

1Q 2020

Nomura Asset Management U.K. Limited
Nomura Asset Management Singapore Limited
Nomura Asset Management Malaysia Sdn. Bhd.
Nomura Islamic Asset Management Malaysia Sdn. Bhd.

Responsible Investing Report

Introduction

Nomura Asset Management is committed to Responsible Investment, being a signatory to the United Nations Principles for Responsible Investment (“UNPRI”) since 2011, and has a strong track record of acting in a manner that maximises both the experiences of our clients and the other stakeholders impacted by our investments.

Nomura Asset Management U.K. Limited (“NAM UK”) has been integrating Environmental, Social and Governance (“ESG”) research (both proprietary internal research and external data providers) into all individual global equity investment committee reviews since 2013. Our engagement activity and ESG research has been published publicly online since 2Q16 in an effort to promote transparency and increase the impact of our activity. Whereas, Nomura Asset Management Malaysia Sdn Bhd (“NAMM”) and Nomura Islamic Asset Management Sdn Bhd (“NIAM”), as member entities within the NAM group in Malaysia, are also committed to standards encouraged by the UNPRI through its commitment to observe the Malaysian Code of Institutional Investors (“MCII”). Both NAMM and NIAM became signatories of the MCII on 25 April 2017.

The engagement efforts of the NAM UK Fixed Income team have been included within this report since 3Q18, and since 2Q19 has also incorporated the research and engagement processes of Nomura Asset Management Singapore Limited (“NAM SG”) and Nomura Asset Management Malaysia Sdn. Bhd. (“NAMM”). Since 1Q20 the Responsible Investment team of Nomura Asset Management Co., Ltd (NAM Tokyo) have also been contributing a selection of engagements with Japanese companies to the report. Through the collaboration of research efforts across offices and asset classes we believe we can maximise the impact of engagement activity and achieve the best outcomes for all stakeholders.

It is our view that Responsible Investment is best undertaken by taking into consideration the impact of a corporation’s existence and the associated investment decisions on all stakeholders, not just ourselves as shareholders and/or bond investors. As responsible investors we must take into account the broader impact of our investment decisions and it is our duty to engage with the businesses we own and/or lend to, and even those we don’t, to push for better practices where necessary. Targets for engagement are identified through our ongoing ESG research programme, which takes into consideration the ESG risks within our client portfolios and ongoing evaluation of the impact that our investee companies have on all stakeholders. An assessment is made as to the severity of the engagement topic and the engagement itself is carried out at the appropriate level. Where we feel our engagement activity is not having the desired effect we will escalate our concerns to more senior management or directly to the board. We are proactive with regards to proxy voting as a means to express our views and we actively seek to collaborate with other investors to maximise the impact of our activity.

"NAM Group" "NAM"	These references relate to the whole Nomura Asset Management organisation and will generally be used when referring to matters such as investment philosophy, style, company structure and other policies which are consistent across the Group.
"Nomura Asset Management Co., Ltd" "NAM Tokyo"	This refers to Nomura Asset Management Co., Ltd., the Head Office of the NAM Group based in Tokyo, Japan.
"NAM UK"	This refers to Nomura Asset Management UK Limited, the UK based subsidiary of NAM Tokyo. NAM UK will typically be appointed as investment manager and will retain responsibility for the management, control and servicing of the client portfolio and relationship.
"NAM Singapore" "NAM SG"	This refers to Nomura Asset Management Singapore Limited.
"NAM Malaysia" "NAMM"	This refers to Nomura Asset Management Malaysia Sdn. Bhd.
"NIAM"	This refers to Nomura Islamic Asset Management Malaysia Sdn. Bhd.
"Our" "We"	This refers to the efforts and practices undertaken within the NAM UK, NAM Singapore and NAM Malaysia offices.

Summary

Over the period 26 companies were reviewed and assigned ESG ratings. Of these, 7 were awarded a rating of ‘N’ (No Issues), 16 a rating of ‘I’ (Issues but Improving), 3 a rating of ‘I’ (Issues, Not Improving). No companies were deemed Uninvestible. In addition, 18 further companies were engaged with, supplementary to full company reviews, to discuss ESG related queries that arose over the period. In total 38 companies were contacted to discuss ESG concerns – of these engagements 21 were focused on Environmental Impact, 12 on Social Impact, 3 Governance and 2 Remuneration. Of the companies we engaged with 6 were based in North America, 10 in Europe, 17 Asia ex Japan and 5 within Japan. Responses were received from 31 companies (82% response ratio).

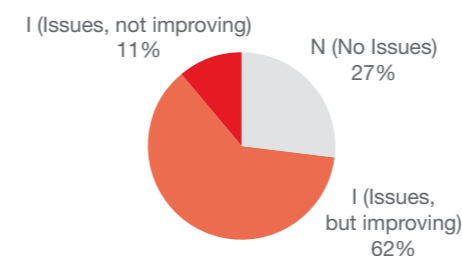
Companies reviewed	
N (No Issues)	7
I (Issues, but improving)	16
I (Issues, not improving)	3
U (Uninvestable)	0
Total	26

Engagements by Region	
Europe	10
North America	6
APAC ex Japan	17
Japan	5
Total	38

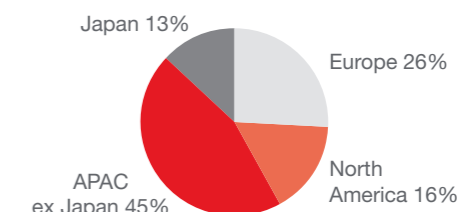
Engagements	
Number of contacts	38
Number of responses	31
Response Ratio	82%

Engagements by Subject	
Capital Allocation	0
Environmental Impact	21
Social Impact	12
Remuneration	2
Governance	3
Total	38

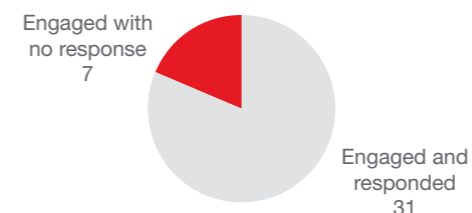
Ratings Assigned Over the Period



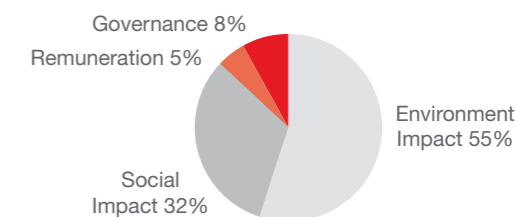
Engagement by Region



Engagement Over the Period



Engagement by Type



Notes from our Responsible Investing Research

- Environmental Impact:** This theme was again the primary focus of our engagement activity in the quarter comprising over half of all engagements, and in particular company actions around the ever growing issue of climate change. This included an engagement around advertisement by an airline that it will be carbon neutral based on the acquisition of exceptionally cheap carbon credits, and an ongoing engagement with an internet retail business on its reporting of carbon emissions.
- Impact Reporting:** As part of our commitment to developing better reporting around the impact of our underlying holdings we have also been engaging to request that companies report more fully on the core environmental and social impact of their activity. For example we believe that transmission and distribution companies have a vital role to play in facilitating the shift from fossil fuels to renewables, and one metric that can support how great the contribution has been towards having this 'impact' is the amount of renewable energy generation capacity that has been connected to the grid. Indeed one company we invest in actually targets this internally but does not report this number externally. We strongly believe this data is vital for the investment community as investors start to think more about the true non-financial impact of investments.
- Collaboration:** Over the quarter we were involved in a number of collaborative engagements which included a coordinated letter to the board of a prominent US Communication Services company that continues to refuse to engage with shareholders on a number of social issues to a level that we feel is appropriate. We were also involved in a coordinated letter to over 40 companies within the cocoa value chain to encourage them to sign a corporate commitment to living income and living wages.
- Coronavirus:** The Covid-19 pandemic is having a heart breaking impact on human life and will bring about an economic fallout that will only be fully appreciated many months from now. One glimmer of light however might be a positive shift in what is expected of companies and social responsibility. We are closely monitoring those companies that are most impacted by the pandemic and how they are managing the very difficult balancing of all stakeholder interests. We have started an engagement with one restaurant company that will be disproportionately impacted such that we can better understand how employee impact is being managed at this time. Please see our quarterly Case Study for further information. We have also been pleasantly surprised by some of the actions that investee companies are taking to support the global fight against coronavirus and the spirit of corporate responsibility that is being shown. We expect that the expectations of society and investors in regard to total corporate impact will stay with us in some form for some time.
- Class Action Lawsuit:** NAM UK has taken the decision to join a class action lawsuit against a German automaker on behalf of a number of our accounts. We have taken this decision as we believe first and foremost that is the right thing to do with regards to seeking damages on behalf of clients but also in line with our responsible investment approach and belief that corporations must be held accountable for their actions and impact on all stakeholders. It is our belief that there is evidence of emissions test manipulation and participation in a cartel with other German automakers that has brought about considerable loss for our clients in addition to a clear negative impact on the environment and broader society.

Engagement Tracking

To optimise both the efficiency and impact of our engagement activity we operate a prioritised 'engagement tracking' policy. Whilst we seek to engage with all companies that we feel can improve their ESG related practices, we recognise that focused and ongoing engagement activity will have a greater impact on specific ESG concerns and indeed there are certain companies that are more receptive to engagement. For instance we believe we can have a very positive impact by engaging in an active, continued dialogue with retailers in relation to sustainability issues within supply chains. However, for tobacco companies where the primary ESG issue is the impact of their products on consumer health, the effect of our ongoing engagement effort is unlikely to be significant. As such we have identified a number of companies where we believe ongoing engagement has a high likelihood of precipitating change. We typically re-engage with these companies on a quarterly basis (at the very least biannually). A list of ongoing engagements is presented in the following table.

Description	Nature of Engagement	Status of Engagement	Engagements/Notes
Global Food Services	Social - Ensuring the company is taking the appropriate steps to support its workforce, with a focus on the current Covid19 crisis	Ongoing	Emailed IR - Shareholder Engagement Mar 2020 We started engaging with the company in March 2020, as a result of the Covid19 crisis and concerns about the large workforce that will be unable to work for many weeks. A call has been scheduled with the company in April
US Communication Services	Social & Governance - Whilst we believe the company to have a broadly positive impact on its stakeholders there are concerns around governance, monitoring of website content, and data protection that we believe the investor community has a responsibility to monitor	Ongoing	Email w/ IR Nov 2017; Email w/ IR Nov 2018; Call w/ Head Sustainability Dec 2018; Email w/ IR July 2019; Call w/ Head Sustainability Sep 2019; Signatory sponsored by buyside 10th Dec 2019; Call w/ Head of Sustainability 12th Dec 2019; Sent resolution letter to company's Corporate Secretary on 31st Dec 2019; Co-signed collaborative letter to the board Feb 2020 Commenced engagement following reports of insufficient monitoring of content allowing inappropriate videos to be uploaded in 2017. We have since received a somewhat underwhelming response to our engagement, however progress is being made and we are joining peer investors at company CSR outreach calls. We hope that this collaborative investor pressure will bring about the necessary change. Emailed and posted letter to corporate secretary on 31st Dec 2019 as part of group collaboration. Throughout 1Q20 we have continued our ongoing dialogue with co collaborators
Swiss Food Products Business	Social - Ensuring the necessary steps are taken to limit the use of child labour in the cocoa supply chain	Ongoing	Call w/ Head Agricultural Services Dec 2017; Meeting w/ Chairman Mar 2018; Emailed Governance Head Jun 2018; Call w/ Cocoa Manager and Head of IR Nov 2018; Meeting w/ Chairman Feb 2019; Call w/ our peer cocoa supply chain collaborators Sep 2019; Call w/ Head of Cocoa Plan Oct 2019; Call w/ Sustainalytics, UNICEF and VOICE Network Nov 2019; Nomura Asset Management named on front page of Sustainalytics' Engagement Forum Dec 2019; Meeting w/ Chairman Feb 2020 We have been engaging with the company since Dec 2017, via email, meetings, calls and participated in Sustainalytics' Engagement Forum. During the past two years the company has published its second Child Labour report, indicating that their ultimate goal is to have 100% of their cocoa sourced sustainably by 2025. We will continue to engage with the company and with Sustainalytics' 3 year initiative (up to Q4 2022) on the theme of child labour in the cocoa supply chain with the main players including this company
Integrated Oil & Gas (Company A) UK Airline (Company B)	Environmental - A number of companies have advertised that customers can choose to fly or drive carbon neutral, however the intended spend on carbon credits appears far too low. We are engaging with an integrated oil company ('Company A') and airline company ('Company B')	Ongoing	Email Exchange w/ IR Company A Oct - Nov 2019; Email Exchange w/ IR Company B - Dec 2019; Call w/ IR Company B - Jan 2020 We have requested information on how the value of carbon credit has been calculated. Company A has advised cannot disclose this information - we queried CO2 generation assumptions and explanation in price difference on discount to market price for carbon. Company B has provided somewhat more information and we held a call early in 1Q20. We were disappointed by the seeming lack of understanding the company had but the company did follow up with extensive detail from the service provider assisting them with this. We are watching closely the actions of the company as the airline industry deteriorates
US Aerospace & Defence	Social & Governance - Company involved in well publicised airplane crash tragedies. We have been disappointed by the company's response and in particular the fact that safety metrics do not feature directly in management remuneration criteria	Ongoing	Email w/ IR Jan-June 2019; Email w/ IR July 2019; Call w/ IR arranged Aug 2019; Meeting with largest customer Sep 2019; Have proposed Sustainalytics also engage on our behalf We continue to engage with the company and push for greater responsibility. We engaged with a core customer in September 2019. Sustainalytics are also engaging with the company on our behalf. CEO/ Chairman resigned in 4Q19
US Internet Retail	Environmental - limited carbon emission reduction target and policy Social - privacy and data security risks, lagging peers in training staff	Ongoing	Email sent to IR 15 Oct 2019; Dec 2019 requested Sustainalytics engage on our behalf due to lack of response We have reached out to the company to engage on environmental and social concerns. Due to limited response we have requested Sustainalytics engage on our behalf

Responsible Investing Case Study

How to improve the conditions of employees at times of Covid-19, while making the business more financially sustainable

NAM UK has been invested for a number of years in a global restaurant company, which is also one of the largest global employers, with more than half a million employees. Until recently, one of their major problems in their main market, the US, was retaining talent within the business given the labour shortages they had been suffering. They had in place several programmes to help with this, as there is a learning curve for their key unit manager positions in that market. They had acknowledged that the productivity in employees was clearly correlated with their level of satisfaction with their jobs.

What did we do? NAM UK engaged with the company to understand the initiatives that are being taken in response to the coronavirus pandemic. The company has had to close several facilities and many of its employees are not currently working. The company started with re-deploying staff from the most affected industries to the sectors where there could be some increase in demand at this time (i.e. healthcare), then decided to eliminate overtime and contracted hours, and finally a combination of cuts in hours, cuts on salary, temporary lay-offs with government wage support and the company paying for their benefits (this is key in the US market, especially for healthcare benefits). They are working on being ready for the rebound in activity after the Covid-19 re-opening and have already experienced some of this in their China business. The company is also providing PPE (personal protection equipment) for the employees working at this time.

What can we expect? We have committed to follow up on this situation on their main markets and will schedule more calls with the company. We will contact Human Resources to understand their current programmes to improve the employee situation and how this might change in a Covid-19 world.

Where do we stand? As long term shareholders, we believe it is in the best interest of the company to support its employees in this difficult time, acknowledging this will have a financial cost in the short term. This will provide benefits in the long term, from increasing levels of employees' satisfaction, higher productivity and a better consumer experience. It is also the right thing to do. We would also support any actions the company may take to improve its liquidity position at this time, including a change in the dividend policy when they announce their results in May.

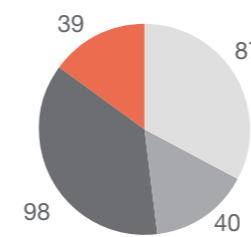
Sustainalytics Engagement (formerly GES International)

In addition to the extensive ESG research and engagement activity carried out at Nomura Asset Management, the services of Sustainalytics' engagement arm (formerly GES International) are used to maximise our engagement voice and ability to push for better practices and fairer outcomes for all stakeholders. The Sustainalytics engagement team has over 40 employees globally dedicated to corporate engagement and represent €1.5 trillion of investments worldwide. We include herein a summary of the engagement activity carried out on behalf of Nomura Asset Management as at the first quarter of 2020.

Sustainalytics Engagement Summary Report

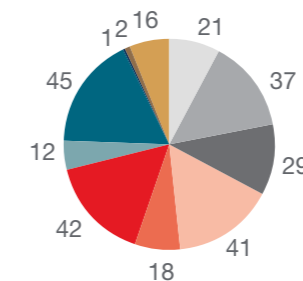
Ongoing Business Conduct Engagements (as at 1Q20).

Norm Area Breakdown



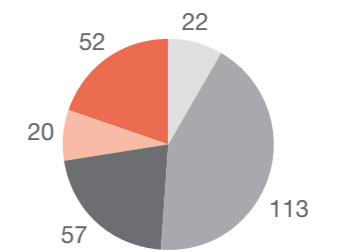
- Business Ethics
- Environment
- Human Rights
- Labour Rights

Industry Sector Breakdown



- Consumer Discretionary
- Consumer Staples
- Energy
- Financials
- Healthcare
- Industrials
- Information Technology
- Materials
- Real Estate
- Telecom Services
- Utilities

Geographic Breakdown



- Africa/Middle East
- Asia/Pacific
- Europe
- LatAm & Caribbean
- US & Canada

Proxy Voting Record 1Q20

NAM seeks to act in a manner most likely to enhance the economic value of the underlying companies owned on our clients' behalf. We engage with companies based on our "Ideal Form of Business Management of Investee Companies" in order to enhance our mutual understanding and to seek changes in their company practices. NAM employs the services of Institutional Shareholder Services (ISS) to efficiently apply our proxy voting policy to individual proposals. ISS are provided with comprehensive and proprietary guidelines set out in our proxy voting policy. NAM will closely consider the voting agenda of a company that meets certain conditions (including, but not limited to, the violation of any applicable laws, inadequate board composition, and financial strategies that are not deemed to be in the best interests of shareholders and other stakeholders). Where we believe that a specific agenda item is not in the best interests of shareholders, NAM will decide either to vote against or to abstain from voting on the item. [Please see the Nomura Asset Management Proxy Voting Policy for full details.](#)

Voting Data

Over the quarter NAM UK, NAMM and NAM SG voted on 1255 proposals across 59 shareholder meetings and 156 ballots. In total 66% of proposals were director related, with a further 17% in relation to 'Routine Business' and 8% 'Compensation'. In total NAM UK, NAM MM and NAM SG voted 'With' management on 1182 (94%) proposals and 'Against' management (or 'Withheld' our vote) on 73 (6%) proposals. Examples of where we voted 'Against' management, or elected to 'Withhold' our vote included:

- Voted 'For' a shareholder resolution that a US Consumer Electronics business assess the feasibility of including sustainability as a performance measure for senior executives. Management had recommended a vote 'Against' the resolution
- Voted 'Against' the proposal of a Danish Pharmaceutical to create a pool of capital for the benefit of employees. We voted against the proposal as no maximum discount level had been disclosed for the discounted shares that would be offered to employees

Proposals Voted on in 1Q20

Proposal subject	Count	Proportion of Total Votes
Directorships	824	65.7%
Routine Business	213	17.0%
Compensation	99	7.9%
Capitalisation	51	4.1%
Reorg/M&A	37	2.9%
Antitakeover	8	0.6%
Health/Environment/Social	3	0.2%
Other	20	1.6%
Total	1255	100.0%

Proposals Voted 'Against' Management in 1Q20

Proposal subject	Count	Proportion of Total Votes
Directorships	43	58.9%
Compensation	13	17.8%
Routine Business	5	6.8%
Antitakeover	4	5.5%
Reorg/M&A	4	5.5%
Health/Environment/Social	3	4.1%
Capitalisation	1	1.4%
Other	0	0.0%
Total	73	100.0%

Voting Record vs. Management in 1Q20

	With	Against
Votes	1182	73
Proportion	94.2%	5.8%

Voting Record vs. ISS in 1Q20

	With	Against
Votes	1216	39
Proportion	96.9%	3.1%

ESG queries raised

ESG queries raised			
Description	ESG Rating	Governance	Specific Management/Pay
France Industrials Electrical Components & Equipment	N (No Issues)	The CEO/ chair role is combined which is relatively rare for Europe	Remuneration is driven by adjusted EBITA, TSR, cash conversion, and a 'planet & society barometer'
Germany Consumer Discretionary Automobile Manufacturers	Contacted Outside Formal Review	The company has continued to refuse to communicate appropriately with the market regarding fines for emissions test 'anomalies'	-
Germany Industrials Air Freight & Logistics	Contacted Outside Formal Review	-	-
Germany Industrials Automobile Manufacturers	I (Issues but Improving)	Board lack independence amongst the supervisory board. Lack of a remuneration committee	Lack of remuneration committee. No material action taken as of now. List of issues sent to company
Italy Utilities Electric Utilities	Contacted Outside Formal Review	-	-
Switzerland Consumer Staples Food	I (Issues but Improving)	Governance is good. CEO and Chairman roles are separate, board is mostly made of non-executive members	No issue
Switzerland Consumer Staples Packaged Food and Meats	Contacted Outside Formal Review	-	-
Switzerland Industrials Electrical Components & Equipment	I (Issues but Improving)	Governance is fine however there are flags for over boarded execs, votes against directors and the combined CEO/ chair roles. Have hired new CEO to turn the company around	LTIP has been changed to be driven 50/50 by EPS and TSR. Bonus is paid based on revenue, Op. EBITA %, Op. net income, OCF, Cost Savings, Individual objectives

ESG queries raised					
Environmental/Social	Investment Consideration	Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
The company has long been a leader with regards to setting sustainability targets and reducing its impact, alongside the emission reduction potential of its products	The company is a clear sustainability leader and its commitment to reducing its emissions and that of clients is very positive and supportive of investment	N	N/A	N/A	N/A
-	-	Y	Governance	Y	We again contacted the company urging greater transparency, whilst the company was apologetic
Carbon footprint is high given the reliance on fossil fuelled transport	-	Y	Environmental Impact	Y	Engaged to better understand management of climate change risk. Company responded but were not overly eager to engage in an open dialogue
Discussion around carbon emissions	Issues subside in terms of tying remuneration to ESG metrics and reducing emissions	Y	Environmental Impact/ Governance	Y	Participated in a call led by Sustainalytics to engage on remuneration and emissions reduction
One of the leading players in renewables today (measured by capacity) and has strong ambitions to improve the mix away from thermal generation	-	Y	Environmental Impact	Y	Engaged with the company to better understand climate change strategy and plans for coal generating plants
Packaging, recycling and quality of ESG practises in the supply chain (land use, fair trade with farmers, etc.) remain key issues to address	The company's board and management is highly cognizant of ESG issues facing the company. Key topics include water management, packaging and supply chain	Y	Environmental Impact / Social Impact	Y	Chairman answered questions related to various aspects of ESG engagements as well as M&A and Innovation policies
Child labour is a key issue within cocoa supply chains and the investment community must put pressure on companies to manage these risks	-	Y	Social Impact	Y	Signed a letter from Sustainalytics with 40 other companies for a collaborative engagement
Scores relatively strongly as per MSCI's overall ESG ratings (AA), scoring well on risk management practices around corruption, opportunities in clean tech and toxic emissions	Do not see meaningful ESG risks or opportunities that influence	Y	Remuneration	Y	Engaged to better understand the remuneration drivers and broader issues that have plagued the company. Moving to more decentralized operation, with manager paid on division ROCE

ESG queries raised (cont'd)

ESG queries raised			
Description	ESG Rating	Governance	Specific Management/Pay
UK Consumer Discretionary Restaurants	Contacted Outside Formal Review	-	-
UK Industrials Electrical Components & Equipment	Contacted Outside Formal Review	-	-
UK Utilities Multi-Utilities	Contacted Outside Formal Review	-	-
Canada Materials Agricultural Chemicals	I (Issue, not Improving)	Governance is good, CEO and chairman roles are separate	Perhaps on the high side, but not a serious issue
USA Communication Services Interactive Media & Services	Contacted Outside Formal Review	-	-
USA Communication Services Interactive Media & Services	Contacted Outside Formal Review	-	-
USA Consumer Discretionary Apparel Retail	Contacted Outside Formal Review	-	-
USA Consumer Discretionary Apparel Retail	Contacted Outside Formal Review	-	-
USA Consumer Discretionary Automobile Manufacturers	I (Issue, not Improving)	Charges of US\$40m levied by SEC settlement. Concerns over board structure	Incentive structure granted to the CEO could be excessive if the company succeeds

ESG queries raised					
Environmental/Social	Investment Consideration	Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
The company will be disproportionately impacted by the coronavirus lockdown and we have concerns over how the impacted employees will be managed	We are monitoring the ongoing impact and the company's management of these issues	Y	Social Impact	Y	Started engagement in Mar 2020 due to the Covid-19 crisis and concerns about the large workforce that will be unable to work for many weeks. Call scheduled for April 2020
Ongoing dialogue with company on claims will be carbon neutral through spending £25mm on offsets	-	Y	Environmental Impact	Y	Ongoing dialogue to establish - company was quite underprepared and had to arrange follow up
The company has impressive targets in place for supporting the transition to renewables	-	Y	Environmental Impact	N	N/A
CO2 emissions from Urea production/application. Production consumes CO2 but application releases it plus nitrous oxide. GMO seeds are controversial. They have produced and sold Glyphosate	Clearly contributes to the "No Poverty" UN SDG, which offsets the negatives. Company no worse than others on emissions	Y	Environmental Impact	N	They publish their CO2 emissions and are looking to enhance that. They also highlighted that they have not been named in any of the approx 5000 Glyphosate related law suits filed in California
Engagement with shareholders has been very poor, on a number of social issues, we have asked Sustainalytics to also engage on our behalf	The lack of willingness to engage with shareholders is a clear negative and must be taken into consideration	Y	Social Impact	N	Sustainalytics have written to the company on behalf of all clients. We are a signatory
We engaged with other shareholders of the company to get human right improvements as a resolution for their AGM which succeeded	Has been improving their ESG thanks to shareholder and employee engagement	Y	Social Impact	Y	Company will be including our shareholder group resolution at their upcoming AGM
We have been engaging with companies within the sector to better understand waste management practices	-	Y	Environmental Impact	Y	Vast majority of unsold inventory is cleared. Use off-pricers selectively, recycle and extremely limited quantity is burnt. Also passed on feedback with regards to management remuneration
We have been engaging with companies within the sector to better understand waste management practices	-	Y	Environmental Impact	Y	The company advised us that they do not send anything to landfill, nor do they burn anything. Everything either gets sold or returned to their suppliers
Company is one of the main drivers behind switch from ICE to EVs globally	As the main driver of an accelerated EVs adoption supports earnings growth. However there are clear governance concern risks that must be considered	N	N/A	N/A	N/A

ESG queries raised (cont'd)

Description	ESG Rating	ESG queries raised	
		Governance	Specific Management/Pay
USA Consumer Discretionary Soft Drinks	Contacted Outside Formal Review	-	-
USA Industrials Electrical Components & Equipment	I (Issues but Improving)	OK but CEO and Chairman combined, number of directors are deemed to be over boarded and there were significant votes against directors	Long term incentive plan is based on TSR relative to peers
USA Industrials Electrical Components & Equipment	I (Issue, not Improving)	Governance is generally OK, there is an independent majority and average director tenure seems fine though note the combined CEO and Chairman role	Long term incentives driven by restricted shares, and Performance shares
Australia Materials Diversified Metals & Mining	I (Issues but improving)	Independent majority board (7 independent of total 9). One board that acts in the interests of the whole company despite dual listing	Share ownership target equivalent to 4x base salary for CEO, 3x for other executives. Board includes an independent pay committee
Australia Materials Paper Packaging	Contacted Outside Formal Review	-	-
Hong Kong Real Estate Diversified Real Estate Activities	N (No Issues)	The company has reasonable process in terms of board appointment. The company is reasonably active in terms of dividend payments	The company seems to be reasonably active in terms of hiring female employees
Indonesia Materials Construction Materials	N (No Issues)	Company has code of conduct which focuses on integrity, free of discrimination, complying laws, fair employment, insider trading and OSH	The company has been diligently finding ways to balance the conflict of interest between the government's needs and minority interest
Japan Consumer Discretionary Personal Products	Contacted Outside Formal Review	-	-
Japan Industrials Agricultural & Farm Machinery	Contacted Outside Formal Review	-	Profit growth couldn't catch up with the growth of balance sheet and revenue, so challenges in capital efficiency. We have requested capital efficiency targets to be used as executive compensation
Japan Industrials Building Products	Contacted Outside Formal Review	-	-

ESG queries raised					
Environmental/Social	Investment Consideration	Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
MSCI flag water usage and nutrition/health opportunity underperformance	-	Y	Environmental Impact / Social Impact	Y	Engaged on the issues raised by MSCI, we received a relatively typical large corporate response from the company
Scores poorly for lacking opportunities in clean technology and the management of labour risk, alongside limited transparency in relation to its environmental footprint	Do not see meaningful ESG risks or opportunities that influence	N	N/A	N/A	N/A
MSCI ESG rating is A; strong scores for management of labour and corruption risks but limited opportunities in 'clean tech'. We disagree, as industrial automation can reduce emissions substantially	Do not see meaningful ESG risks or opportunities that influence	N	N/A	N/A	N/A
Has emission reduction targets in place and aims to disclose water allocation for all its managed operations by 2023. Tailing procedures shown on their website	Remains a core portfolio holding given the free cash flow yield and strong balance sheet. Valuations attractive	Y	Environmental Impact / Social Impact	Y	Engaged with the company via email to address out concerns around environmental risks
MSCI flag poor performance on Chemical Safety, Plastic Materials & Carbon Emissions. There are also social flags over wages	-	Y	Environmental Impact	Y	Engaged to discuss environmental issues raised. Company did respond with thorough response but does not change our view materially
The company has been conducting miscellaneous efforts to improve environmental issues	Overall, "no issue" rating, considering that no material negative factors have been identified	Y	Environmental Impact / Social Impact	N	-
Environmental initiatives to reduce GHG, reduce carbon footprint, develop green products and used alternative fuel material for power generation	Company will benefit from improvement in industry dynamics, where the next two years' demand growth should exceed new capacity additions	Y	Environmental Impact / Social Impact	N	-
MSCI raise concerns over poor performance on Chemical Safety and raw material sourcing	-	Y	Environmental Impact	Y	Engaged to discuss chemical safety flagged by MSCI
-	-	Y	Remuneration	Y	Encourage continuous improvement
Considering the nature of the business with high GHG emission in Scope3, the issue of climate change is judged to be important. We have requested scenario analysis based on TCFD	-	Y	Environmental Impact	Y	Encourage continuous improvement

ESG queries raised (cont'd)

ESG queries raised			
Description	ESG Rating	Governance	Specific Management/Pay
Japan Information Technology Semiconductors	Contacted Outside Formal Review	Poor capital efficiency due to issues in financial strategy. We have asked they invite a person with management experience as an outside director to effectively supervise management	Poor capital efficiency due to issues in financial strategy. The company has announced capital efficiency targets and we have requested them to be used as executive compensation KPIs
Japan Materials Commodity Chemicals	Contacted Outside Formal Review	No outside directors with independent management experience. Have requested they invite a person with management experience as an outside director to improve the effectiveness of corporate governance	-
Malaysia Communication Alternative Carriers	I (Issues but Improving)	Governance is generally acceptable although there are concerns on accounting and financial reporting practices	Early vesting provisions in share based awards which offer a poor alignment with shareholder interests
Malaysia Consumer Staples Agricultural Products	I (Issues but Improving)	Lacks gender diversity at board level but is committed towards maintaining and working to achieve 30% of female representation	-
Malaysia Consumer Staples Department Stores	N (No Issues)	The controlling shareholder has 51.68% of the voting power. This presents concerns that the interests of minority shareholders may not be well taken care of	-
Malaysia Energy Oil & Gas Storage & Transportation	I (Issues but Improving)	Board lacks independent majority, presence of multiple executives on the board, multiple inside directors may provide a too strong management perspective within the boardroom. There are concerns on related party transactions	-
Malaysia Energy Oil & Gas Storage & Transportation	I (Issues but Improving)	-	-
Malaysia Financials Consumer Finance	N (No Issues)	Presence of certain party related transactions with the controlling owner. Single shareholder block holds 30% or more of the voting shares or has effective control of the board	Lack of disclosure in relation to executive pay

ESG queries raised					
Environmental/Social	Investment Consideration	Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
-	-	Y	Governance	Y	Encourage continuous improvement
We requested appropriate disclosure on the use of palm oil as raw materials to produce 100% plant-derived biopolymer	-	Y	Social / Governance	Y	Encourage continuous improvement
Very low environmental impact given nature of operations	Investible as there is no major concern on the ESG issues	Y	Environmental Impact / Social Impact	Y	The company responded with very limited information to the stakeholder impact survey on ESG
The company is meeting the RSPO and ISCC's expectations as well as customers' requirement on the stringent GHG emission levels	Investible but there are operational and financial risks should it be unable to comply with sustainable palm oil requirements	Y	Environmental Impact	Y	The company was cooperative but took a while to revert back on the stakeholder impact questionnaire on ESG
The company is making efforts to improve the impact on the environment through energy savings initiatives, planting new trees, improving waste management practices and using recycled plastic bags	Investible as there is no major concern on the ESG issues	Y	Environmental Impact	Y	The company was very cooperative and quickly responded to stakeholder impact questionnaire on ESG
The group proactively seeks methods to reduce environmental impact, to improve data monitoring on environmental aspects and has established environmental improvement plans. It is also moving towards the production of renewable energies	Investible due to continuous efforts to reduce its environmental impact	Y	Environmental Impact	Y	The company was cooperative but took a while to revert back on the stakeholder impact questionnaire on ESG
Reclaimed land for storage of petroleum products could result in higher cost due to potential damage to the environment and ecosystem	Investible as it has put in a lot of initiatives to improve on sustainability issues	Y	Environmental Impact	Y	The company responded with very limited information to the stakeholder impact survey on ESG but its sustainability report was very detailed and comprehensive
Provide legal financing to low income groups and those that are unbanked (do not have access to bank accounts)	Investible due to very low environmental impact given the nature of operations. Social impact is positive	Y	Social Impact	Y	The company was very cooperative and quickly responded to stakeholder impact questionnaire on ESG

ESG queries raised (cont'd)

Description	ESG Rating	ESG queries raised	
		Governance	Specific Management/Pay
Malaysia Financials Consumer Finance	I (Issues but Improving)	Governance is broadly acceptable but we do note the presence of related party transactions as a flag. 'Family' control 78.5% of the shares	-
Malaysia Health Care Health Care Facilities	I (Issues but Improving)	The board does not have an independent majority and the main shareholder has a controlling stake	-
Malaysia Health Care Pharmaceuticals	I (Issues but Improving)	Board does not have an independent majority, chairman is an independent director	-
Malaysia Materials & Real Estate Plastic Packaging & Property Developer	I (Issues but Improving)	The board is potentially entrenched due to a high number of long-serving directors	Lack of disclosure in relation to executive pay
Malaysia Real Estate Industrial REIT	I (Issues but Improving)	Board lacks an independent majority, partially mitigated by split roles of CEO/chairman with an independent chairman	Poor disclosure in relation to executive pay
Malaysia Semiconductor Electronic Manufacturing Services	I (Issues but Improving)	Board does not have an independent majority, chairman is an independent director	-
South Korea Materials Specialty Chemicals	I (Issues but improving)	They actively conduct IR meetings and IR team directly reports to the management. For BoD, each director recommends the candidates, and appoints in the general meeting of the shareholders	They conduct various education systems on an annual basis including skill training and job competency. They also conduct sexual/power harassment prevention training on an annual basis
Taiwan Information Technology Semiconductors	N (No Issues)	Company advocates and acts upon the principles of operational transparency and the respect for shareholder rights	-

ESG queries raised					
Environmental/Social	Investment Consideration	Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
All new products and product variations are assessed by a Product Evaluation and Approval Committee, which evaluates all products against relevant regulatory requirements, associated risks and the Bank's responsibilities to customers	Investible due to very low environmental impact given the nature of operations. Social impact is positive	Y	Social Impact	Y	The company was very cooperative and quickly responded to stakeholder impact questionnaire on ESG
Reduction in GHG emission (Energy Indirect – Scope 2) per square feet (CO2) by 4.5% (2018)	Investible as the social impact is highly positive	Y	Environmental Impact / Social Impact	Y	The company was very cooperative and completed the stakeholder impact survey on ESG on time
Very low environment impact given nature of operations	Investible as the social impact is highly positive	N	N/A	N/A	N/A
Under the United Nations 17 Sustainable Development Goals (SDGs), the company has selected 4 SDGs, which are no. 8, 9, 11 and 12	Investible but suggest improve the disclosures and reporting of sustainability practices	Y	Environmental Impact	Y	The company responded with very limited information to the stakeholder impact survey on ESG
Recorded reduction in energy consumption and GHG emissions throughout its premises and operations	Investible as there is no major concern on the ESG issues	Y	Environmental Impact	Y	Review done during the research stock selection committee meeting
The company has taken initiatives to safeguard the environment which include getting ISO 14001 certification (systematic approach for measuring and improving environmental impact)	Investible as there is no major concern on the ESG issues	N	N/A	N/A	N/A
Water/air systems is well installed. They also keep the waste management standard set up by government. Reaction against Covid-19 looks ok with temperature screening and self isolation	Revenue will grow along with solid demand of OLED panels. While it's a mid-cap stock, communication with shareholders are relatively well conducted	Y	Environmental Impact / Social Impact	N	Engaged company via phone and email
The expected decline in the ratio of female direct labour workers as a result of manufacturing tasks being replaced by automation. In other employee categories, however, the overall female ratio has remained at a stable ratio since 2015	Company remains our core holding given its best practice in ESG matters as well as its technological competitive edge in the technology industry	Y	Social Impact	Y	Engaged company directly and via emails

ESG queries raised (cont'd)

ESG queries raised			
Description	ESG Rating	Governance	Specific Management/Pay
Thailand Communication Services Movies & Entertainment	N (No Issues)	Company has reasonable amount of independent board members with specialised skill and has good corporate governance practice	Management is aiming to issue CSR Report in 2020 and at the same time enriching ESG related comment in annual report

ESG queries raised					
Environmental/Social	Investment Consideration	Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
Management has founded a "Care Foundation" to fundraise to benefit disadvantaged people as well as public	Company will remain leader in the Thai movie industry, despite the Covid-19 situation their position in the mid to long term outlook remains solid	Y	Environmental Impact / Social Impact	N	

Glossary

COGS	Cost of Goods Sold
COI	Conflict of Interests
CSR	Corporate Social Responsibility
DTA	Deferred Tax Asset
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EM	Emerging Markets
EPS	Earnings Per Share
ESG	Environmental, Social, Governance
FCF	Free Cash Flow
GSE	Global Sustainable Equity Fund
KPI	Key Performance Indicator
LTIP	Long Term Incentive Plan
ND	Net Debt
Opex	Operating Expense
PSP	Performance Share Plan
PSU	Performance Share Unit
RoA	Return on Assets
ROCE	Return on Capital Employed
ROIC	Return on Invested Capital
RSU	Restricted Share Unit
SAR	Stock Appreciation Rights
SH	Shareholder
SOE	State owned Enterprise
STIP	Short Term Incentive Plan
TSR	Total Shareholder Return
UNSDG	UN Sustainable Development Goals
WC	Working capital

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portfolio managers located
strategically around the world

113

dedicated professionals committed to
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1959

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established in Japan over 50 years ago

30 years

Operating in Europe
for over 30 years

Source: Nomura Asset Management as at 31st December 2019

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