

3Q 2018

NOMURA ASSET MANAGEMENT U.K. LTD.

Responsible Investing Report

Introduction

Nomura Asset Management U.K. Limited (“NAM UK”) is committed to Responsible Investment and has a strong track record of seeking to act in a manner that maximises both the experiences of our clients and other stakeholders impacted by our investments. Nomura Asset Management has been a signatory to the UNPRI since 2011 and NAM UK has been integrating ESG research (both proprietary internal research and external data providers) into all individual 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.

It is our view that Responsible Investment is best considered by taking into consideration the impact of a corporation’s existence on all stakeholders, not just ourselves as shareholders and 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 those businesses we own and/or lend to, 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.

In this report we set out our Responsible Investment and corporate engagement activity over the last quarter.

"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.

"NAM UK"
"Our"
"We" 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. Responses within this document will refer specifically to practices and procedures undertaken within the NAM UK office.

Summary

Over the period 16 companies were reviewed and assigned ESG ratings by the NAM UK equity and fixed income teams. Of these, 5 were awarded a rating of ‘N’ (No Issues) and 11 a rating of ‘I’ (Issues to Address). In addition, 10 further companies were engaged with, supplementary to full company reviews, to discuss ESG related queries that arose over the period. In total 15 companies were contacted to discuss ESG concerns – 7 of these engagements focused on management remuneration policies, whilst 6 focused on social impact concerns. Of the companies we engaged with 11 were based in the US, 1 in Japan, 1 in Europe, and 2 within Emerging Markets. Responses were received from 14 companies (93% response ratio).

Companies reviewed

| | |
|-----------------------|-----------|
| N (No Issues) | 5 |
| I (Issues to Address) | 11 |
| U (Uninvestable) | 0 |
| Total | 16 |

Engagements

| | |
|-----------------------|------------|
| Number of contacts | 15 |
| Number of responses | 14 |
| Response Ratio | 93% |

Engagements by Region

| | |
|------------------|----|
| Europe | 1 |
| Japan | 1 |
| North America | 11 |
| Emerging Markets | 2 |

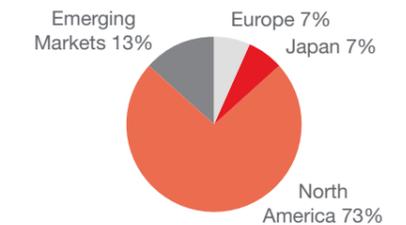
Engagements by Subject

| | |
|----------------------|---|
| Capital Allocation | 1 |
| Environmental Impact | 1 |
| Social Impact | 6 |
| Remuneration | 7 |

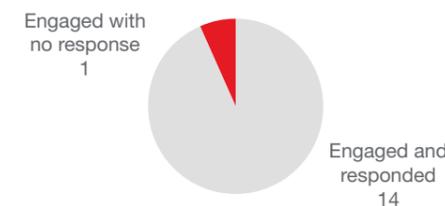
Ratings Assigned Over the Period



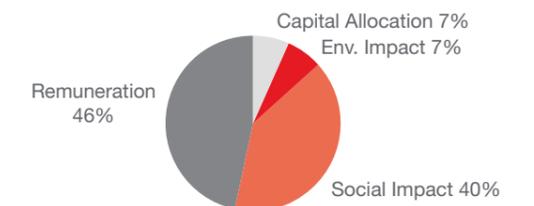
Engagement by Region



Engagement Over the Period



Engagement by Type



Notes from our Responsible Investing Research

- Nomura Cross Asset Class Collaboration:** Historically the NAM UK equity and fixed income teams have pursued engagement strategies independently. However we have increasingly realised that our impact on corporate behaviour could be improved by combining our engagement activities, so, henceforth, our ESG research and engagement efforts will be combined. As pertains to engagement, equity holders have the advantage of being the ultimate owner of companies, on the other hand bond holders have the advantage in that companies need to regularly refinance their debt and risk paying a higher rate if their corporate behaviour is inappropriate. Through joint engagement these advantages can be combined and magnified to drive corporate change in a much more effective way.
- Governance:** We encountered a number of companies over the period that have dual share classes, typically with a founding class that facilitates voting power and ultimately control of the company sitting with minority shareholders. We strongly oppose such structures and historically these have been taken advantage of to the detriment of other shareholders. We have been in discussions with peer investors on the prevalence of these structures, most notably within the US Tech space, and will continue to push for fairer treatment of all shareholders.
- Management Remuneration:** A number of research team members travelled to the US to meet the management and investor relations teams of our investee companies. We took this opportunity to engage in person on remuneration practices. In particular we frequently find US company remuneration to be both excessive and not well aligned with shareholders. However over the period we did encounter five companies that incorporate ROIC in their remuneration targets. We believe ROIC to be one of the incentives that most closely aligns management to the long term experience of investors.

Engagement Tracking

In order 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 also 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 likely to be much less. 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).

| Description | Nature of Engagement | Status of Engagement | Status of Engagements/Notes |
|-------------------------------------|--|-----------------------------------|---|
| US Apparel Retailer | Environmental – Sourcing of wood based raw materials was flagged as unsustainable by the Rainforest Action Network (RAN) | Completed – Monitor | Call w/ IR July 2016 Follow up meeting (CFO) September 2016 Email exchange w/ IR September 2017 Call w/ Head Sustainability Jun 2018 Following multiple engagements the company has adopted a raw materials sourcing policy that is in line with RAN's expectations. At our most recent company update we were slightly disappointed by the speed of progress (will take up to another year to fully assess the supply chain). We will continue to monitor. |
| UK Telecom | Governance – Concerns over the timing of disclosures to the sell side and management remuneration | Paused given takeover speculation | Preliminary call w/ IR June 2017 Follow up meeting w/ CFO October 2017 Meeting w/ IR March 2018 Call w/ Remuneration committee Jun 2018 Meeting with the board Oct 2018 We have pushed for more timely and even disclosure of guidance. Met with IR in advance of the issuance of management remuneration report and subsequently spoke to the remuneration committee to express our disappointment with the remuneration report. Company has been approached as a takeover target. The board have requested a meeting to discuss our view on remuneration practices. |
| 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 with Head of Agricultural Services December 2017 Meeting with Group Chairman March 2018 Emailed Governance Head June 2018 Attended an initial group investor call, followed up through engagement with the group Chairman. We have continued to monitor the company's progress through NGO's and recently engaged with the company on reports by RAN on the use of illegal labour in Indonesia to stress to the company that we are disappointed to see them being singled out. |
| Korean Automotive OEM | Governance – 'Chaebol' structure and a track record of not acting in the best interests of minority structure | Initiated | Meeting with Head of Governance November 2017 Email exchange in June 2018 Whilst we feel that governance practices are currently far behind those of DM peers, we believe the recent steps taken and efforts to reach out to investors, gives us a better opportunity to push for improved governance. We were encouraged to recently find out the company has improved English disclosures and added an independent director but the company must do even more. |

Responsible Investing Case Study

The equity and fixed income teams at NAM UK held a conference call with a US cable TV operator to engage on its pending acquisition of a European satellite pay TV operator. It is an acquisition we disagree with. The acquisition price is 15 times EBITDA, very expensive for the media industry. The acquirer's own shares trade at half that multiple making a share buyback far more attractive, in our opinion. The acquirer's shares have traded significantly lower since the announcement and the bonds have also fallen in value, given the additional debt required for the purchase. We provided feedback to the company that we disagreed with their strategy.

According to the company, the reason for the proposed acquisition was to expand internationally, diversifying their mainly domestic business. However, there are few operational synergies of expanding internationally in pay TV as pay TV aggregation is a domestic business. In addition, we are negative on the satellite pay TV industry as it is a broadcast technology in an era of interactive streaming video over fixed broadband networks. Rather than a satellite pay TV operator, an acquisition of a European cable TV operator would have made more sense to us as these companies own fixed broadband infrastructure which offer ultrafast speeds for streaming video.

We also engaged on the acquirer's dual share class structure. The founding family owns a special class of shares with special voting rights giving them 33.3% voting share with only a 0.4% economic ownership. We are against dual share class structures as the views of minority shareholders are not adequately represented. The pending acquisition is a clear example of how shareholders and bondholders would have had more of a say on capital allocation had the dual share class structure not been in place. We requested that the board review the appropriateness of the dual class share structure.

Proxy Voting Record 2Q18

NAM UK seeks to act in a manner believed 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 UK employs the services of Institutional Shareholder Services (ISS) to efficiently apply our proxy voting policy to individual proposals. ISS are provided with comprehensive guidelines detailing our proxy voting policy.

NAM UK 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). Where we believe that a specific agenda item is not in the best interest of shareholders, NAM UK 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.](#)

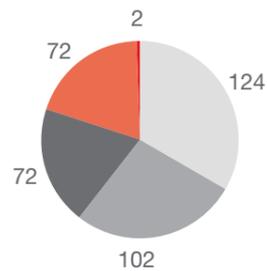
GES International

In addition to the extensive ESG research and engagement activity carried out at NAM UK, the services of GES International are used to maximise our engagement voice and ability to push for better practices and fairer outcomes for all stakeholders. GES 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 second quarter of 2018.

GES Engagement Summary Report

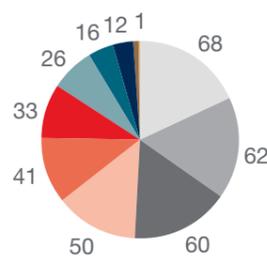
Ongoing Business Conduct Engagements (as at 2Q18).

Norm Area Breakdown



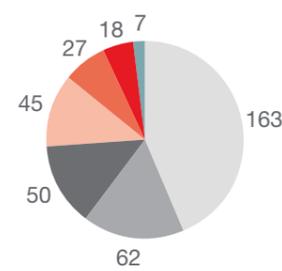
- Labour Rights
- Human Rights
- Corruption
- Environment
- Inhumane Weapons

Industry Sector Breakdown



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

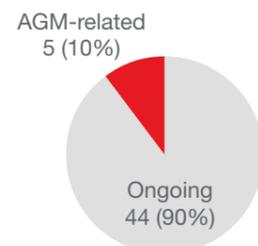
Geographic Breakdown



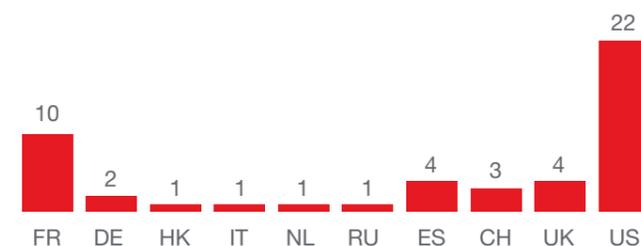
- Asia
- Central/South America
- Africa
- North America
- Europe
- Middle East
- Oceania

GES Corporate Governance Engagements (August 2017 through August 2018)

Breakdown of Corporate Governance Engagements by Type



Corporate Governance Engagements by Country



Voting Data

Over the quarter NAM UK voted on 90 proposals across 6 shareholder meetings and 7 ballots. In total 46% of proposals were director related, with a further 22% in relation to routine business and 14% capitalisation.

In total NAM UK voted 'With' management on 88 (98%) proposals and 'Against' management (or 'Withheld' our vote) on 2 (2%) proposals. Examples of where we voted 'Against' management, or elected to 'Withhold' our vote included:

- Voted Against the remuneration report of a UK Integrated Telecommunication Services provider as the ST bonus award was clearly out of line with the operational performance of the company and the experience of shareholders.
- Voted Against an advisory vote on Golden Parachutes for a US Health Care Services provider. In most circumstances we do not favour such anti-takeover measures, and the structure in this instance was in our view clearly not in the best interests of shareholders.

Proposals Voted on in 3Q18

| Proposal subject | Count | Proportion of Total Votes |
|---------------------------|-----------|---------------------------|
| Anti-takeover | 6 | 6.7% |
| Capitalisation | 13 | 14.4% |
| Directorships | 41 | 45.6% |
| Compensation | 8 | 8.9% |
| Reorg/M&A | 2 | 2.2% |
| Routine Business | 20 | 22.2% |
| Health/Environment/Social | 0 | 0.0% |
| Other | 0 | 0.0% |
| Total | 90 | 100.0% |

Proposals Voted 'Against' Management in 3Q18

| Proposal subject | Count | Proportion of Total Votes |
|---------------------------|----------|---------------------------|
| Anti-takeover | 0 | 0.0% |
| Capitalisation | 0 | 0.0% |
| Directorships | 0 | 0.0% |
| Compensation | 2 | 100.0% |
| Reorg/M&A | 0 | 0.0% |
| Routine Business | 0 | 0.0% |
| Health/Environment/Social | 0 | 0.0% |
| Other | 0 | 0.0% |
| Total | 2 | 100.0% |

Voting Record vs. Management in 3Q18

| | With | Against |
|------------|-------|---------|
| Votes | 88 | 2 |
| Proportion | 97.8% | 2.2% |

Voting Record vs. ISS in 3Q18

| | With | Against |
|------------|--------|---------|
| Votes | 90 | 0 |
| Proportion | 100.0% | 0.0% |

ESG queries raised

| Description | ESG Rating | ESG queries raised | | ESG queries raised | | Company Contacted? | Company Responded? | Notes from Company Contact |
|---------------------------|---------------------------------|--|--|--------------------|----------------------|--------------------|--------------------|--|
| | | Governance | Specific Management/Pay | ROIC Driven Pay? | Environmental/Social | | | |
| US Telecom | Contacted Outside Formal Review | We are disappointed that the company has decided to grossly overpay for an asset that it has been involved in a bidding war for. We feel shareholder's interests have not been protected | - | | | Y | Y -Call September | The NAM UK credit and equity teams collaborated to jointly engage with the company and express our disappointment in relation to capital allocation. We believe that by jointly engaging we are able to maximise our voice |
| UK Utility | N | Rated 'Best in Class' and we note that 7 of the directors are independent with entirely independent audit, remuneration and risk committees | - | | | Y | Y | The NAM UK credit team engaged with the investor relations team to provide feedback on ESG research that was carried out on the company. Further information was requested on the company's water risk policies |
| US Auto Supplier | I | CCC rating from MSCI and falling. MSCI highlight R&D/Sales and labour management, but these don't seem that bad. 3/10 on MSCI controversies is a key issue. OK on governance with the main issue being directors of companies going into Ch11 including the company itself in 2009 | Pay seems a bit high (although the drivers are good), but capital allocation and operational improvement seems to have been generally good. Drivers are (a)bonus: Operating income and FCF (50:50) and; (b)stock: ROIC and pre-tax profit over 3 years for performance stock (66:33) and net income for restricted stock (3 year vesting period) | | | Y | Y -Call September | We engaged with the company on labour dispute matters and are currently awaiting follow-up background information |
| Canadian Auto Supplier | I | A rating from MSCI; Governance strong though some points lost on over-boarded directors and excessive pay | Metrics are robust but total compensation excessive for company size. Stock compensation driven by ROIC and TSR over a 3 year period (~66:33). The bonus is a quarterly profit sharing arrangement and last year was 0.3% of EBIT | | | Y | N | We reached out to the company to discuss price collusion allegations in Brazil |
| US Asset Manager | I | Significant insider ownership with different share classes and voting rights being allocated to founders and senior management | Lead by its founder, Chairman and CEO | | | N | N/A | N/A |
| US Asset Manager | I | Significant insider ownership with different share classes and voting rights being allocated to founders and senior management | Still lead by two of its co-founders, but co-Presidents and co-COOs were already appointed last year | | | N | N/A | N/A |
| US Asset Manager | I | Significant insider ownership with different share classes and voting rights being allocated to founders and senior management | Lead by founder (CEO and Chairman) | | | N | N/A | N/A |
| US Movies & Entertainment | Contacted Outside Formal Review | - | Driven by operating income, FCF, adj EPS, Return on capital. Combination of these, and other performance factors. With regards to setting targets before the year ahead, things come up through the year and these can change | | | Y | Y | We discussed the compensation of management and highlighted that targets should be set in advance of the year (currently it is the case that these are adjusted as things come up) |

ESG queries raised (cont'd)

| Description | ESG Rating | ESG queries raised | | | ESG queries raised | | | | |
|---|---------------------------------|---|--|--|--------------------|--|--------------------|--------------------|--|
| | | Governance | Specific Management/Pay | | ROIC Driven Pay? | Environmental/Social | Company Contacted? | Company Responded? | Notes from Company Contact |
| German Specialised Finance | Contacted Outside Formal Review | MSCI Governance rating of 7/10 brought down by board entrenchment and absence of pay committee although pay practices are considered well aligned with shareholders | Variable components are based on consolidated earnings before tax and development of KPIs including development in the number lease contracts, volume of new business, contribution margin and development of losses | | N | Directly contributes to the UNSDGs. Offers financing to a neglected segment of the economy | N | N/A | N/A |
| US Diversified Bank | Contacted Outside Formal Review | Company has been plagued with governance failures and poor incentive structures leading to high profile scandals | - | | N | Company has had a track record of negative customer treatment which is especially detrimental within the financial sector. Too much of the total value accrued to employees and shareholders (instead of customers) for too long. This is in the process of changing | Y | Y | Met with investor relations at headquarters and discussed the wide range of issues and litigation facing the company. The company is taking solid steps but is ultimately in a very difficult position |
| US Internet & Direct Marketing Retail | Contacted Outside Formal Review | - | EBITDA growth is the primary driver of pay | | N | - | Y | Y | Provided feedback on EBITDA driving pay not being optimal. We also discussed data privacy and we suggested reporting % sales spent |
| US Healthcare Services | Contacted Outside Formal Review | - | - | | N | Concerns over the company's role in the overprescription and distribution of opioids and other dangerous drugs in the US | Y | Y | We engaged on the issue of overprescribing opioids and other drugs, highlighting our experience in store and saying we expect more robust practise and ownership |
| US Life Sciences Tools & Services | Contacted Outside Formal Review | - | Long term driven by revenue growth (total in constant currency, but not acquisitive), Operating Profit growth and EPS growth | | N | - | Y | Y | Passed on feedback that we would like to see FCF and ROIC incorporated in management remuneration. We were advised feedback would be shared with the board, and company highlighted that whilst not within targets FCF conversion and ROIC are at industry leading levels |
| US Data Processing & Outsourced Services | Contacted Outside Formal Review | - | Primary driver of remuneration is earnings growth. Second filter is company specific strategy goals | | N | Minor concerns of customer data protection flagged by news outlets and ESG research providers | Y | Y | Engaged on recent concerns with regards to data protection and ESG data provider flagging issues. Company strongly rebutted these claims as factually incorrect and highlighted would be working with MSCI |
| US Pharmaceutical | Contacted Outside Formal Review | - | Primary drivers are TSR (3y CAGR), Adj EPS, sales (1y) | | N | - | Y | Y | Met with investor relations at headquarters, and discussed management remuneration targets. Engaged that we would prefer ROIC to be included in targets – feedback was that it is too long term and dis-incentivises near term investments, this argument is not completely without merit but we feel it should be a component |

ESG queries raised (cont'd)

| Description | ESG Rating | ESG queries raised | | ESG queries raised | | | | |
|----------------------------------|------------|---|---|--------------------|--|--------------------|--------------------|--|
| | | Governance | Specific Management/Pay | ROIC Driven Pay? | Environmental/Social | Company Contacted? | Company Responded? | Notes from Company Contact |
| US Insurance Broker | I | Rating of 4.7/10 as per MSCI. Main issue for MSCI is that the CEO is also the Chairman, relatively entrenched board given the majority of the board is late 60's / 70's and have 10+ years tenure | Compensation metrics could be improved, IR explained they had no plans to do so anytime soon though | N | We do not believe that the company directly prohibits progress towards the UNSDGs | N | N/A | N/A |
| European Chemicals Business | I | MSCI Governance rating of 6.2/10 with the main negative being over-boarded directors on the grounds that several are on >1 board and the CEO is on 3. Having said that the CEO and Chairman are separate and the governance score has been improving | Drivers of executive cash incentives are 15%: "Responsible Care" (injuries, spills, process safety), 60% Adjusted EBITDA and 25% Individual goals with the maximum cash incentive being 200% of salary. The stock based compensation is 30% ordinary shares, 30% restricted shares and 40% performance shares (based on relative TSR) | N | Overall ESG rating is BBB with negatives coming from its exposure to chemicals and carbon emissions. There are no controversies reported and the company does publish a CSR Report including data on emissions, electricity usage, water usage, etc but there are no specific targets | N | N/A | N/A |
| South African Financial (Holdco) | I | MSCI Governance rating of 6.5/10 noting issues around lack of independent directors and over-boarded directors. The company deserves a rating of I due to poor disclosure around remuneration. The board issues, we believe, are acceptable due to the directors sitting on the underlying investment boards which is important and not a distraction from their duties | - | N | Positive impact on social mobility (banking for lower middle class) | Y | Y | We reached out to the company to push for better disclosure of the quantitative factors driving the variable remuneration of senior management |
| South African Bank | N | MSCI rating of 6.1/10 penalised by board, pay and accounting. We believe the composition of the board is strong with two prior CEOs sitting on it and collectively owning 14% of the shares. Pay is in line with other banks in South Africa | Remuneration is total guaranteed pay 40%, 10% short term (between 0 – 54% of base depending on EPS growth), 50% long term (EPS growth - to exceed of GDP + CPI + 4% and ROE to outperform average of the big 4 South African banks) | N | Directly contributes to the UNSDGs. Offers access to banking at much lower costs than peers in areas that would otherwise remain unbanked. Provides access to credit on an unsecured basis for uses that other banks historically would not allow. These loans would otherwise be taken from the informal sector where treatment of customers is worse both from the perspective of the borrowing rate and the debt collection practices | N | N/A | N/A |

ESG queries raised (cont'd)

| Description | ESG Rating | ESG queries raised | | ESG queries raised | | Company Contacted? | Company Responded? | Notes from Company Contact |
|--|------------|---|---|--------------------|---|--------------------|--------------------|---|
| | | Governance | Specific Management/Pay | ROIC Driven Pay? | Environmental/Social | | | |
| South African Education Provider | I | MSCI Governance rating of 6.8/10 flagging the board not having a majority of independent directors. Given that parent company and directors own 55.4% and 2% respectively it seems shareholders are well aligned with the board | Specific remuneration targets have not been disclosed. Annual report mentions EBITDA, earnings and student numbers | N | Provides quality education at a low cost with strong positive second order effects | Y | Y | We reached out to the company to push for better disclosure of the quantitative factors driving the variable remuneration of senior management. We have been instructed that our feedback will be taken into consideration |
| South African Asset Manager | N | - | - | N | Contribute through decent work and economic growth by providing specialised savings advice within wealth management to help grow investor funds | N | N/A | N/A |
| US Medtech | I | MSCI Governance rating of 5.4/10 so marginally better than the average of the home market. Key issues are around product safety and governance, and pay in particular | Have recently included ROIC and FCF | Y | Product Safety legal issue with bone morphogenic protein. In our view the company flagrantly oversold this but it is a specific example of mis-selling and is just one product of many | Y | Y | We reached out to the company over our concerns of Chinese price fixing allegations from 2016. The company advised they are committed to ensuring they are in full compliance with local laws and regulations, the NDRC's investigation was resolved and they do not expect any direct impact on pricing as a result, which is determined by the amount of value they add to the patient and the healthcare system as a whole |
| US Aerospace & Defence | N | OK on governance. Combined CEO/Chairman, some board entrenchment. Accounting flags due to multiple divestments and a large acquisition in 2015 | Base salary \$1.25m, bonus of \$2.1m based on Operating Income (40%), Free cash flow (40%) and Revenue (20%). Note: Free cash flow component increased in FY16 following feedback from large shareholders. LTIPs based on 3 year compound EPS growth and average annual ROIC. With an adjustment based on percentile rank for TSR v S&P | Y | No specific ESG controversies. Provides technology used in weapon systems, e.g. missile launch racks on F-35, although majority of revenue derived from communications equipment | N | N/A | N/A |
| US Data Processing & Outsourced Services | N | MSCI Governance rating of 6.1/10. 90% independent board | Excellent management – since CEO started in 2005, share count has shrunk 47%. Great track record of acquisitions and disposals. Executive pay is reasonable for US tech | N | Bottom quartile for carbon emissions but operates in an industry that is not exposed to environmental factors. MSCI flags no CDP disclosure, etc. Also scores bottom quartile for privacy and data security but we have not seen evidence for such a low score. Scores highly on human capital management | N | N/A | N/A |

ESG queries raised (cont'd)

| Description | ESG Rating | ESG queries raised | | ESG queries raised | | | | |
|----------------------------|------------|---|--|--------------------|---|--------------------|--------------------|---|
| | | Governance | Specific Management/Pay | ROIC Driven Pay? | Environmental/Social | Company Contacted? | Company Responded? | Notes from Company Contact |
| Japanese Building Products | I | Lack of board independence or audit/remuneration committee independence, presence of cross shareholdings and a poison pill. No female directors or executives | Compensation targets are not easily assessed though we note that it is not unreasonable with the ST bonus pool for directors limited to 0.8% of EBIT and stock compensation at Y 200mm | N | MSCI ratio A: a fair reflection of the positive E&S impact that is somewhat offset by governance concerns. UNSDGs: clearly positive impact on the Clean Water & Sanitation, and Responsible Consumption (cf. 75% less water per flush, no paper) UNSDGs and does not have a negative impact on any of the goals | Y | Y -Call August | We provided feedback to the company that we would prefer to have more clearly defined compensation targets and our view on the lack of board independence or audit / remuneration committee independence or female directors or executives. Investor relations listened to our points but ultimately appear to believe their practices are OK relative to the industry and region |

Glossary

| | |
|---------------|--|
| COGS | Cost of Goods Sold |
| COI | Conflict of Interests |
| 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 |
| KPI | Key Performance Indicator |
| LTIP | Long Term Investment 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 Investment Plan |
| TSR | Total Shareholder Return |
| UNSDG | UN Sustainable Development Goals |
| WC | Working capital |

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NOMURA

Nomura Asset Management U.K. Ltd.

1 Angel Lane
London
EC4R 3AB
+44 (0) 20 7521 2000

Alex Rowe, CFA

Equity Research Analyst, Global Industrials & Utilities
Nomura Asset Management U.K. Ltd.
alex.rowe@nomura-asset.co.uk
+44 (0) 20 7521 1059

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