independence for all companies Reference independent director notification
November 2017	Director election	Independence requirements for outside directors	Add requirements concerning major shareholders
	Shareholder proposals	**Amendment of the articles of incorporation**	**Clearly specify the types of proposals we vote for**
November 2018	**Director election**	Number of outside directors (listed subsidiaries)	Integrate into “Number of outside directors”
		Number of outside directors	Abolish requirements for ROE If there is a controlling shareholder: Raised minimum from two (2) to one-third
		Effectiveness of outside directors	**NEW(Vote against proposals when it is clear that the outside director has not fulfilled the expected role)**
	Remuneration	**Compensation governance**	**NEW(Relax the requirements for voting for company proposals when it is determined that compensation governance is adequately established.)**
	Amendment of the articles of incorporation	Board authorization for dividends	Clearly specify that, without excluding shareholder meeting resolutions, in principle, we will vote for proposals if the distribution of retained earnings and the number of outside directors meet the minimum required standards.
November 2019	Director election	Number of outside directors	If there is no controlling shareholder: Raised the minimum from two (2) to one-third for companies other than a company with a board of company auditors If there is a controlling shareholder: Abolished requirements for ROE
	Corporate restructuring/ Capital policy	M&A, finance related	Clearly specify the approach to consider conflicts of interest with minority shareholders.
June 2020	Director election/ appropriation of surplus	COVID-19	Suspension of the application of certain standards related to ROE and the appropriation surplus.

Month/Year of Revision	Proposal Category	Key Point	Key Change
November 2020	**Director election**	**Monitoring board requirements**	**NEW(Established eight requirements to be met, including gender diversity, strategically-held stocks, etc.) ▶ Support for the transition to monitoring boards**
		Number of outside directors	Raised the minimum for a company with a board of corporate auditors from two (2) to one-third
		Requirements for independence of outside directors	Added term in office (12 years)
	Remuneration	Monitoring board requirements	NEW (Relaxed requirements related to business performance, etc., if company has a monitoring board)
			NEW(Vote for proposals granting share-based compensation to outside directors and others, provided that certain criteria are met in cases where monitoring board is applicable.)
June 2021	Director election/ appropriation of surplus	COVID-19	Reinstated the application of certain standards related to the appropriation of surplus
November 2021	**Director election**	**Escalation**	**NEW(Promote the realization of appropriate management practices (including gender diversity, strategically-held stocks, and initiatives related to ESG issues)**
		ROE standard	Lowered the threshold for relative value from the industry median to the 25th percentile Consider management improvement efforts only in cases that a monitoring board is applicable
		Number of outside directors	There is a controlling shareholder: Raised minimum from one-third ▶ majority
January 2022	Director election	COVID-19	Reinstated the application of business performance standard
November 2022	**Director election**	ROE standard	Raised the threshold for relative value from the 25th percentile to the 33rd percentile in the industry
		Diversity of the board of directors	**NEW (Vote against proposals if there are no female directors)**
		Strategically held stocks	**NEW (Vote against proposals if there is a particularly large amount of strategically-held stocks)**
November 2023	**Director election**	Number of outside directors	(From November 2024) Raised the minimum number from 2 or 1/3 to a majority. However, it is 1/3 for companies without a controlling shareholder if nomination governance is in place
		Director term of office	**NEW (For a company with a board of corporate auditors, vote against proposals if the term of office for directors is two years)**
		Number of directors	**NEW (Vote against if the number of directors is less than five or greater than 20)**
		Role model standards	**NEW (From November 2024, for companies in the TOPIX100, vote against if initiatives are determined to be clearly insufficient)**
	Remuneration/Retirement Bonus for Directors and Auditors	Compensation governance	Expanded the scope of proposals we vote against to include all proposals if compensation governance is not in place
November 2024	Director election	Monitoring board requirements	Added independence requirements to “a majority of outside directors”
		Role model standards	Added gender diversity to the ESG issues of concern
		ROE standard	Raised the threshold for ROE for cash-rich companies, increasing the absolute value from 5% to 8% and the relative value from the 33rd percentile to the 50th percentile in the industry
		Diversity of the board of directors	(From November 2025) Raise the minimum level from 1 to 10%

*Final report of the “Competitiveness and Incentives for Sustainable Growth – Building Desirable Relationships Between Companies and Investors –” project

Particularly important revisions are highlighted.

4 Disclosure: High Level of Accountability

Trends in aggregate values

Calendar year			2019		2020		2021		2022		2023		2024	
			Total proposals	% against	Total proposals	% against	Total proposals	% against	Total proposals	% against	Total proposals	% against	Total proposals	% against
Management Proposals	Company organization related proposals	Election/Removal of Directors	18,438	5.3	17,959	5.8	18,429	6.8	17,924	8.1	18,337	10.1	18,022	9.1
		Election/Removal of Statutory Auditors	2,963	16.4	2,589	12.8	1,811	13.3	1,539	13.3	2,197	11.7	1,935	11.2
		Election/Removal of Accounting Auditors	58	1.7	63	0.0	91	0.0	83	0.0	78	0.0	52	1.9
	Compensation related proposals	Remuneration*1	856	28.6	826	24.0	1,087	23.7	945	18.8	736	20.2	776	32.1
		Retirement Bonus for Directors & Auditors	191	83.8	165	85.5	123	78.0	120	76.7	73	94.5	85	97.6
	Capital policy related proposals (excluding amendment of articles)	Allocation of Income and Dividends	1,593	4.7	1,548	0.6	1,500	3.3	1,502	5.0	1,472	5.4	1,472	4.3
		Company reorganization*2	44	4.5	38	7.9	61	9.8	43	14.0	35	14.3	32	12.5
		Anti-takeover	78	98.7	92	100.0	57	96.5	63	100.0	82	100.0	42	100.0
		Other capital policy*3	65	3.1	59	6.8	100	9.0	77	13.0	68	1.5	86	10.5
	Amendment of Articles		590	3.2	530	1.7	630	3.0	2,402	1.0	572	3.3	507	4.7
	Others		2	50.0	8	25.0	5	40.0	2	50.0	3	0.0	2	0.0
	Total		24,878	8.2	23,877	7.6	23,894	8.3	24,700	8.5	23,653	10.6	23,011	10.2
			Total proposals	% for	Total proposals	% for	Total proposals	% for	Total proposals	% for	Total proposals	% for	Total proposals	% for
Shareholder Proposals	Company Organization related proposals	Election/Removal of Directors	39	35.9	83	13.3	35	11.4	54	3.7	97	18.6	81	18.5
	Total		157	16.6	236	12.7	174	9.8	315	9.5	453	19.2	369	17.1

*1 Revisions of executive compensation amounts, issuance of stock options, introduction or revision of performance-based compensation plans, executive bonuses, etc.
*2 Mergers, sale/transfer of business, share exchanges, share transfers, corporate splits, etc.
*3 Share buybacks, reduction of statutory reserves, third-party allotment of new shares, capital reduction, stock consolidation, issuance of class shares, etc.

Reference

Results of Proxy Voting for Global Companies

January-December 2024

Votes for

Management proposals	25,372
Shareholder proposals	704
Total	**26,076**

Ratio of votes for

Management proposals	89.3
Shareholder proposals	66.7
Total	**91.8**

Votes against

Management proposals	3,037
Shareholder proposals	352
Total	**3,389**

Ratio of votes against

Management proposals	10.7
Shareholder proposals	33.3
Total	**11.9**

Trends in 2024

Election/Removal of Directors:

The ratio of votes against proposals (% against) has decreased. The reasons for this are as follows: the primary factor was a reduction in the number of votes against due to a shortage of female directors.

■ **Shortage of female directors and outside directors:**
The appointment of female directors and the increase in outside directors have steadily progressed. The number of votes against has significantly decreased, becoming a major factor in the decline of the percentage of votes against regarding the election and removal of directors.

■ **Inappropriate director term of office and number of directors:**
This was the first year of full application, and both factors contributed to an increase in the number of votes against. In particular, the introduction of standards related to term lengths had a significant impact.

■ **Strategically held stocks:**
The number of votes against has increased. In addition to the full application of the standard, we believe that the rise in stock prices has also had an effect.

Remuneration:

The ratio of votes against has increased. The reasons for this are as follows:

■ **Compensation governance:**
By expanding the requirement for compensation governance to include all remuneration proposals, the ratio of votes against has risen. Since multiple proposals are often submitted simultaneously, if the requirements are not met, votes against are applied to all proposals, resulting in a significant increase in the number of votes against proposals.

❹ Disclosure: High Level of Accountability

The background behind the seemingly low percentage of votes against company proposals.

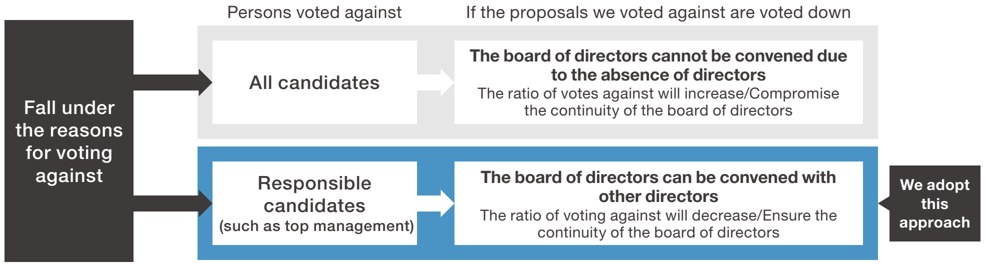
Proposals concerning the election of directors are the most common type of proposal and therefore have a significant impact on the ratio of votes against proposals. Considering the continuity of the board of directors*1, we limit the director election proposals which we vote against to those for candidates who hold responsibility for individual matters. This is why our ratio of votes against appears relatively low (see chart on the right).

In fact, at general meetings of shareholders held between April and June 2024, our ratio of votes against electing directors was 8.3%. However, the percentage of companies for which we voted against one or more candidates within a proposal was 44.0%, indicating that this is not a particularly low level.

On the other hand, since the number of proposals is low, the overall impact is small. However, the ratio of votes against appears to be relatively high concerning proposals related to executive compensation or capital policy. The effectiveness of corporate governance is particularly called into question for proposals related to M&A and financing, so we carefully discuss these issues, including the potential impact that rejecting the proposal would have. We vote against the proposal if we determine that it will not contribute to the interests of minority shareholders.

Moreover, we engage with our investee companies by combining proxy voting and engagement to achieve appropriate corporate governance and to enhance corporate value. We consider proxy voting one of the means to this end, and we do not believe that the ratio of our votes against proposals reflects our stance.

Guidelines for the election of directors



*1 Under corporate law, a minimum of three directors is required to establish a board of directors.
*2 Insufficient number of outside directors, low ROE, and other factors.

Voting For or Against Individual Proposals

Here, we provide specific examples of disclosures regarding proposals that we believe require particularly detailed explanations.

Proposals we made voting decisions on that differ from our proxy voting standards

Based on engagement, there may be instances where we make decisions that differ from our proxy voting standards.

GSM	Proposer	Classification	Voting result	Reason
Ordinary GSM	Company	Director election/ dismissal	Voted for	Although the company does not meet our criteria for strategically-held stocks, we voted for the proposal because we confirmed the situation with the reduction of such shares and the verification status in the board of directors through our engagement.
Ordinary GSM	Company	Director election/ dismissal	Voted for	Although the company does not meet our ROE standard, we voted for the proposal, considering that the company meets the requirements for being a monitoring board and that an improving trend was recognized in indicators reflecting its business characteristics.

Proposals we determined to require special accountability

In addition to proposals related to capital policy and M&A, there were proposals requesting the appointment of a director to the board.

GSM	Proposer	Classification	Voting result	Reason
Ordinary GSM	Company	Director election/ dismissal	Voted against	Considering the situation with engagement regarding the skills of outside directors, we determined that escalation to proxy voting was necessary and voted against the proposal.
Special GSM	Company	Proposal related to other capital policy	Voted against	A proposal to squeeze out shareholders who did not tender their shares in a public tender offer conducted for a management buyout (MBO). Although general efforts to protect the interests of minority shareholders were confirmed, we voted against the proposal due to strong concerns regarding conflicts of interest with minority shareholders and the inadequate economic terms.
Ordinary GSM	Company	Director election/ dismissal	Voted against	We voted for the proposal in line with our standards. Since actions that could potentially impair shareholder value were identified, we decided to strengthen our monitoring efforts through engagement with the audit and supervisory board members and other relevant parties.
Ordinary GSM	Shareholder	Appropriation of surplus	Voted for	A proposal for additional dividends was presented alongside a proposal for a share buyback. While the proposer's argument regarding the decline in capital efficiency was deemed to have some validity, it was determined that the accountability of the proposal seeking shareholder returns, which would impact financial soundness, was insufficient. Therefore, we voted for the dividend that matched net income, but we voted against the share buyback, which would result in shareholder returns significantly exceeding net income.

❹ **Disclosure: High Level of Accountability**

Voting For or Against Individual Proposals

Pulp and Paper industry: Company A

Director election/dismissal: Shareholder proposal

Background

Certain shareholders (hereinafter referred to as the proponents) B and C pointed out the need to examine the significance of holding shares in a competitor (Company D) that it has held for a long time, as well as the necessity of strengthening the supervisory function of the management team. They demanded the appointment of 10 outside directors (five from each proponent). In response, Company A argued that the current management performance and stock price levels were superior compared to other companies, that synergies with Company D could be expected, that the current composition of the board of directors was considered optimal, and that granting excessive influence to the proponent could lead to a risk of not fully realizing the benefits of the partnership with Company D.

We acknowledged that the company's management performance has been good compared to both its past results and other companies; however, we determined that there was some validity to the proponents' arguments regarding the significance of holding shares and the need to strengthen the supervisory function of the management team.

Overview of the Proposal and Voting Outcome

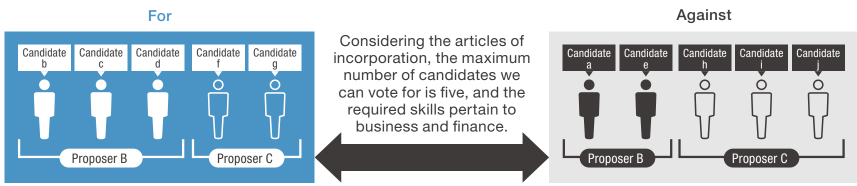
There were 10 incumbent directors, of which four were outside directors. However, as this was not an election period, there were no proposals for the reappointment of directors from the company at this general shareholders meeting. The upper limit for the number of directors stipulated in the articles of incorporation was 15, which made the appointment of the remaining five directors a point of contention. The details are as follows.

Reasons for Voting Outcome

Both proponents indicated that improvements were needed in addressing specific management issues. We voted for the five candidates based on the upper limit on the number of directors as stipulated in the articles of incorporation, as well as their skills—specifically, their expertise in business and finance, which are necessary for examining the rationale for holding shares in competitors.

Considering that, together with the 10 incumbent directors who not up for re-election, the total of 15 directors would have nine outside directors, thus constituting a majority, so we determined that this would contribute to strengthening the supervisory function.

Furthermore, proponent B also suggested the dismissal of the president and four outside directors, but we judged that the proponents had not been able to present management strategies or plans that exceeded those put forth by the current management team, and therefore voted against the proposal.



Climate change-related proposals submitted by shareholders

Regarding the shareholder proposals related to the issue of climate change, we provide our reasons for voting for or against each proposal, along with a comprehensive explanation of the background behind our decision-making. On the next page, we introduce the shareholder proposals to seek amendments to articles of incorporation that aim to address climate change issues.

Proposals to amend the articles of incorporation were submitted to a number of companies asking them to address the issue of climate change. We consider climate change to be one of the environmental and social issues that is particularly important for the sustainable enhancement of corporate value, and we have decided to positively deliberate on proposals aimed at enhancing information disclosure and strengthening supervisory functions.

This time around, we carefully deliberated the reasons for the proposals, the companies' efforts regarding climate change, and the impact on business execution, and we voted for the proposals that we determined would contribute to the sustainable enhancement of corporate value. On the other hand, we voted against the proposals aimed at social or political advocacy, as well as proposals related to specific business executions, and we also voted against those proposals for which we determined that the opinion of the board of directors should be respected, taking into consideration the reasons for the proposal and the initiatives of the company in question.

Moreover, some shareholder proponents indicated a desire for their proposals to be considered as recommendations rather than amendments to the articles of incorporation. We have a policy to carefully consider the implications if the proposals are approved. While we remain flexible in assessing the appropriateness of including responses to environmental and social issues in the articles of incorporation, we believe it is not appropriate to deliberate on them as recommendations.

Proposals involving the possibility of a conflict of interest

We provide detailed explanations for proposals submitted by group affiliates, including our parent company, Nomura Holdings, as well as proposals related to matters involving group affiliates. On the next page, we introduce proposals in which Nomura Securities, a group affiliate, was involved in acquisitions or organizational restructuring as a financial advisor and/or third-party assessor.

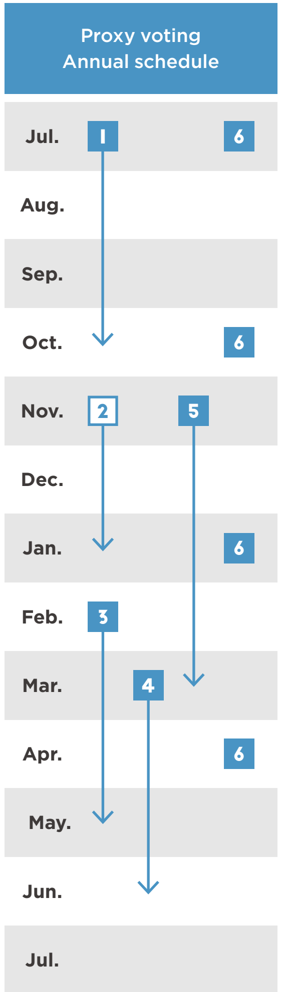
4 Disclosure: High Level of Accountability

Voting For or Against Individual Proposals

GSM	Proposer	Classification	Voting result	Reason
Ordinary GSM	Shareholder	Proposal related to articles of incorporation	Voted against	This was a proposal to amend the articles of incorporation relating to disclosures on climate change initiatives. **While we agree with the importance of climate change to the company's corporate value over the medium- to long-term**, we voted against the proposal **because the proposal could impose specific restrictions on business execution and therefore was deemed not appropriate to include in the articles of incorporation.**
Ordinary GSM	Shareholder	Proposal related to articles of incorporation	Voted for	This was a proposal to amend the articles of incorporation relating to annual reports on climate-related lobbying activities. We voted for the proposal **because we recognize the importance of the disclosure of climate-related lobbying.**
Ordinary GSM	Shareholder	Proposal related to articles of incorporation	Voted against	This was a proposal to amend the articles of incorporation relating to annual reports on climate-related lobbying activities. **While we understand the importance of the disclosure of climate-related lobbying**, we voted against the proposal **because the proponent highly appreciates the initiatives of the company and the company has already indicated its intention to make further initiatives, so we determined that it was more reasonable to respect the board of directors' efforts.**
Ordinary GSM	Shareholder	Proposal related to articles of incorporation	Voted for	This was a proposal to amend the articles of incorporation to align management's incentives with climate action. We voted for the proposal **because we recognize the importance of aligning management's incentives with climate action.**
Ordinary GSM	Shareholder	Proposal related to articles of incorporation	Voted for	This proposal was to amend the articles of incorporation relating to director competencies for the effective management of climate change. We voted for the proposal because we agree that **directors with abilities and experiences related to ESG will contribute to the sustainable enhancement of corporate value.**
Ordinary GSM	Shareholder	Proposal related to articles of incorporation	Voted for	This was a proposal to amend the articles of incorporation relating to disclosure of clients' climate change transition plans. We voted for the proposal **because we agreed with the proposers' points, and we determined that the impact on business execution would be limited and thus contribute to the sustainable enhancement of corporate value.**
Ordinary GSM	Company	Organizational restructuring-related	Voted against	This was a proposal relating to a share exchange with the parent company. Considering the strong concerns regarding conflicts of interest with minority shareholders, as well as the inadequate efforts to protect their interests and the economic terms, we voted against the proposal in accordance with our standards. **Nomura Securities, a group affiliate, was involved in this deal as a financial advisor and third-party assessor.**
Ordinary GSM	Company	Proposal related to articles of incorporation	Voted for	This was a proposal to amend the articles of incorporation related to the issuance of bond-like class shares. We voted for the proposal because it does not affect the equity of common shareholders. **Nomura Securities, a group affiliate, was involved in this deal as the underwriter.**

Annual schedule of proxy voting representatives

Most Japanese companies hold their general shareholders' meetings of in June, followed by March and May as the most common months. In our case, we conduct proxy voting for approximately 1,600 companies in June alone, and over 1,900 companies when combining these three months. In this context, we provide an overview of the general schedule for proxy voting over the course of the year, focusing on this peak period.



1 Revision of the proxy voting guidelines

July to October

As soon as the busy season period ends, a review of the proxy voting guidelines begins. This review takes into account the current situation of Japanese companies obtained through engagement and proxy voting, and we reflect changes in laws and regulations such as revisions to the Corporate Governance Code.

2 Engagement to inform companies about the revisions

November to January

We engage with investee companies that are particularly likely to be affected by the revisions to the proxy voting guidelines in order to convey our perspectives and promote the strengthening of corporate governance. In addition to individual dialogue with investee companies, we may also participate in seminars to provide explanations.

3 Engagement in anticipation of the general shareholders' meeting

February to May

As the busy season approaches, engagement in anticipation of the shareholders' meetings becomes more active. During this time, when the items to be presented at the shareholders' meeting are taking shape, investee companies' focus tends to lean towards their forecasts regarding shareholders voting for or against individual proposals. However, we strive to steer the discussions towards strengthening corporate governance over the medium to long term.

4 Peak period for shareholders' meetings

March to June

This is a time when accurate judgment on a large number of proposals is required. During the peak in June, we carry out proxy voting for over 100 companies per day, which also heightens the desire for clear and accessible information disclosure.

5 Engagement for strengthening corporate governance

Throughout the year, particularly from November to March

We explain our approach to proxy voting and receive explanations from investee companies regarding their efforts to strengthen corporate governance, followed by discussions.

6 Disclosure of proxy voting results

January, April, July, October

At the end of each quarter, we disclose the results of our proxy voting, along with the reasons for voting for or against proposals, on our website.

ESG INTEGRATION

Nomura Asset Management recognizes risks and opportunities, and incorporates them into the investment process using different methods for each strategy based on our own ESG assessments.

Features of Integration

Integrating ESG factors into the investment process is critical, as we believe financial performance and ESG efforts (non-financial information) are closely related and influence one another. We utilize proprietary ESG evaluations of portfolio companies when making investment decisions. In order to effectively incorporate ESG considerations and other non-financial information into the investment process to supplement the analysis of a company's fundamentals (financial information used to evaluate a company), we conduct our own ESG assessment for both equity investing and fixed income investing. This integration of ESG factors into the investment process not only helps reduce downside risk, but is also an essential component to improve returns. ESG assessment is not limited to Japanese companies, as the scope also includes companies in developed countries in Europe and the Americas, as well as companies in Asia and emerging countries. In addition to global themes such as climate change and human rights, we assess specific material ESG considerations for individual industries and companies, and utilize information from multiple external sources to create our proprietary ESG scores. These ratings are made available to all portfolio managers for integration into the investment decision-making process.

Equity Investment	When evaluating the ESG characteristics of portfolio companies, we focus not only on potential risks but also on opportunities to generate future earnings. Although each equity strategy integrates ESG considerations into its investment philosophy and process in a different way, a common ESG evaluation platform is shared by all strategies.
Fixed Income Investment	We select and model ESG factors that are material for credit investment based on a variety of research. In addition to this ESG factor model integration, qualitative evaluations by credit analysts are also considered within the investment process to improve the portfolio's risk-adjusted return and sustainability.

Equity Integration

Equity Integration Approach

Corporate value is essentially the discounted present value of future free cash flows. The business assets that generate future free cash flow include not only fixed assets such as production facilities, but also various types of intangible assets (capital) not found in financial statements, including human capital and intellectual property. Evaluating such capital, or business assets including non-financial information, is necessary in order to analyze corporate value. We believe that, in addition to financial data, reflecting non-financial data in company evaluations, and making investment decisions based on these evaluations, is essential in order to increase the added value of our investments.

There are two aspects to evaluating intangible assets that do not appear in a company's financial information. The first is evaluating the profits that intangible assets can bring, or a "growth evaluation," and the other is a "business risk evaluation" related to the risks to which a company's profits are exposed.

For "growth evaluation", the business impact of climate change, supply chain resilience, intellectual property, R&D capabilities and organizational strength, quality of human resources and diversity are among the sources of competitiveness that help differentiate a company from its peers. We consider these factors to be materialized in the future as financial information such as corporate profits and growth.

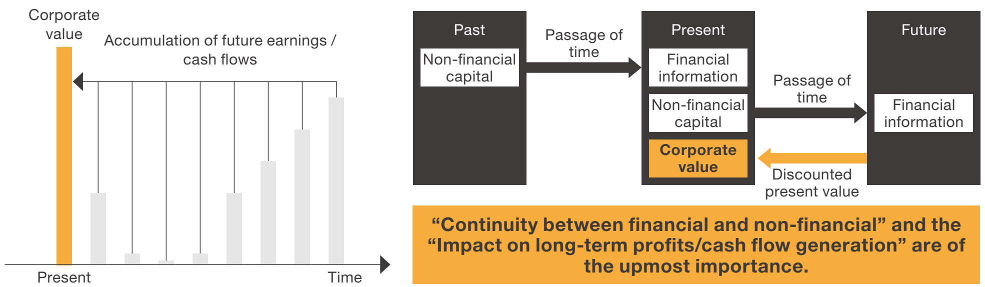
"Business risk evaluation" aims to ascertain the stability and sustainability of future profits based on whether or not the company is able to accumulate intangible assets, and to determine whether or not future profits will fluctuate sharply due to changes in the business environment. In other words, this "business risk evaluation" is looking at how to evaluate the discount rate when discounting future cash flows to the present value. To put it another way, the valuation of intangible assets is an important aspect of determining whether the valuation (relative price metric for the stock price) of the investment target company is too high or too low.

Equity Investment Process

An in-house proprietary ESG score, which is jointly produced by corporate analysts and ESG specialists is utilized for ESG integration into our Japanese equity investments. The ESG score includes environmental, social, governance, and SDG-related considerations, and is a quantified representation of our analysis and evaluation of risks, opportunities, and other factors. These scores serve as an important piece of information utilized by investment decision makers within the investment process/platforms for each investment product (see diagram below). While individual stocks in the portfolio are bought and sold according to their investment ratings, the same score serves as a common language for discussion among corporate analysts, ESG specialists, and portfolio managers, allowing for more effective ESG integration into operations. If additional ESG research is deemed necessary, the Sustainable Investment Strategy Department takes the lead in conducting the necessary engagement activities in collaboration with corporate analysts and ESG specialists.

Our ESG evaluation framework is also applied to our global equities investment. In addition to global themes such as climate change and human rights, we assess specific material ESG considerations for individual industries and companies and utilize information from multiple external sources to create our proprietary ESG ratings. These ratings are made available to all portfolio managers for incorporation into the investment decision-making process. For example, at our Singapore Office, country specialists (CS) are assigned to cover each country in this diverse region, and the main source of added value is the bottom up research conducted by meeting with companies (2,715 meetings in 2024). Investment ratings are assigned to individual stocks based on the fundamental research carried out by CSs as well as the ESG evaluation. The portfolio is constructed based on these ratings.

Investors' Basic Philosophy on Corporate Value



Strategy platform

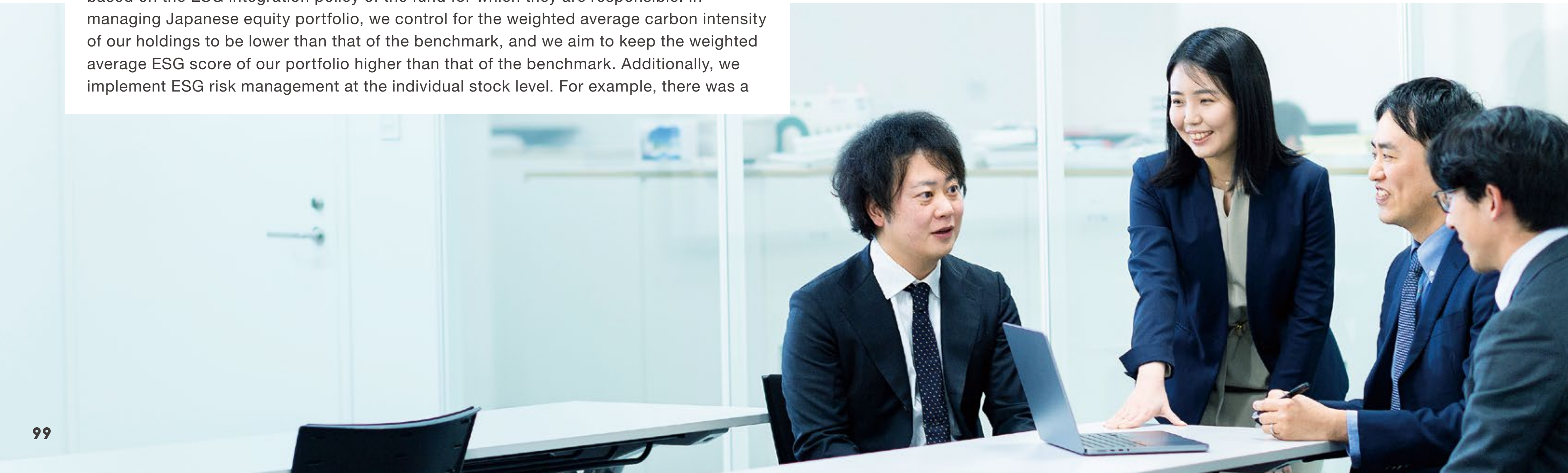
Efforts to Advance ESG Integration

Issues such as climate change, human rights problems, and diversity are common issues that need to be addressed globally and over the long term. All of our main ESG funds published on our website (https://www.nomura-am.co.jp/special/esg/strategy/esglineup.html) incorporate ESG integration as an investment method regardless of whether they are domestic equities funds, overseas equities funds, or balanced funds. Aiming to improve and enhance this ESG integration is an important topic for our portfolio management and investment operations.

Our investment teams manage portfolios based on a stock selection process that takes various ESG factors into consideration (qualitative and quantitative decisions about ESG). When assessing a company as an investment target, managers of actively-managed portfolios must consistently ask "Is this a company that controls ESG risks and opportunities and can continue to grow in five or 10 years?" and manage the portfolio by examining portfolio companies from a long term perspective. In our investment process, investment teams including portfolio managers are partially responsible for ESG assessments. When selecting or trading stocks, our portfolio managers make investment decisions after both referencing a variety of ESG data and information within the company as well as holding internal discussions.

Each investment manager controls the ESG risks and opportunities in the portfolio based on the ESG integration policy of the fund for which they are responsible. In managing Japanese equity portfolio, we control for the weighted average carbon intensity of our holdings to be lower than that of the benchmark, and we aim to keep the weighted average ESG score of our portfolio higher than that of the benchmark. Additionally, we implement ESG risk management at the individual stock level. For example, there was a case where a company faced concerns in the stock market regarding the environmental pollution potential of certain substances it was manufacturing and the associated regulatory risks. However, we evaluated the company's commitment to enhancing information disclosure and its proactive efforts in regulatory compliance, determining that a reduction in risk could be expected in the future, which led us to decide to maintain our investment. In addition, we make it a point to systematically and carefully explain these ESG integration methods and specific points related to the evaluation of stocks and bonds to our customers.

Coordination with engagement activities is also an important element of ESG integration. The reaction of top management during engagement meetings and the status of milestone achievements are also important signals for managers evaluating "opportunities." Therefore, many of our investment managers attend meetings with top executives, where they discuss ESG issues. By accumulating more experience and case studies of gathering information to make proper decisions on ESG-related risks and opportunities, performing ESG evaluations of individual companies, managing portfolios, and carrying out engagement, we are able to select strong companies that can continuously grow amid the rapid changes in society for our customers.



Efforts to Advance ESG Integration

Senior Portfolio Manager
Dai Yamawaki

Portfolio Manager
Emi Okuoka

Portfolio Manager
Takafumi Tsuda

Senior Portfolio Manager
Shunnosuke Tochimoto

Portfolio Manager's ESG Viewpoint

Business risks and opportunities
- Current and future segment mix
- Assessment of M&A strategy

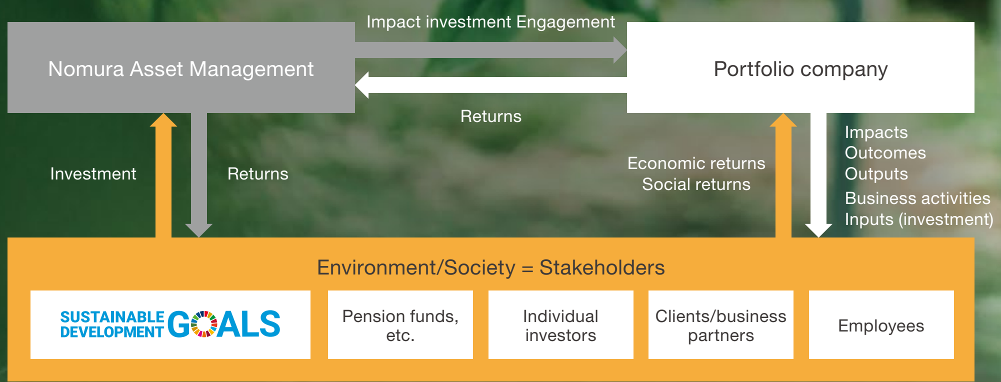
Growth of environmental/ social solutions businesses
- Profitability of environmental/ social solutions businesses
- Current customer and market development strategy
- Growth targets
- Assessment of R&D

Geographic risks and opportunities
- Status of production and sales in regions with enhanced regulations
- Changes in the supply chain structure

ESG track record
- Environmental performance: CO_2 emissions, stranded asset exposure, eco-friendly procurement ratio, etc
- Social performance: employee turnover rate, diversity, safety indicators, actions on human rights, etc
- Governance: governance structure, compensation, misconduct/ scandals, etc.

Impact Investing

At Nomura Asset Management, we believe that impact investing is not limited to simply having an impact on the environment or society. We feel it is important for our impact to generate earnings and cash flows, which will ultimately be returned to asset owners and other stakeholders. In carrying out impact investing, we extensively analyze the impact that a portfolio company has on the environment and society, as well as the portfolio company's earnings/cash flows generated. At the same time, we engage with the portfolio company to help it set CPI and targets that generate impact, as well as proactively support business activities aimed at achieving them. Impact investment is generally defined as investment that aims to create environmental and/or social impact and an economic return on investment at the same time. As opposed to the conventional two-dimensional evaluation of risk and return, impact investment requires the advanced skill of three-dimensional evaluation covering risk, return and impact. Impact investing is defined as one category of ESG investment and sustainable investment given the fact that it is expected to bring about environmental and social improvements. The United Nations SDGs are often used as a framework for impact investing. Adopted by the United Nations in 2015, the SDGs set forth 17 goals and 169 targets. The SDGs indicate the enormous needs of the global market and effective risk management methods that lead to returns on investments in portfolio companies, and are viewed as useful indicators for measuring the impact on the environment and society.



Impact Investing

Our Impact Investment Process

In Nomura Asset Management's ESG statement, we aim to share with our stakeholders the direction of our ESG activities and awareness of environmental and social issues, as well as our aim for the realization of a sustainable environment and society. This ESG Statement is the starting point for our approach to impact investing. The statement identifies issues such as climate change, natural capital, and social responsibility (human rights, diversity, equity, inclusion and belonging, as well as value creation to realize well-being within society). Through internal discussions on the above issues, we have set impact goals, which we aim to achieve through our impact investment, appropriate to asset class and each impact investment strategy. These goals include urgent issues facing the world including mitigate climate change, mitigate natural capital depletion, access to healthcare, and social responsibility (for example, access to financial services and to drinking water). We then establish indicators (KPI: Key Performance Indicator) which serve as an indicator at a national and global level to measure the degree of improvement for each established impact goal. For example, for the impact goal "Eliminate Communicable Disease," we can evaluate the global progress by monitoring indicators such as mortality rates for HIV, tuberculosis, malaria, and other illnesses published by World Health Organization (WHO). Additionally, we specify further segmented areas of investment linked to these indicators, and then select companies in which to invest in that area in order to improve this KPI. Companies included in the investment universe are linked with the 17 goals of the SDGs, and more detailed CPIs (Company Performance Indicators) are then set for each individual company. Carrying out detailed and continuous monitoring of the established CPIs allows us to not only appraise each company's impact, but also measure the extent of the improvement of the overall portfolio and the impact itself. For example, in the case of "climate change issues," by using CPIs such as GHG emission reductions and R&D investments to address climate change, it is possible to more specifically monitor individual companies' efforts to resolve issues. By engaging with investee companies based on what we learn from monitoring, we can influence companies' behavior to improve their positive impact. By repeating this process, we seek to invest in companies that address social issues while also delivering economic returns. Our impact investment strategy is constructed based on the so-called "outside-in" concept, whereby these kinds of social issues are applied to portfolio companies, and this concept is shared within our domestic and overseas impact investment strategies. In addition, we believe that publicly disclosing these initiatives in our Impact Report and sharing them with our stakeholders is essential for transparency.

Example of impact by investee companies of our impact funds (3 funds)

Fund	Impact goal	Indicator	Impact
GSE	Access to Basic Financial Services	Number of mobile payment users in Kenya	32.1 million users
GSE	Eliminate Communicable Disease	Distribution of HIV medications to patients through ATM strategies in low- and middle-income countries	20 million patients
JSEG	Mitigate Climate Change	Contributed to the reduction of CO_2 by selling products with strong environmental performance	46.07 million tons
JSEG	Mitigate Natural Capital Depletion	Volume handled by recycling business in the metal field, such as collecting and processing renewable resources	6.80 million tons
ASE	Mitigate Climate Change	Sales of electric vehicles, which have a significant impact on the reduction of GHG emissions	3.54 million cars
ASE	Eliminate Communicable Disease	Healthcare R&D investment	US$ 7.85 billion

Impact Investing

Our Impact Investment Process

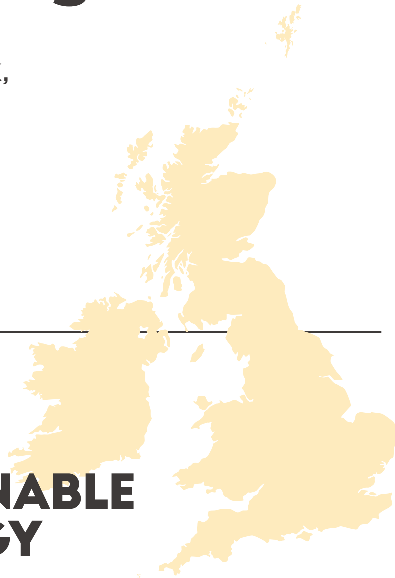
	ENVIRONMENT		SOCIETY				
Setting issues based on ESG statements	Climate Change	Natural Capital	Access to Healthcare		Social Responsibility		**SOCIAL ISSUES THAT SHOULD BE SOLVED**
Establish impact goals	Mitigate Climate Change Keep global warming to below 1.5°c	Mitigate Natural Capital Depletion	Mitigate the Obesity Epidemic	Eliminate Communicable Disease	Global Access to Basic Financial Service	Global Access to Clean Drinking Water	**Establish impact goals and Key Performance Indicators (KPI)**
Key Performance Indicators (KPI)	Global Renewable Energy Output Atmospheric CO_2 Levels	Material Consumption per Capita Global Annual Tree Cover Loss	Mortality rate according to WHO Cardiovascular disease, cancer, diabetes, chronic respiratory disease	Deaths due to HIV, TB and Malaria according to WHO	Percentage of low-income households with access to banks	Percentage of Global Population with Access to Safe Drinking Water	
Identify investment field	■ Renewable energy developers ■ Manufacturers possessing technologies ■ EV/OEM manufacturers ■ Highly-efficient office building construction and management	■ Sustainable raw material management ■ Efficient use of raw materials	■ Medicine-related businesses ■ Companies related to the healthcare value chain		■ Business that provides payment methods through fintech ■ Lending business for socially vulnerable groups	■ Businesses related to the provision of water and sewage services ■ Businesses that provide clean drinking water	**Identify investment field** **Select/Define portfolio companies**
Alignment with the UN SDGs	SDGs7.2 Increase global percentage of renewable energy SDGs7.3 Double the improvement in energy efficiency	SDGs12.2 Achieve the sustainable management and efficient use of raw materials	SDGs3.4 Reduce premature mortality from non-communicable diseases through prevention and treatment	SDGs3.3 End the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases	SDGs1.4 Ensure all have equal rights to economic resources SDGs9a Promote sustainable and resilient infrastructure development in developing countries through enhanced support for finance, technology, and technology	SDGs6.1 Achieve universal and equitable access to safe and affordable drinking water for all	**Identify SDGs topics**
CPI for individual companies	■ Contribution to GHG reduction through product sales ■ Sales volume of EV traction motors ■ Purchase amount of renewable energy	■ Amount of resources reused through recycling ■ Reduction in virgin raw material usage through recycling	■ Number of patients with heart disease and diabetes ■ Research and development expenses related to the same field	■ Status of development and information dissemination related to three major infectious disease drugs ■ Development and production of new infectious disease drugs ■ Research and development expenses related to the same field	■ Loan amount for economically weak and low-income people ■ Number of users of payment services for people without bank accounts	■ Amount of safe drinking water provided by water purifiers and chemicals ■ Amount of drinking water filtered and purified by water purification equipment	**Establish CPI for individual companies**
Engagement with portfolio companies	Ongoing engagement with target companies						**Engagement with portfolio companies**

Nomura Asset Management's impact investing

Portfolio construction/management process

Our Impact Investment Strategies

Nomura Asset Management manages impact investment strategies in the UK, Japan, and Singapore based on our impact investment philosophy.



UK

G S E GLOBAL SUSTAINABLE EQUITY STRATEGY

Our UK office manages the Nomura Global Sustainable Equity Strategy based on the concept of impact investing. This strategy is characterised by a global equity strategy that aims to not only generate investment returns but also have a high positive impact on the environment and society through investment in companies that the team believes to have high overall positive impact on all stakeholders (the environment, society, customers, suppliers, employees and investors). We measure impact by setting environmental and social goals (targets) with clear policies and evaluate progress towards achieving those goals. The impact investment process of this strategy is also based on the aforementioned "Our Impact Investment Process". The strategy follows the investment process which includes setting the targeted "Impact Goals", selecting investment companies through a unique stock selection process that combines the analysis of Sustainable Development Goals (SDGs), and the long-term monitoring of the investee companies' company performance indicators (CPIs), as well as promoting efforts to achieve the "Impact Goals" through dialogue (engagement activities) with investee companies. We also regularly prepare and publish reports containing impact data, such as key performance indicators (KPIs) and CPIs, as well as insights from our engagements with companies, which allows various stakeholders to access this information. We believe this will encourage more active efforts towards achieving the "Impact Goals". The fifth edition of the Impact Report for this strategy was published in 2024, providing a clear and detailed explanation of how the investment team evaluates the positive impacts brought about by the investee companies and the impacts we aim to achieve through engagement activities. The publication of such reports not only encourages companies to tackle the key challenges facing the world today, but also imparts social impact on a variety of stakeholders by encouraging them to address the sustainability of their businesses.

A Nomura Global Sustainable Equity(GSE)
Sustainable Investment Specialist
Daniela Dorelova

B Nomura Global Sustainable Equity(GSE)
Lead Portfolio Manager
Alex Rowe

C Nomura Global Sustainable Equity(GSE)
Co-Portfolio Manager
Lacaille, Benjamin

Our Impact Investment Strategies

A Portfolio Manager
Tatsuhira Matsushima

B Main Portfolio Manager
Jun Takahashi

C Portfolio Manager
Kodai Sasaki

D Senior Portfolio Manager
Ken Nagano

JAPAN

JSEG JAPAN SUSTAINABLE EQUITY GROWTH STRATEGY

We began managing this strategy in 2016 based on the philosophy of companies addressing social issues through their core businesses. In the 2010s, a wide range of stakeholders started to become aware of the need for sustainability with respect to the environment and society. The idea that it is possible to solve such challenges through investment lies behind this. The turmoil caused by the COVID-19 pandemic that emerged in 2020 has finally begun to settle down after several years. However, while the global chaos has subsided, various social issues that became evident in Japan during that time, as well as disasters caused by climate change, have been occurring frequently in areas throughout Japan, leading to a deepening of the problems. Therefore, urgent action is required to address social challenges. In this strategy, we incorporate the concept of "impact investing," an investment approach that helps address various environmental and social issues we face as society changes due to a wide range of factors, and we continue to manage our investments based on a long-term perspective. This investment method not only aims to generate the usual investment returns from an asset management product but also focuses on investing in companies that engage in business activities aimed at solving social issues over the long term, thereby contributing to addressing challenges within the society in which we live. These social issues are closely related to the SDGs (Sustainable Development Goals), and the connection between solving these social challenges and achieving SDG targets is one of its key features. Additionally, since many of these social challenges require medium- to long-term efforts, we believe that investing in companies with the premise of long-term investment allows for a balanced pursuit of both excess returns and the resolution of ESG issues. The investment targets of this strategy include companies that can create social value contributing to the achievement of the SDGs, evaluated through our unique ESG scores of Japanese stocks and their fundamentals. We believe that sharing the outcomes and the broad and cumulative impacts achieved by our portfolio companies through the publication of impact reports is an essential process not only to support these companies in addressing social challenges but also to deepen understanding among investors.

Our Impact Investment Strategies

SINGAPORE

ASE ASIA SUSTAINABLE EQUITY STRATEGY

In April 2022, Singapore office began managing the Asia Sustainable Equity Strategy based on our impact investment philosophy. This strategy invests in companies, primarily those in Asia, that the team believes to have an overall positive impact. Approximately one-half of the world's population lives in Asia, and Asia is both an important manufacturing hub as well as an indispensable region in global supply chains. As ESG investing and impact investing receive attention globally, focusing on companies' activities to solve social problems in Asia, where growth is expected going forward, represent important opportunity. In addition, we believe that focusing on companies that the team deems to have a positive impact will help tackle environment and social challenges. Given the fact that Asia is a manufacturing hub and key region in global supply chains, environment and related social issues are top priority sustainable theme for the regions.

With regards to the disclosure related information and the details of the initiatives themselves, many Asian countries (excluding Japan) are not well established compared to those in developed countries. On the other hand, China and other Asian countries are increasing their status as world biggest and most cost efficient production hubs for green mobility and alternative energies. In tandem with this movement, demand for green mobility within Asia has been growing faster than in other regions of the world in recent years. Our Singapore office employs country-specific approach to portfolio management using country specialists, enabling us to conduct detailed and differentiated analysis to ESG factors and portfolio stocks. To incorporate these stocks into their portfolios, our country specialists conduct research ESG issues/opportunities and continuous engagement. We believe that by doing this, we can enhance Asian companies' commitment to ESG.

A Head of ESG Asia
Viresh Mehta

B Assistant Portfolio Manager
Stacy Kuah

C Senior Portfolio Manager
Shigeto Kasahara

ESG Scores for Japanese Equities

Nomura Asset Management computes proprietary ESG scores which represent Japanese companies' true ESG abilities, in collaboration with our analysts and ESG specialists. ESG and other non-financial information are extremely important in predicting corporate value based on future cash flows. Researching, analyzing, and then scoring a portfolio company's non-financial information makes it possible to measure corporate value while taking ESG into account, and we believe doing so leads to higher added value of our investments.

ESG Score Content

The following is an overview of ESG scoring. The assessment comprises four items each with a weighting of 25%. These four items are Environment, Social, Governance, and SDGs. ESG Score keeps a good balance between risks and opportunities. In terms of opportunities, we evaluate items including management's vision and commitment with respect to ESG issues (ability to explain, plan, and execute initiatives, as well as past achievements), along with the future growth potential of companies that contribute to the achievement of SDGs, as well as the management resources that contribute to this. Meanwhile, for risks, our evaluations emphasize items that can be quantitatively analyzed, such as whether or not a company has provided disclosure and/or obtained certification, as well as the data disclosed and trends for such data. Furthermore, we use materiality (important management issues) to take into account differences in industry attributes for each company.

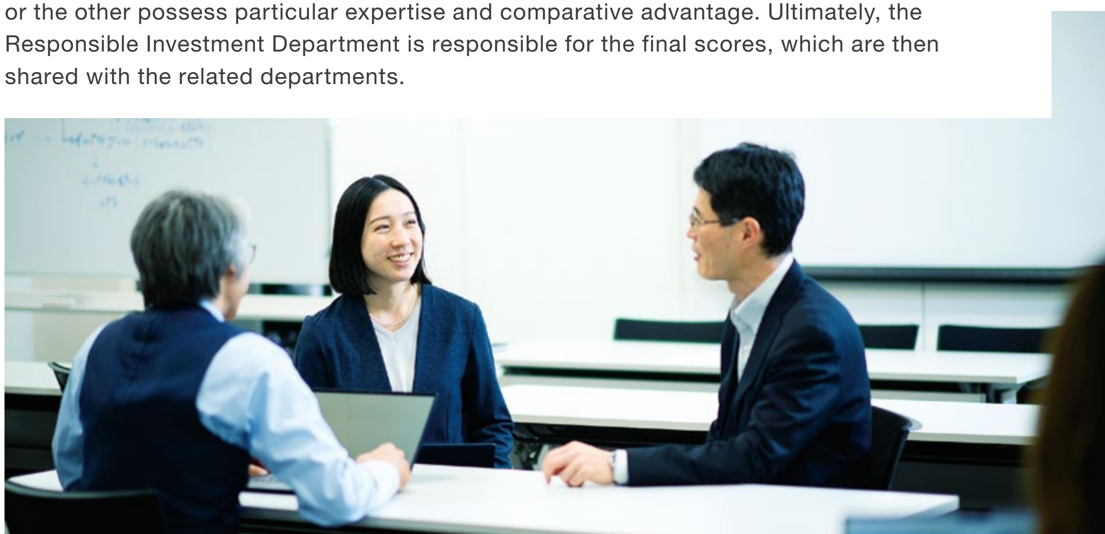
For "Environment," we look at whether a company is managing transition risks and physical risks related to climate change and incorporating such risks into its business strategy. We also look at whether the company's management has expressed a commitment to the environment. With respect to matters such as the TCFD, we analyze and evaluate based on a company's integrated report and materials posted on its website. With respect to evaluating natural capital and other environmental assessments, we evaluate items such as those related to waste management, conservation of river and marine resources, and biodiversity (including preventing marine pollution).

For "Social" factors, our evaluation is divided into looking at a company's internal and external risks as well as measures to address such risks. The former includes assessments such as those related to employees' human rights and the utilization of human capital, while the latter relates to the issues surrounding the quality of products and services as well as supply chain management. Recently, much attention around the world has been given to human rights initiatives. For Japanese companies in particular, we emphasize the evaluation of supply chain management at business sites both in Japan and overseas.

In "Governance," we evaluate multiple items to make sure that companies have put appropriate structures/systems in place, such as the composition of the board, outside director independence, and whether nomination and compensation committees have been established. Meanwhile, we also evaluate qualitative issues such as dialogue with top management and successor planning. The unique strengths of our corporate analysts, who have been studying and analyzing companies extensively for many years, are reflected in our evaluations.

In "SDGs", we proactively evaluate a company's stance vis-à-vis working on future opportunities. We evaluate whether a company considers solutions to SDG issues as business opportunities and appropriately incorporates them into its business strategies. In doing so, rather than simply looking at whether or not a company has businesses that enable it to contribute to the achievement of each goal, we conduct extensive research and forecast future sales mixes capable of contributing to SDGs goals, and look at whether or not a company has excellent human and technological resources to differentiate itself from industry peers.

Corporate analysts who have frequent contact with companies and possess extensive knowledge of the companies they cover collaborate with ESG specialists who analyze ESG from a cross-industry perspective. They work together, identifying items where one or the other possess particular expertise and comparative advantage. Ultimately, the Responsible Investment Department is responsible for the final scores, which are then shared with the related departments.



ESG Scores for Japanese Equities

Revision of ESG Score

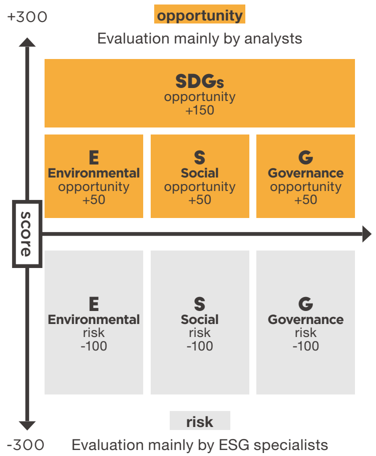
Since our portfolio companies are improving their ESG-related disclosures and their actual initiatives, we revise the ESG scores for Japanese equities on a regular basis, thereby raising the effectiveness of company evaluations using ESG scores. In the 2023 revisions, we are taking it a step further by estimating the economic value of the GHG removals and avoided emissions, and reflecting this in the climate change assessment. In the 2024 revision, we added evaluations of companies' efforts to respond to the TNFD issued in September 2023.

In the 2025 revision, new evaluation items were added: ❶ whether or not outside directors with effective skills have been appointed based on the skills matrix required to be disclosed in the revised Corporate Governance Code, and ❷ the details of business opportunities towards nature-positive, especially whether or not specific products and services have been developed. With regard to ❶, since the creation of the skills matrix is left to each company, the lack of objectivity and standardization is an issue. Therefore, NAM, in collaboration with Uzabase, Inc., has verified whether it is possible to automatically output and evaluate the skills matrix of a board of directors from text information about directors, thereby strengthening the evaluation process for this item.

In addition, we are reviewing some of the other items, taking into consideration changes in regulations, etc., based on the current situation of Japanese companies attained through engagement and proxy voting.

New ESG Scoring Framework

Main category		Sub-category		Sub-items
E Environmental	25% of total opportunity: +50 risk: -100	opportunity +50	Environmental strategy, senior management's initiatives	Sub-items are individually evaluated in accordance with sub-category themes. Importance (materiality) was introduced in new scores, taking into account the specific characteristics of the industry for each company.
		risk -100	Climate change, Natural capital, response to other environmental issues, etc.	
S Social	25% of total opportunity: +50 risk: -100	opportunity +50	Social strategy, senior management's initiatives	
		risk -100	Human capital, human rights, response to other social issues, etc.	
G Governance	25% of total opportunity: +50 risk: -100	opportunity +50	Evaluation of senior management	
		risk -100	Evaluation of board of directors, other governance items	
SDGs	25% of total	opportunity +150		



Utilizing ESG Scores

ESG scores generated by quantification of non-financial information are used not only for investment decisions and new product development in investment portfolios, but also for client reporting and our ESG investment management.

Utilizing ESG score data in engagement

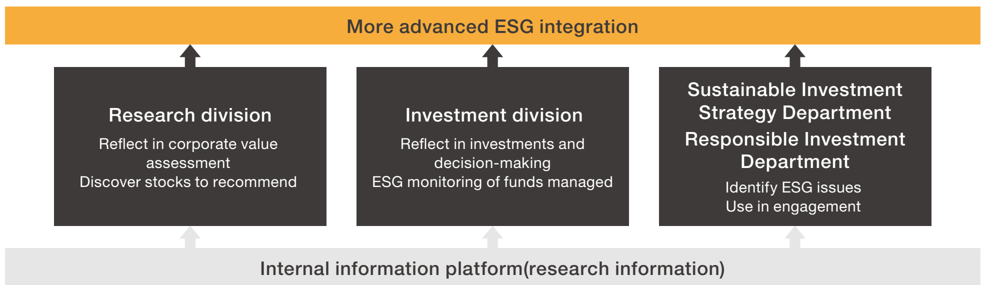
ESG scores are determined not only based on disclosed data but also using information on future risks and opportunities. By using this ESG score, we can compare the strengths and weaknesses of portfolio companies' ESG efforts, and use the scores in engagement such as discussing future course of action.

Utilizing ESG score data in investment activity

ESG scores are posted on an internal research-sharing system. The materials used by investment committees and others to evaluate investment value for individual companies contain regular financial indicators as well as ESG scores and ESG comments by the analysts in charge. These scores are actively utilized in making investment decisions.

Utilizing ESG scores in portfolio construction and monitoring

When building and reviewing portfolios, we check scores for individual companies, use them to make comparisons with industry peers and see how a company's score has changed, as well as to check the ESG quality of the portfolio. Investment managers can also use the items comprising the ESG scores of individual companies as a standalone data. Additionally, by regularly comparing the portfolio's overall ESG score to the benchmark, they can use ESG scores to check ESG risk bias and other factors.



Head of Sustainable Investment, Fixed Income
Jason Mortimer

Changes in International Politics and the Direction of Sustainable Investment

The Second Trump Administration

In year ahead outlooks, 2024 was described as a year of potentially major political change and policy upheaval with elections cycles cumulating across the world – and it delivered on this promise. In 2024, the Labor Party in the United Kingdom returned to power for the first time since 2010, Germany and France saw voters shift away from traditional mainstream party coalitions to both right- and left-wing parties, and Japan's LDP ruling party lost its parliamentary majority for the first time since 2009. But the most important 2024 election for markets was Donald Trump's victory over the incumbent party to win re-election to a non-consecutive second term in the USA. As a backdrop, conservative's hostility to "ESG" investing has grown into a cultural backlash and legal challenges, while the debate about energy transition policies and their potential impact on prices, growth, and energy security has intensified around the world.

What does this electoral shift mean for climate policies and regulations, corporate initiatives, and sustainable investors in 2025? Media headlines paint a negative picture, but we have a more nuanced outlook. Sustainable investment is not "dead", but it is changing in ways that will bring risk and opportunity to investors in these strategies.

Headwinds – Reversing signals of climate policy and disclosure requirements

With a second Trump administration in the US White House, global climate sustainability efforts in 2025 will likely see more policy uncertainty around the pace and ambition of climate policy, and less progress on regulatory climate disclosure mandates.

Firstly, the Trump administration has announced the USA's withdraw from the Paris Agreement again in 2025, in what may be an accelerated schedule relative to his first administration. The exit of the world's second largest GHG emitting country from the Paris agreement will be negative for sentiment, reduce the availability of global climate financial aid, and potentially limit the NDC (nationally determined contributions) target-setting ambition of other countries. Reportedly, some countries are already postponing their 2025 NDC updates in light of this uncertainty. However, as in 2016 when the US exit from the 1-year old Paris agreement did not lead to a wave of other countries leaving the agreement, in 2025 this is even less likely as a risk. Most countries have become even more strategically committed to the climate transition for their economies.

Additionally, the IRA (Inflation Reduction Act), enacted by the Biden administration in 2022, is a fiscal support measure aimed at promoting investment in renewable energy facilities and equipment in the U.S. There are concerns as the Trump administration seeks to revise this policy. However, the act aligns with the Trump administration's goals of protecting domestic industries and local economies, making wholesale abandonment unlikely.

Secondly, the new Trump administration's focus on deregulation and reducing corporate reporting burden is likely to slow global efforts towards globally aligned sustainability and climate disclosures, such as local adoption of ISSB standards. For example, the US SEC (Securities and Exchange Commission) adopted new rules for standardizing corporate climate-related disclosures in March 2024, but was immediately challenged in court by several companies and Republican state attorneys general, leading the agency to pause their implementation in April. In 2025, President Trump's pick for the SEC chair is highly likely to roll back or refuse to enforce the previous SEC administration's climate disclosure requirements.

From a regulatory perspective, this will put the US at odds with global efforts to encourage and align climate disclosures, making it more difficult for investors to analyze and price corporate sustainability risks.

However in a practical sense, relatively little is likely to change on the ground even with a weaker disclosure outlook in the US. According to CDP*1 and Center for Audit Quality*2, 80% of SP500 companies in US already disclosed climate data to CDP in 2022 with fully 98% reporting some form of ESG disclosure. CDP also shows a clear trend for increasing numbers of carbon neutral or net-zero commitments and Scope 3 reporting categories. Major multinational companies set commercial and climate strategies for a decade or more ahead - not 4-year political administrations. So the underlying commitments and decarbonization plans are likely to stay in place, even if companies may become less public about their sustainability efforts. And multinational companies are almost certain to remain motivated to disclosure based on requirements from foreign jurisdictions in addition to demand from their own clients and investors.

Opportunities – Refocus on material factors and increased attention to resiliency and adaption

With challenges come opportunity, and 2025 may see sustainable investment itself become more sustainable. Sustainable investors may move away from certain politically charged issues and refocus on a narrower set of economically- and market- relevant sustainability challenges with broader appeal.

The first opportunity lies in the growth of transition finance, which supports the funding of so-called brown (non-green) issuers in their transition toward greener practices, particularly given the current high levels of greenhouse gas emissions. Japan has been proactive in this area, notably with the issuance of GX (Green Transformation) transition bonds by the Ministry of Finance in 2024, making it a world leader in this initiative. This proactive approach positions Japan favorably to capitalize on the changes in transition finance and attract the attention of foreign investors.

The second opportunity arises from the increasing demand for corporate and government resilience in responding to environmental changes, which is expected to lead to an expansion of investment in related projects. Specifically, this includes not only investments in renewable energy and electric vehicles aimed at mitigating climate change itself, but also the construction of climate-resilient supply chains and infrastructure to address the growing impacts of climate change and disasters.

As the effects of climate risks—such as unprecedented heat waves and increasingly severe flooding—intensify, the resilience of assets and projects will become increasingly crucial for long-term investment risk assessment. Investments in resilience are likely to garner sustained political support, which enhances their appeal to investors.

2024's political changes especially in the US represent both challenges and opportunities for global sustainable investors in 2025. While increased climate policy uncertainty and reduced climate disclosure regulatory momentum are headwinds, these alone are unlikely to derail global climate action by policy makers and investors. The concept of sustainable investment may in fact be enhanced in the long term by re-focusing on the core sustainability factors driving corporate value and risk, emphasizing pragmatic solutions like Transition Finance. We expect that investments will be strengthened in the long term by continuing to engage in this domain.

Sustainable investment markets have always been characterized by change and rapid evolution. Climate risks and opportunities in particular represent a long-term and high-conviction trend for global markets, although not one that will always develop in a straight line. Rather than despair over the near term setbacks to traditional approaches to sustainable finance, successful investors in 2025 can focus on best understanding and positioning for this latest evolution of sustainable investment.

*1 Climate Transition Plan Disclosure report
*2 Center for Audit Quality HP

Transition Finance and Transition Plan Assessments

Understanding the Next Frontier for Climate Investors

Transition Finance has emerged as a key topic for sustainable finance, as investors increasingly consider the need for both “Reducing Financed Emissions” and “Financing Emission Reductions”. Amid market debate on the very meaning of Transition, how are market participant’s disclosing and assessing Transition Plans?

Transition finance is increasingly recognized as a vital aspect of a practical set of solutions for reaching net zero goals by both private investors and public policy makers, yet remains without a generally accepted definition. In the broadest sense, Transition Finance is defined by relevant organizations as “investment, financing, insurance, and related products and services to support an orderly, real-economy transition to net zero”.

However for investors the distinction lies in practical implantation. Namely, does Transition apply at the entity-level, i.e. all corporates having a credible transition plan aligned to a 1.5 degree net zero pathway, or at the asset and economic activity level, i.e. transitional sector pathways and R&D (research and development) for hard-to-abate sectors that currently lack technologically feasible solutions? It is generally observed that the entity-level definition is most prevalent among European investors, while in Japan and Asia the “hard-to-abate” sector-focused approach is more common. This state of polysemy, or the capacity for word or phrase to have multiple but related meanings, can lead to confusion and impends consensus. However neither interpretation is necessarily “more correct”.

Corporate issuers and policy makers are rushing to respond to and establish frameworks for transition finance. According to the latest report from CDP[*1*2], 25% of companies that disclose through CDP (a year-on-year increase of 44%) have published transition plans in line with the 1.5-degree target set by the Paris Agreement. Japan has been recognized as a leading country with credible transition plans for three consecutive years. Additionally, a study by Oxford University[*3] found that among the G20 countries, seven—including the EU, the UK, and Japan—have already established requirements and regulations for transition plans, while eight countries, including Australia, Canada, India, and Indonesia, are in the process of developing guidelines. However, the penetration of transition plans into the market is still in its early stages. According to a report by the TPI[*4*5], while 30% of the world’s major greenhouse gas-emitting companies (1,027 in total) have commitments aligned with the 1.5-degree target, less than 5% of these companies have demonstrated even one element of a credible transition plan.

What are the elements of credible transition plans, and how can investors apply these factors to ex-ante analysis of an issuers climate pledges? While frameworks and standards are still evolving, certain common characteristics have emerged in investor approaches to assessing Transition Plan credibility. When continuously assessing plans and incorporating risks into pricing, insufficient information disclosure and unstandardized plans can act as obstacles. However, investors are working continuously to improve plan evaluation through trial and error.

Nomura Asset Management is actively engaged in public-private partnerships for new initiatives in the market, such as the issuance of GX economic transition bonds, in order to promote the widespread adoption of transition finance. By providing feedback on product features and institutional aspects from the investor’s perspective, we support the smooth expansion of the market.

Climate finance markets continued to evolve in 2024 in the face of challenges, with an increased focus on practical approaches to real-world decarbonization. While debate continues around the exact definition of Transition Finance and the standards expected for disclosing credible Transition Plans, this concept will play an increasingly critical role for climate investors in 2025.

*1 CDP: formerly known as Carbon Disclosure Project, organization for environmental information disclosure support
*2 Climate Transition Plan Disclosure report
*3 Net Zero Regulation Stock Take Report
*4 TPI: Transition Pathway Initiative, organization for transition plan assessment
*5 TPI State of Transition Report

Key evaluation points for the transition plan

Time Bound Strategy Short, medium, and long term targets	**Key Performance Indicators (KPIs)** Quantitative and objectively verifiable	**Accountability Mechanisms** Leaders incentivized; stakeholder feedback
Integrated with business strategy Must align to business model with economic rationale	**Forward Looking** Plans are leading indicators of intent and likelihood of success	**Coherence** Do capex plans support the transition strategy?

Source: Prepared by Nomura Asset Management

Japan's Growing market for Green Municipal Bonds

Climate Adaption and Resiliency impact investment opportunities

Japan's Green Sustainable Social (GSS+) municipal bond market is growing steadily, providing yen bond investors with opportunities to fund local climate resilience infrastructure across regional and local areas.

The global average temperature reached a new record high in 2024, marking the highest levels in modern history. Japan is no exception, experiencing continuous heatstroke special warning alerts during the summer, as well as delays in autumn foliage and snowfall on Mount Fuji. Amid these environmental changes, many local governments in Japan are facing increasing risks associated with natural disasters. "Super Typhoon" Hagibis in 2019 brought unprecedented rainfall to eastern Japan, resulting in nearly 100 fatalities and estimated economic losses exceeding $15 billion. Research by the Japan Meteorological Agency estimates that global warming since the Industrial Revolution has increased the total precipitation from this typhoon by 14%.

In response, there has been an increase in local governments*1 issuing GSS (Green, Social, and Sustainability) bonds. The funds raised are allocated to infrastructure developments that enhance resilience against climate disasters and to decarbonization projects. In 2024*2, more than 30 issuers issued GSS municipal bonds*3 totaling over 600 billion yen in face value in accordance with ICMA (International Capital Market Association) standards in the Japanese market. The total issuance in 2024*2 saw a year-on-year increase of 37%, accounting for approximately 8% of the total amount of municipal bonds issued.

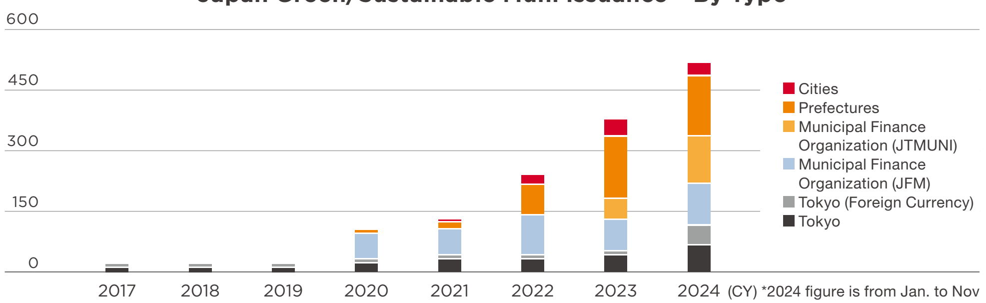
A unique aspect of the Japanese Municipal GSS+ market is the market's relatively large allocation to Climate Adaptation projects. Our analysis of green and sustainable financing frameworks from major Japanese municipal GSS+ bond issuers finds that nearly 60% of these use of proceed categories were allocated to projects for Climate Resiliency and Adaption, compared to 17% for Climate Change mitigation and 13% for mixed Mitigation and Adaptation projects. In contrast, the allocation ratios for typical green bonds are reversed, with the majority being invested in climate mitigation projects, such as renewable energy and clean transportation systems.

However, the long term capital expenditure needs of local governments are significantly more aligned with adaptation projects such as inland and coastal flood defenses, and measures to prevent erosion and landslides. Climate resilient public infrastructure projects such as these are also likely to be more meaningful to the protection of life and property in the local community, with indirect financial and credit metric benefits from better disaster and recovery preparedness.

We aim not only to participate as an investor in the Japanese municipal bond market but also to foster the understanding of adaptation finance, which enhances sustainability and mitigates economic losses from natural disasters among local governments. Moreover, leveraging Japan's position as a trusted regional partner, we are committed to sharing successful case studies from the Japanese municipal bond market with other regions, such as developing countries in Asia, through international outreach efforts.

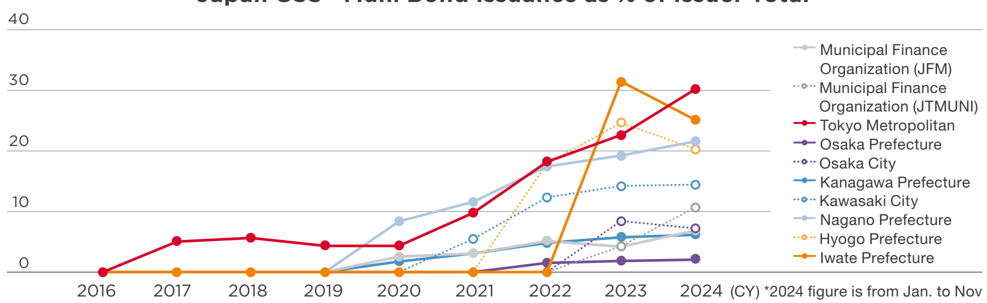
*1 Municipal Bond issuers include sub-national government issuers such as prefectures, cities and towns, Japan Joint Local Government Bonds, Municipal Finance organizations
*2 2024 figure is from Jan. to Nov.
*3 Figure exclude non-ICMA aligned "SDG Bonds" and local expressway issuers

Japan Green/Sustainable Muni Issuance – By Type



Source: Prepared by Nomura Asset Management based on Bloomberg.

Japan GSS+ Muni Bond Issuance as % of Issuer Total



Source: Prepared by Nomura Asset Management based on Bloomberg.

Sustainability as an Alpha Source

Case study from Corporate Hybrid Bond

Nomura Asset Management applies a proprietary quantitative model approach to integrating credit material non-financial data and issuer analysis into corporate debt strategies with the aim of improving risk-adjusted returns. We believe that the integration and utilization of non-financial data can serve as a crucial source of alpha for bond investment strategies.

The analysis of bond issuers can be broadly categorized into financial data and non-financial data. Financial data is generally widely disclosed and tends to be easily reflected in market bond prices. In contrast, non-financial data—often referred to as ESG data—lacks standardized disclosure formats, making quantification and analysis challenging. However, this type of data can capture unprecedented new risk factors, such as climate change risks and cybersecurity risks, suggesting the presence of information asymmetry and opportunities for generating investment alpha. Our model particularly focuses on the downside risk related to credit quality, taking into account the importance of principal repayment certainty, which is a key characteristic of bond investments.

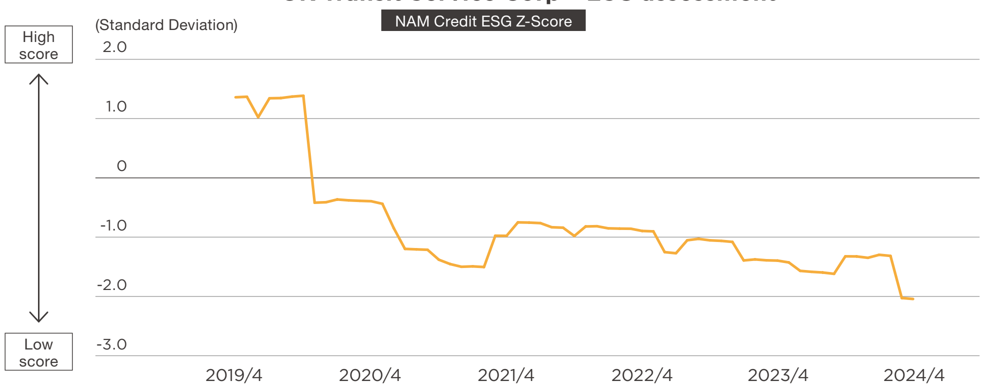
Corporate hybrid bonds are subordinated debt issued by non-financial sector corporations. They typically offer higher yields than traditional bonds, but they come with characteristics such as lower repayment priority in the event of default and the option for issuers to defer interest payments. These features tend to be particularly pronounced during periods of deteriorating credit quality, making investors sensitive to signs of credit deterioration.

In our corporate hybrid bond investment strategy, we utilize ESG scores in individual issuer assessments. We consider excluding issuers with low ESG score evaluations, as they may present risks that are incorrectly priced into the market.

In 2024, there was a downgrade event involving a transport company in the UK. Initially, the company had received investment-grade ratings of BBB or higher from multiple rating agencies, and sell-side analysts, as well as leading ESG rating providers, had given it favorable evaluations. However, our scoring assessment differed significantly; we had rated the company low due to its poor management of labor relations and risks associated with its relationship with regulators. Given that a deterioration in labor relations could lead to serious downside risks to credit quality, we decided to exclude this issuer from our investment universe.

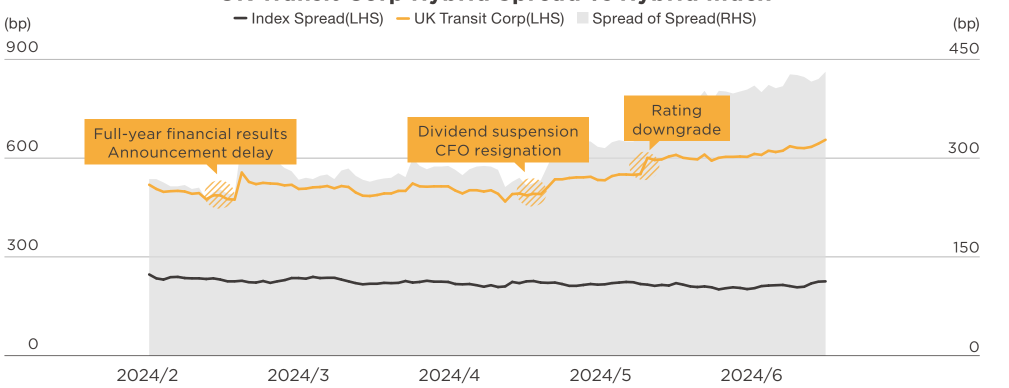
In the latter half of 2024, the company experienced a decline in earnings, partly due to strikes related to labor relations, which prompted some rating agencies to downgrade its issuer rating to below BBB, classifying it as junk status. This resulted in a significant widening of credit spreads for its hybrid bonds (the yield differential compared to government bonds), leading to a deterioration in performance. However, because our strategy had excluded this issuer, we were able to avoid the negative impact on performance. This example illustrates that through the integration of non-financial data, there is potential to mitigate downside risks in bond investments.

UK Transit Service Corp – ESG assessment



(Source) Prepared by Nomura Asset Management

UK Transit Corp Hybrid Spread vs Hybrid Index



(Source) Prepared by Nomura Asset Management
UK Transit Corp Hybrid: GBP 2025 Call
Hybrid Index: ICE BofA Global Hybrid Non-Financial Corporate Index

Utilization of ESG in Japanese Bond Credit Management

The credit portfolio management of JPY bonds is coming into the spotlight as JPY bond yields are reviving with the policy interest rate hike under the current Bank of Japan Governor, Kazuo Ueda, marking the first increase since 2007. For many years, the negative interest rate policy had kept the yield levels of JPY corporate bonds low, resulting in a relatively unattractive environment for this asset class from a yield perspective.

Since 2019, our JPY bond credit management has adopted an investment process that integrates ESG risk assessments in addition to traditional business and financial risk evaluations, aiming to mitigate the risk of sudden declines in corporate bond prices and stabilize investment returns.

When viewing the JPY corporate bond market* by sector composition, it is notable that the top two sectors— FILP agency bonds and utilities such as electric and gas—make up a disproportionate share, with FILP agency bonds representing about 30% and utilities around 20%. This characteristic, which is not seen in other countries' markets, makes it essential to conduct proper ESG evaluations not only for general business companies but also for these sectors in our asset management.

Bonds from FILP agencies are issued by non-public companies, which limits the availability of information for assessment. However, we conduct ESG evaluations considering the policy roles that public finance and public enterprises play. The electricity and gas sectors still have a high dependency on fossil fuel power generation, which is associated with significant greenhouse gas emissions. There are perspectives promoting divestment from these sectors based on this dependency; however, our approach focuses not so much on the current levels of emissions but rather on the strength of commitments to transition strategies toward decarbonization and the potential for future improvements. The initiatives undertaken by electricity companies are closely linked to Japan's energy policy. Expanding renewable energy and restarting nuclear power plants can have a substantial impact on greenhouse gas emission reductions. We believe that appropriately evaluating these factors when making bond investments is crucial for achieving a decarbonized society while also enhancing investment returns.

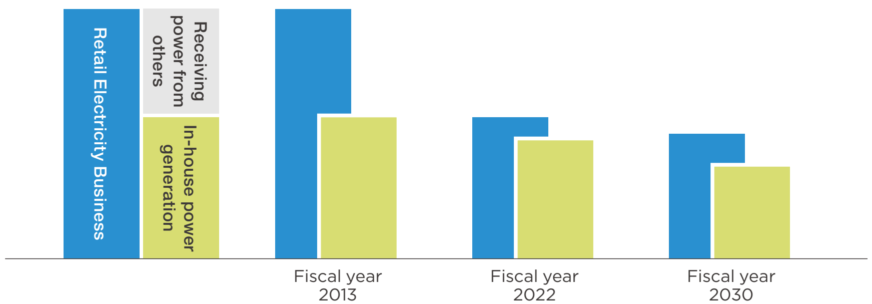
*Nomura-BPI Extended Corporate Bond Index

COLUMN

ESG Evaluation: Case study from Japanese Electric Utilities

This is a power company with a solid business foundation in Japan. It has set goals to reduce CO_2 emissions by 50% by fiscal year 2030 (compared to fiscal year 2013) and to achieve carbon neutrality by 2050. The company is implementing measures aimed at decarbonization, such as the introduction of renewable energy sources and the restart of nuclear power plants. Currently, its reliance on coal-fired power generation is relatively high compared to other companies, so it is collaborating with others to engage in demonstration experiments of new technologies aimed at reducing emissions from coal-fired power generation. In terms of renewable energy, the company aims to increase its power generation from renewable sources by approximately 70% by 2030 (compared to fiscal year 2019). It is actively working on a wide range of initiatives, including the construction of solar power plants, enhancement of hydroelectric power generation, and the exploration of investment projects related to biomass power generation and offshore wind power. The company is also proactive in information disclosure, revealing sector-specific investment amounts and contributions to emission reductions in its management plans. Additionally, it provides transition plans for its thermal power plants, enabling external third-party checks.

Illustration of CO_2 Emissions Reduction



(Source) Prepared by Nomura Asset Management from company materials

Message from the Chairperson of the Responsible Investment Council

Outside Director
Appointed in 2021

Ryoji Maeda

MESSAGE

The primary role of the Responsible Investment Council (the "Council") is to monitor potential conflicts of interest within the Responsible Investment Committee (the "Committee"). In addition to the agenda items for shareholders' meetings of group affiliates, matters involving mergers and acquisitions or fundraising for investee companies where group affiliates are involved are also subject to monitoring, as they might pose a risk of conflicts of interest. To ensure that decisions are made under the same criteria as when there are no conflicts of interest, members of the Council always attend Committee meetings, regardless of whether or not a conflict of interest exists. In practice, the members actively participate in the Committee discussions, thereby ensuring effective oversight related to stewardship activities, including conflict of interest management.

For decision-making on proxy voting, the Committee takes evolving societal trends into account and establishes voting standards by incorporating forward-looking elements related to ESG issues. The Committee discusses whether to vote for or against various agenda items that require individual deliberation, based on a thorough understanding of the background situation. Additionally, the Committee conducts engagement activities, focusing on approximately 350 select Japanese companies that are designated as priority targets, and aligned with key themes set by the Committee. This engagement supports the enhancement of corporate value at investee companies. The details of engagement activities are shared internally as important information that help with investment decisions, and are reported to the Committee on a regular basis.

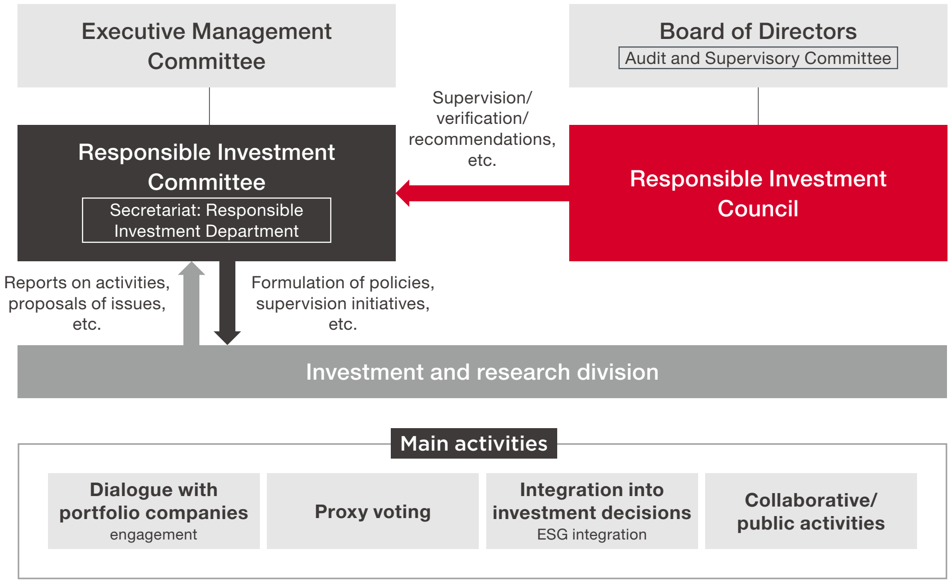
Over the past year, in response to the Tokyo Stock Exchange's request for companies to focus on capital costs and stock prices, many companies have earnestly started initiatives aimed at enhancing corporate value, leading to efforts to eliminate price-to-book ratios below one and reduce strategically-held shares. Stock prices have responded positively to these efforts. In this market context, NAM, as a leading institutional investor, is sincerely engaging in stewardship activities to support positive initiatives aimed at enhancing the corporate value of investee companies.

To further expand these activities and ensure that the current market trend becomes more sustainable, I, as a member of the Council, intend to continue providing appropriate advice and support, as well as supervision focused on the management of conflicts of interest.

Biography

April 1977	Joined Sumitomo Life Insurance Company	June 2007	President and CEO, (Chairman of the company from April 2014), Sumitomo Mitsui Asset Management Co., Ltd.
April 2002	Executive Officer, CIO of Investment Headquarters, Sumitomo Life Investment Co.,Ltd.	April 2018	Permanent Audit & Supervisory Board Member, Allianz Global Investors Japan Co., Ltd.
December 2002	Operating officer, Sumitomo Mitsui Asset Management Co., Ltd.	June 2021	Outside Director, Nomura Asset Management Co., Ltd. (current)

Organizational Structure for Responsible Investment



Member composition

The Responsible Investment Council comprises only the Chief Conflict Officer and persons in independent positions in Nomura Asset Management, including independent outside directors. Currently, the Responsible Investment Council has three members: one Chief Conflict Officer and two independent outside directors.

Positioning

The Responsible Investment Council is positioned under the Audit and Supervisory Committee. As necessary, the Responsible Investment Council recommends improvements to the Executive Management Committee and/ or the Responsible Investment Committee, and reports such recommendations to the Board of Directors and the Audit and Supervisory Committee (Refer to “System to Manage Conflicts of Interest” on P86).

About the Responsible Investment Council

The Responsible Investment Council verifies the appropriateness and validity of stewardship activities, including the formulation of proxy voting guidelines, proxy voting decisions, the formulation of engagement policies and engagement activities, thereby aiming to prevent adverse impacts on clients’ interests due to conflicts of interest or other issues, while also strengthening the governance of responsible investment.

Meetings held

Since its establishment in September 2016, the Responsible Investment Council has met a total of 60 times through December 31, 2024. The Responsible Investment Committee is attended by the members of the Responsible Investment Council, who promptly provide their opinions.

Message from the Chairperson of the Board of Directors

Outside Director
Seiichiro Yamamoto

I was appointed as an independent outside director in 2021, and at the same time I also took on the role of Chairperson of the Board of Directors. Previously, I spent over 30 years in the asset management industry, with 14 years at a Japanese trust bank and 20 years at a foreign asset management firm. I would like to highlight two impressions I have of Nomura Asset Management. First, I observe that employees approach their work with a strong sense of awareness and perspective as leaders in the industry. Under the vision of becoming a “Leading Asset Management Center,” I sense a strong commitment to contributing to the development of the entire investment chain, as the social responsibilities of asset management firms continue to grow. Second, although we are part of a major financial group, NAM operates independently. This was a pleasant surprise compared to my expectations before taking on this role. The Board of Directors operates without interference from the parent company, as do the Responsible Investment Committee and the Responsible Investment Council. As a steward, I believe that rigorous discussions take place, especially with respect to managing conflicts of interest.

In our approach to ESG, it is crucial to maintain a proactive stance centered on the question, “As a trustee, how do we confront social challenges?” from a long-term and sustained perspective. On the surface, ESG might seem susceptible to fluctuations influenced by the current political situation. However, NAM has declared the realization of a prosperous society as our purpose, and within our ESG Statement, we state that “We recognize that it is important for companies to properly manage the risks related to ESG issues, and to view the resolution of ESG issues as new business opportunities and appropriately reflect them in management strategies.”

While we cannot completely detach ourselves from superficial trends, I am hopeful that we can continually engage in self-reflection and consider our ideal role alongside our investee companies, and continue to put our principles into practice.

Biography

April 1985	Joined the Yasuda Trust & Banking (Currently Mizuho Trust & Banking)
December 2006	Director, AllianceBernstein Japan
March 2012	President & CEO, AllianceBernstein Japan. (Chairman from December 2018)
June 2014	Partner, Alliance Bernstein L.P. (U.S. Headquarters)
April 2019	Founded Y-Labs, Inc.; specially-appointed professor, Sophia University (current)
July 2019	Board Member of the University of California at Berkeley Haas Business School (current)
April 2021	Chairperson of the Board of Directors, Nomura Asset Management Co., Ltd. (current)

Results of Self-Evaluation of 2024 Stewardship Activities

We are actively engaged in stewardship activities in order to encourage investee companies to increase their corporate value and promote sustainable growth, and to increase medium- to long-term investment returns for clients and beneficiaries.
To further enhance our activities, we performed a self-evaluation of our stewardship activities in 2024 (January to December), the results of which are discussed in this section. This self-evaluation corresponds to the self-evaluation required by Guideline 7-4 of the Japan Stewardship Code revision on March 24, 2020.

Self-Evaluation Methodology

We conducted a survey mainly of members of the Responsible Investment Committee, the highest decision-making body for our stewardship activities, and held discussions based on the results of the survey. Members of the Responsible Investment Council, which monitors the Responsible Investment Committee, particularly with regards to matters related to conflicts of interest, also participated in the survey and in subsequent discussions.

Survey Overview

People surveyed

The following people responded according to the questions.

Responsible Investment Committee members	Responsible Investment Committee Secretariat members	Responsible Investment Council members
6 (Comprises 6 members from the investment and research functions)	5	4 (Comprises one Chief Conflict Officer, two independent outside directors and one outside expert)

Survey timing	Period covered
December 2024	January-December 2024

Response format

Signed	Multiple choice (4 choices)	Comments written freely

Results of self-assessment (overall) Future Actions

More than 90% of respondents indicated that stewardship activities in Nomura Asset Management were appropriate. The Responsible Investment Committee held discussions based on the results of the survey and comments received, and the final assessment was that the company was generally able to carry out appropriate stewardship activities, including addressing the points for improvement identified in the previous assessment.

The points for improvement identified in the previous assessment

- Bolster two-way information sharing and communication between personnel to enhance synergies between engagement and investment decisions.
- Systematically increase the level of understanding of those in charge with respect to the policies established by the Responsible Investment Committee in order to improve stewardship activities as an organization.
- Improve the methods for measuring the effectiveness of engagement, so as to quantitatively understand the relationship between the policies established by the Responsible Investment Committee and the results of engagement activities, which will then lead to process improvements.
- In addition to the above, a reassessment of the structure of the Responsible Investment Council was also planned. (For more details, please refer to “Results of Self-Evaluation of 2024 Stewardship Activities,” specifically “Principle 2: Management of Conflicts of Interest.”)

Among the 2024 stewardship activities, the following initiatives were highlighted for enhancing effectiveness:

Improvement and sharing of knowledge through internal workshops	Revision of policies and related matters through appropriate processes	Enhancement of collaboration in engagement	Reinforcement of the Responsible Investment Council’s structure

Future Actions

The following points were identified as areas that need to be bolstered to further enhance the effectiveness of our stewardship activities in 2025.

- In light of the increasing complexity of proposals and the advancement of proxy voting standards, enhance the robustness of the proxy voting operations to ensure accurate assessments of proposals.
- Further enhance the processes, considering the rising standards required for engagement, such as the escalation to proxy voting.
- To fulfill our stewardship responsibilities, strengthen efforts to further develop and maximize the value of our human resources.

Additionally, following the strengthening of the structure of the Responsible Investment Council, discussions were held on aiming for further enhancement of corporate governance as an asset management company.

Please refer to the link below for the results of our self-evaluation of our activities corresponding to each principle in Japan’s Stewardship Code.
https://global.nomura-am.co.jp/responsibility-investment/investors/stewardship.html

Nomura Asset Management's ESG Communication Activities

Nomura Asset Management is also focusing on delivering information related to ESG. NAM employees give presentations and participate as panelists at seminars to help people gain a better understanding of ESG.

Also, we work with initiatives as well as public institutions to discuss ESG issues.

Furthermore, by participating in efforts to establish standards for ESG reporting, we convey our knowledge and insights about ESG to various stakeholders in an easy-to-understand manner.

Collaboration with initiatives, domestic and overseas public institutions, etc.

- Steering Committee member and Chair of the Multistakeholder Working Group, Japan Stewardship Initiative (JSI)
- Member of the Industry Advisory Panel (IAP) and Co-chair of the Working Group on the ASEAN Taxonomy &Transition established by the ASEAN regulatory authority
- Committee member , Constructive Dialogue Promotion Working Group and Impact Investment Working Group, Committee on Financial and Capital Markets, Japan Business Federation (Keidanren)
- Advisory Committee member for "Advance," the PRI's collaborative initiative for human rights and social issues
- Advisory Committee member for "Spring," the PRI's collaborative initiative for nature
- PRI Japan Advisory Committee member
- PRI Sustainable Systems Investment Managers Reference Group (SSIMRG) member
- ICGN Global Policy Committee and Future Leaders Committee members
- Ministry of Economy, Trade and Industry: Skills Development and Responsible Business Conduct for Transition – Member of the project working group to develop business and human rights materials

Internal Seminars in NAM

- Held an internal workshop on 'Animal Welfare Needed by Companies,' led by Chihiro Okada, Executive Director of the Certified NPO Animal Rights Center
- Held internal workshops for the Investment and Research Unit on "Risk Management in the Digital Society," "Human Rights and Human Capital," "Well-Being," and "Climate Change and Natural Capital."
- Held an internal workshop for NAM employees on the revisions to NAM's Proxy Voting Standards
- Held an internal lecture entitled 'Creating Financial Flows that Improve Society,' presented by Haruka Mera, Founder and CEO of READYFOR Inc.
- Held an internal workshop for our analysts on the revisions to NAM's Proxy Voting Standards
- Held internal workshops for the Investment and Research Unit on "Human Rights," "Well-Being," and "Risk Management in the Digital Society."

External Activities in 2024

Jan.
- Delivered explanatory video at ICJ about NAM's Proxy Voting Standards to issuer companies
- Participated in the MIT/Federal Reserve Board Conference: Measuring Cyber Risk in the Financial Services Sector (Boston)

Feb.
- Delivered explanatory video about NAM's proxy voting at listed company board member's governance forum
- Published two-part Cybersecurity Risk Engagement Guide for Investors on Nomura Connects

Mar.
- Co-authored a presentation titled "Analysis of the Relationship Between Profitability and Corporate Environmental Activities, and Automatic Generation of Improvement Proposals", delivered at The Association for Natural Language Processing.
- Participated in a panel discussion at Moody's Sustainable Finance Conference (Tokyo) - Fixed Income Investor Considerations for Green Bonds and Impact Investment

Apr.
- Participated as a moderator for the RepRisk-hosted panel discussion on 'Deep Dive into Trends in ESG Data: Innovation and Risk Mitigation'.
- Participated in a panel discussion at IFRS Seminar Series 2023 on Advancement of Sustainability-related Information Disclosures and Dialogue towards Enhancement of Corporate Value- 5th Session: Sector Analysts' View on How to Use IFRS S2 (Climate-related Disclosures) (Tokyo)
- Participated in a panel discussion at AFME European Sustainable Finance Conference (Amsterdam) - International Perspectives on Operating Sustainable Finance Business Across Borders
- Participated in a panel discussion at Asian Investors/RepRisk Conference - Deep Dive into ESG Trends from Innovation to Risk Mitigation (Tokyo)

May.
- Participated in a panel discussion at the AIGCC-hosted 'Investor Response to Natural Capital in Japan'.
- Participated in a panel discussion at Japan Electrical Manufacturers' Association (JEMA) GX Reporting session - Green Transformation Pathways for Electrical Industry: Decoupling GHG emission reduction and economic growth (Tokyo)
- Presented at ADB/OJK Workshop on Promoting Municipal Bond/Sukuk Issuance for Sustainable City Development in Indonesia (Jakarta)

Jun.
- Submitted a paper titled 'Determinants of Natural Capital: An Empirical Study by Income, Regional, and Temporal Differences' to SSRN, a global cooperative organization for evaluating and sharing research papers.
- Submitted a paper to SSRN titled "Determinants of Natural Capital: An Empirical Study By Income, Regional and Temporal Differences" https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4867405
- Participated in a panel discussion at AFD/ADB SUFIP (Sustainable Finance in the Indo-Pacific) 2024 Conference on Building Resilience in the Indo-Pacific Region (Bangkok)

Jul.
- Participated in a panel discussion at the PRI-hosted webinar entitled 'Animal Welfare: Perspectives on Food Safety and Corporate Assessment'.
- Presented a paper entitled 'Does Executive Compensation with ESG Targets Improve firm's ESG Performance' at the session 'Applied Informatics in Finance and Economics' of the international conference hosted by the International Institute of Applied Informatics.
- Presented on the topic "Does Executive Compensation with ESG Targets Improve firm's ESG Performance? — Evidence from Japan" at the 2024 16th IIAI International Congress on Advanced Applied Informatics (IIAI-AAI)
- Participated in a panel discussion at the WBCSD (World Business Council for Sustainable Development) session - Promoting Sustainability in the Business Sphere (Tokyo)
- Participated in a panel discussion at the SSDH/ADB Knowledge Sharing Workshop for Sovereign Sustainability Linked Debt
- Presented at ADB ASEAN+3 Bond Market Forum - "Scaling up private climate finance in Developing Asia and Pacific: Policy Instruments to Leverage Private Climate Finance" (Kumamoto)

Aug.
- Participated as a speaker at the AIGCC-hosted workshop 'Examining Deforestation in Nature and Responsible Investment Policies'
- Participated in a panel discussion at Nomura Sustainability Week 2024: Key Cybersecurity Issues to Address in Financial Capital Markets (Tokyo)

Sep.
- Lectured on 'Human Capital Management from an Investor's Perspective' at the Executive Seminar on 'Trends in Human Capital' hosted by Nomura Securities (Nagoya and Osaka)
- Participated in a panel discussion at PwC Japan Seminar - How do IASB Projects Change Dialogues between Managements and Investors (Tokyo)
- Presented at ADB/Thailand SEC Seminar on Transition Finance: Bridging the Gap to Sustainability: "Financial Institutions Perspective - Assessing Credible Transition Plans" (Bangkok)

Oct.
- Participated in a panel discussion hosted by PRI on 'Natural Capital and Stewardship Activities' (Sydney)
- Participated in a panel discussion about 'The Value of Biodiversity in the Financial Sector: Thematic Engagement' hosted by Morningstar Sustainalytics.
- Participated in a panel discussion at the investor session 'Food, Finance, and Biodiversity' hosted by FAIRR at COP16 (Cali, Colombia)
- Participated in a roundtable on 'The Role of Finance in the Transition to Regenerative Agriculture' hosted by the World Biodiversity Summit (Cali, Colombia)
- Participated in a panel discussion at the 'Tokyo Sustainable Seafood Summit 2024' hosted by Seafood Legacy.
- Co-authored a presentation titled "An efficient machine learning method for obtaining ESG information from corporate websites", delivered at Special Interest Group on Financial Informatics of Japanese Society for Artificial Intelligence.
- Participated in a panel discussion for Bitsight Japan Luminate Exchange Summit: Cybersecurity from Investors Perspective in Japan (Tokyo)
- Published "Climate Finance Policy Support for Mobilizing Transition Finance in Asia - Japan's Regulatory and Policy Approach to Transition Finance" in ADB Asia Bond Monitor Sept 2024 issue
- Presented for GFANZ Asia Pacific and Malaysia Securities Commission on "Sector Specific Guidelines for Navigating the Risks and Opportunities for Investment in Hard to Abate Sectors" (Kuala Lumpur)
- Participated in a panel discussion at the Responsible Investor Asia 2024 Conference: "Transition Investment and the Fixed Income Market" (Singapore)

Nov.
- Participated in a panel discussion about proxy voting at the Osaka Stock Council
- Participated in a roundtable on 'Biodiversity/Ecosystems and Human Rights' hosted by the IFRS Foundation.
- Participated in a panel discussion on 'Governance: Expectations for Japanese Companies' at the Human Capital Management Summit 2024, hosted by the General Incorporated Association for Promoting Human Capital Management, with the theme 'The Reality of Human Resource Strategy Transformation: Leveraging Human Capital'
- Contributed to the "ADB Asia-Pacific Climate Report 2024" 'Climate Policies and Private Climate Finance - Literature Review and Policy Surveys'

Dec.
- Participated in a panel discussion at the 'Aquaculture Traceability Engagement: Progress Update' hosted by FAIRR.
- Participated in a panel discussion at the PRI webinar "Serious Human Rights Accountability by Investors: Business and Human Rights Practices"
- Participated in a panel discussion for ADB/OJK regarding municipal bonds and Sukuk for sustainable city development in Indonesia - "Trends and Use of proceeds of GSS+ Muni Bonds in Japan" (Jakarta)

2024

Review of 2024

In the "Policy Plan for Promoting Japan as a Leading Asset Management Center" announced by the Japanese government in 2023, promoting the supply of growth capital to startup companies is positioned as one of the key elements for achieving sustainable economic growth and diversification of managed assets in Japan. There are rising expectations for startups with deep tech that provide innovative solutions targeting the various challenges facing Japan. Japan must bring together capital and talented management for the technologies and solutions needed to enrich society, facilitate the growth of such startups, and firmly implement these technologies in society. Therefore, we believe that supplying capital to technologies that change and enrich society from the pre-IPO stage, while supporting the establishment of a competitive management structure along with robust information disclosure, will lead to healthy market growth and the realization of a prosperous society. To this end, we began impact-driven crossover investments in 2024. The year 2025 marks the 10th year since the establishment of the Responsible Investment Department in April 2016. We have embarked on new challenges in responsible investment in the private market, aiming to expand the investment chain into the private market and restore vitality to Japanese society.

2025

2025 and Beyond

Looking at the recent ESG landscape, a notable anti-ESG movement has emerged in the U.S., and there is some turmoil as major financial institutions in Europe and the U.S. have increasingly withdrawn from investor initiatives due to concerns related to antitrust laws. Similar developments are beginning to spread in Japan as well, with major financial institutions also withdrawing from climate change-related initiatives.

However, we view these developments as reflections of differing approaches and stances over time, and believe that the fundamental direction—namely, the aim toward a sustainable society—has not changed. We will continue to promote sustainability activities related to issues such as climate change and human rights from a global perspective, grounded in our fiduciary duty and stewardship responsibility.

On the domestic front, in anticipation of the stewardship code revision and the amendment to the Companies Act, both of which will be the first in five years, discussions are underway regarding the framework and rules for engagement, such as the beneficial ownership verification system and shareholder proposal rights.

Going forward, we believe there will be an even greater need for both action as a responsible investor and the promotion of effective dialogue.

Head of the Responsible Investment Department

Yosuke Uchida

Expertise to Exceed

https://global.nomura-am.co.jp/