

2Q 2019

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 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 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. 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 ("MCI"). Both NAMM and NIAM became signatories of the MCI on 25 April 2017.

The engagement efforts of the NAM UK Fixed Income team have been included within this report since 3Q18, and this 2Q19 report now also includes the research and engagement processes of Nomura Asset Management Singapore Limited ("NAM SG"), Nomura Asset Management Malaysia Sdn. Bhd. ("NAMM") and Nomura Islamic Asset Management Malaysia Sdn. Bhd. ("NIAM"). 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.
"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 25 companies were reviewed and assigned ESG ratings. Of these, 5 were awarded a rating of 'N' (No Issues), 15 a rating of 'I' (Issues but Improving), 5 a rating of 'I' (Issues, Not Improving). In addition, 17 further companies were engaged with, supplementary to full company reviews, to discuss ESG related queries that arose over the period. In total 28 companies were contacted to discuss ESG concerns – of these engagements 14 were focused on Environmental Impact, 9 on Social Impact, 3 Governance and 2 Remuneration. Of the companies we engaged with 2 were based in North America, 5 in Europe, and 21 within Emerging Markets. Responses were received from 21 companies (75% response ratio).

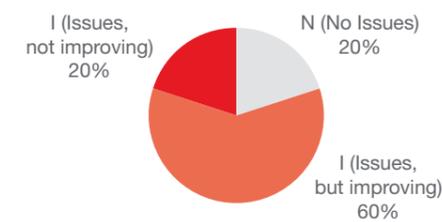
Companies reviewed	
N (No Issues)	5
I (Issues, but improving)	15
I (Issues, not improving)	5
U (Uninvestable)	0
Total	25

Engagements by Region	
Europe	5
Japan	0
North America	2
Emerging Markets	21

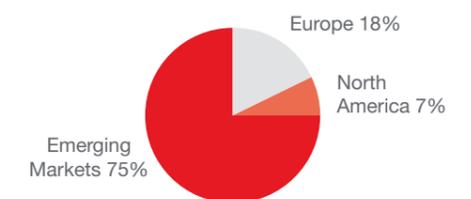
Engagements	
Number of contacts	28
Number of responses	21
Response Ratio	75%

Engagements by Subject	
Capital Allocation	0
Environmental Impact	14
Social Impact	9
Remuneration	2
Governance	3

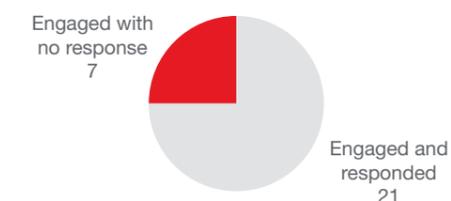
Ratings Assigned Over the Period



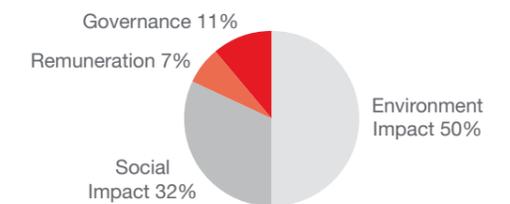
Engagement by Region



Engagement Over the Period



Engagement by Type



Notes from our Responsible Investing Research

- **Collaboration:** Nomura Asset Management has joined an investor collaboration, led by the New Zealand Super Fund, to engage with social media companies with regards to the policies in place and active monitoring of live streaming content. The engagement is taking place in response to the live streaming of the Christchurch Mosque shootings on one platform, and it is supported by 55 institutional investors globally representing NZD 5trn of Assets Under Management. It is expected that direct company engagement will commence in 3Q19 following coordination of investors in 2Q19.
- **Social Impact** was a focus over the period, representing a third of our engagement activity focus. We engaged on topics ranging from personal safety at mining operations, to corruption and broader public concerns over a corporation's impact on residential rent prices. This very broad range of topics highlights just how important the role of investors is becoming across 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).

Description	Nature of Engagement	Status of Engagement	Engagements/Notes
US Apparel Retailer	Environmental - Sourcing of wood based raw materials was flagged as unsustainable by the Rainforest Action Network (RAN)	Completed – Monitoring	Meeting (CFO) Sep 2016; Call w/ Head Sustainability Jun 2018; Call w/ CFO & Head Sustainability Dec 2018; Call w/ Canopy (NGO) Feb 2019 Following multiple engagements the company has adopted a raw materials sourcing policy that is in line with RAN's expectations. We are continuing to engage regularly with the company to ensure that adequate progress is made. We most recently engaged with Canopy, an NGO dedicated to ensuring supply chain sustainability and holding companies accountable
UK Telecom	Governance – Concerns over the timing of disclosures to the sell side and management remuneration	Ongoing	Meeting w/ CFO Oct 2017; Meeting w/ IR March 2018; Call w/ Remuneration committee Jun 2018; Meeting w/ RemCo Chairman Oct 2018; Email exchange w/ Corporate Secretary Mar 2019 We have held multiple meetings and calls with the CFO & remuneration committee to express our disappointment with policies. Whilst we were pleased to see certain changes in the remuneration policy we still believe the company is not doing enough to address our (and the market's) concerns and continue to engage proactively
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; Update call Nov 2018; Meeting w/ Chairman Feb 2019 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
Swedish Bank	Governance - It is alleged that improper control practices have allowed money laundering through its Baltic divisions. There have been further allegations of providing inside information to top shareholders	Ongoing	Email exchange w/ IR Feb 2019; Meeting w/ Vice Chairman at HQ Mar 2019 Engaged extensively with the bank at the highest level to better understand the allegations that have been made in the media. We have strongly pushed for senior management change and expressed disappointment at how communication has been handled
Canadian Integrated Oil & Gas	Environmental – Incidents of birds being killed following contact with tailings ponds	Completed – Monitoring	Email Exchange with Senior ESG Analyst Dec 2018 Engaged with the senior ESG analyst to gain clarification on the incidents of birds being killed following contact with tailing ponds. It would appear they do have some adequate plans in place to prevent further bird deaths but we will continue to monitor the situation

Responsible Investing Case Study

During the quarter one of our investee companies, a US industrial firm, was subject to a short-seller report that made some serious allegations about the company's business and governance practices in China. The report alleged that the company was financing distributor purchases allowing them to inflate channel inventories and revenue. In addition the report alleged that the company did not have access to \$457m of cash held in China. The market was understandably concerned about these allegations given their nature and the materiality of China for the group. As a result the share price fell by around 10% in the two days following the report's publication.

We too were concerned by the allegations made in the report and arranged a call with the company's management to discuss the allegations in more detail and the company's response to them. Management confirmed to us that they do not provide financing for any distributors in China and that all revenue in China has been appropriately recognised in accordance with U.S. GAAP. The company also confirmed that they had full unencumbered access to their cash in China as evidenced by the \$150m dividend executed in 2018 and their expectation to dividend a further \$150m from China in the 1st half of 2019.

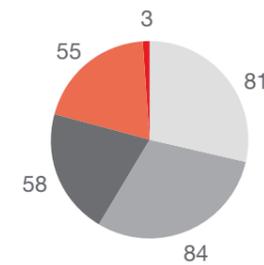
Following this call with management, we were satisfied that the company's governance and financial reporting in relation to China was robust and that the short-seller report's allegations were misleading. As a result we took the opportunity to add to our position in the stock across a number of funds including our Sustainable Equity and High Conviction strategies.

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 2019.

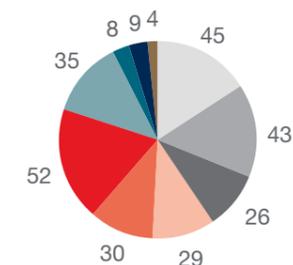
Sustainalytics Engagement Summary Report Ongoing Business Conduct Engagements (as at 1Q19).

Norm Area Breakdown



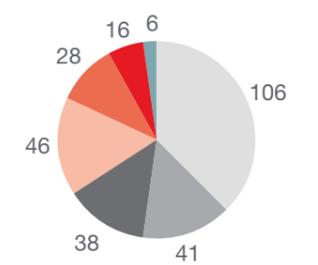
- Labour Rights
- Human Rights
- Corruption
- Environment
- Inhumane Weapons

Industry Sector Breakdown



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

Geographic Breakdown



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

Proxy Voting Record 2Q19

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 and NAM SG voted on 8465 proposals across 330 shareholder meetings and 719 ballots. In total 70% of proposals were director related, with a further 17% in relation to 'Routine Business'. In total NAM UK and NAM SG voted 'With' management on 7643 (90%) proposals and 'Against' management (or 'Withheld' our vote) on 822 (10%) proposals. Examples of where we voted 'Against' management, or elected to 'Withhold' our vote included:

- Voted 'Against' the re-election of the directors of a Dutch Bank as a result of failure to execute sufficient anti-money laundering policies and the resulting impact this had on both shareholders and society
- Voted 'Against' the re-election of the directors of a US Healthcare business as the company had breached our three year relative TSR threshold over which period the directors had overseen the company

Proposals Voted on in 2Q19

Proposal subject	Count	Proportion of Total Votes
Directorships	5879	69.5%
Routine Business	1398	16.5%
Capitalisation	413	4.9%
Compensation	407	4.8%
Reorg/M&A	252	3.0%
Other	41	0.5%
Antitakeover	40	0.5%
Health/Environment/Social	35	0.4%
Total	8465	100.0%

Proposals Voted 'Against' Management in 2Q19

Proposal subject	Count	Proportion of Total Votes
Directorships	425	51.7%
Capitalisation	129	15.7%
Compensation	119	14.5%
Routine Business	70	8.5%
Health/Environment/Social	24	2.9%
Other	24	2.9%
Antitakeover	19	2.3%
Reorg/M&A	12	1.5%
Total	822	100.0%

Voting Record vs. Management in 2Q19

	With	Against
Votes	7643	822
Proportion	90.3%	9.7%

Voting Record vs. ISS in 2Q19

	With	Against
Votes	8082	383
Proportion	95.5%	4.5%

ESG queries raised

ESG queries raised			
Description	ESG Rating	Governance	Specific Management/Pay
UK Listed Miner	Contacted Outside Formal Review	–	–
European Oil E&P	Contacted Outside Formal Review	–	–
Singaporean Real Estate Management & Development	N (No Issues)	Strong governance practices. 72% of the Board are Independent Non-Executive Directors with 29% Female representation on the board. Has taken proactive steps to benchmark practices with the voluntary SS ISO37001 Anti-bribery Management Systems. MSCI overall ESG score AAA	CEO was paid SGD 8mm in 2018 (0.6% of EBIT)
European Soft Drinks	Contacted Outside Formal Review	–	–
Taiwan Listed Electronic Components Manufacturer	I (Improving)	The board is not majority independent (4/11) and does not have a formal corporate governance policy. MSCI rate as 44th percentile and note remuneration disclosure, entrenched board, and a lack of independent board majority	Executive pay disclosure is limited. Across the company pay is higher than the tech industry average

ESG queries raised				
Environmental/Social	Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
There have been reports on the deaths of illegal miners	Y	Social Impact	Y	We reached out to the company to request further information on the steps taken to prevent trespassing on its mining sites. We were somewhat disappointed by the response received
The company recently settled a US and Brazilian anti-corruption case. The final figure was substantially in excess of that provisioned	Y	Social Impact	Y - Call Jun 2019	Engaged on the size of the settlement relative to initial provisions. The company suggested that nothing new came out of the investigation/process to explain the settlement being higher than expected. The negotiation on amount was just not as good as they hoped. On the other hand coordinating two investigations (US and Brazil) was a success in their view
Rated as #1 most sustainable company in Singapore (2019 Global Most Sustainable Corporations). The commitment to building sustainable buildings has a clear positive impact on the climate change UNSDG (through significant energy efficiency improvements). Targets a 59% reduction in operational emissions (2007 to 2030). Very active with regards to community outreach and promoting sustainability in Singapore	N	N/A	N/A	N/A
Company advised that increasing the weight of glass within their mix would increase emissions and the current focus is on improving the national recycling systems for PETs	y	Environmental Impact	Y - Meeting Jun 2019	Engaged with the company on environmental impact in relation to the packaging associated with products and to discuss the optimal solutions for reducing environmental impact. Target collecting 100% of their packaging (74% as on Dec 2018) and 100% to be recyclable (98% today). 50% of the material used for PET bottles comes from recycled plastic
The company is relatively highly exposed to both human capital management and environmental impact risks. Company has reduced electricity intensity by 50% (09-14) and targets a further 30% reduction by 2020. There are also targets in place for water usage (which is high given the nature of the industry)	Y	Environmental Impact (primary - also Social Impact)	Y	We engaged with the company over the period across a broad range of E, S and G matters - in particular given the nature of the industry there are relatively high human capital and environmental impact risks that the company must manage prudently. The company provided a comprehensive response to our engagement

ESG queries raised (cont'd)

Description	ESG Rating	ESG queries raised	
		Governance	Specific Management/Pay
US Financial	Contacted Outside Formal Review	-	-
Indian Construction Materials Business	I (Improving)	The company claims to have a 50% independent board though we note that MSCI categorize as only 25% independent alongside further concerns over the independence of the audit committee and related party transactions	-
Chinese Textile, Apparel & Luxury Goods Business	I (No Improvement)	Does not have an independent board majority (44%) and does not appear to have any intention to address this near term. Significant level of related party transactions	-
Australian Miner	I (Improving)	Independent majority board comprising 10 non-executive directors and 1 executive director. Regularly engages with shareholders and non-governmental organizations at a Board and senior management level	-
US Internet Based Services	I (Improving)	MSCI Governance score of 6.8/10	-
US Internet Based Services	I (Improving)	Dual class share structure	-
French Environmental Company	N (No Issues)	Rated A by MSCI, though note the combined CEO/Chair	New CEO from May is a company lifer

Environmental/Social	Company Contacted?	Engagement Issue	Company Responded?	ESG queries raised	
				Notes from Company Contact	
Human capital development is excellent as recognized by Fortune as one of the "World's Most Admired Companies". However, we have noticed relative weakness in privacy and data security policy	Y	Social Impact	N	N/A	
The cement industry has very high emissions, though we do note the company has implemented initiatives to reduce emissions (intensity to decrease by 25% in 2021 vs. 2005/06). Have installed 2.6MW solar power and 1.13MW of wind power	Y	Governance	Y	Engaged primarily on governance; the independence of the board and the independence of the audit committee	
The textile industry has considerable exposure to environmental impact risk. There are no targets to reduce energy consumption and it is flagged as an industry laggard by MSCI	Y	Governance (Primary - Also Social and Environmental Impact)	Y	Engaged on a broad range of E, S and G matters including lack of board independence, related party transactions	
Has a very strong presence in coal, and has not made any commitments on the future of this business. That said does have water withdrawal and emissions reduction targets. Still working on fallout from 2015 dam failure to negate community impact. Social investment target is not less than one per cent of pre-tax profits invested in community programs. Evaluating low emissions technology solutions	Y	Environmental Impact	Y	Engaged on concerns over environmental impact and in response to broader industry concerns over dam safety	
Allegations of harassment that led to ousting of CEO (founder)	N	N/A	N/A	N/A	
Less aggressive and more driver friendly	N	N/A	N/A	N/A	
Overall MSCI ESG score A. Business model is based on the circular economy, and assists customers in reducing their carbon/resource depletion footprint by converting waste to energy and recycling waste	Y	Remuneration	Y	Engaged with Investor Relations on ROCE being incorporated into remuneration	

ESG queries raised (cont'd)

Description	ESG Rating	ESG queries raised	
		Governance	Specific Management/Pay
French Environmental Company	I (Improving)	Top quartile across peers, 69% independent board, but note significant votes Against members	Bonus is 20% EBIT, 20% FCF, 30% organic revenue growth, 30% ROCE (for the quant component), alongside other health and safety targets. Performance shares make up the LTIP
Brazilian Miner	Contacted Outside Formal Review	–	–
Taiwan Listed Apparel Manufacturer	I (Improving)	Established the Audit Committee in 2017 to strengthen financial supervision and reliability	–
REIT	Contacted Outside Formal Review	–	–
US Packaged Food & Meats	I (No Improvement)	–	New CEO is an outsider
Dutch Personal Products	I (Improving)	–	New CEO is an insider
Indonesian Food Products Business	I (No Improvement)	There is an independent majority though we note over boarded directors, low board diversity and related party land transactions	–

Environmental/Social	ESG queries raised			
	Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
Overall MSCI ESG score A. 'Strong' in emissions and human capital offset by water stress, product safety and emissions weakness. Water withdrawal is high, and we would actually disagree with the emissions score noting the presence of exposure to coal power generation in the heating business	N	N/A	N/A	N/A
News reports flagged further dam related concerns (tailings dam being under threat of breach)	Y	Environmental Impact	Y	Engaged to say that the lack of clarity in the press release is concerning, not to mention the potential/probable breach of another dam
Has established sewage treatment systems (for its factory waste) in production areas of overseas plants. Factories must be equipped with adequate medical facilities, fire evaluation equipment, good lighting, clean toilets and drinking water	Y	Environmental Impact	Y	Reached out to the company to better understand the management of environmental impact
Engaged with the company following recent protests in Germany due to rent increases	Y	Social Impact	N	Engaged with the company to better understand rent protests in Germany and further advise that we would prefer to see a majority independent board
In the 1Q19 call they also announced that they are accelerating their cocoa sourcing programme to reach 100% of the cocoa they use sourced sustainable. Main business is chocolate and biscuits (clearly negative impact on health)	N	N/A	N/A	N/A
Referred to by some analysts as the "world's biggest NGO", we note concerns in supply chain (particularly palm oil), but efforts by the company to improve. committed to 100% of their packaging being recyclable, compostable, biodegradable or reusable by 2025	N	N/A	N/A	N/A
Withdrew from RSPO (Roundtable for Sustainable Palm Oil) in January 2019, following accusations of labour issues and deforestation concerns. Will continue to follow ISPO (which has 85% overlap). Has been accused of breaching advertising regulation but appears to be working to rectify this	Y	Governance (Primary - Also Social and Environmental Impact)	Y	Engaged on a range of issues including related party land transactions, breaching advertising regulations and the withdrawal from RSPO

ESG queries raised (cont'd)

ESG queries raised			
Description	ESG Rating	Governance	Specific Management/Pay
US Healthcare Services Provider	I (Improving)	OK though MSCI flag over boarded directors, and lack of experience on the audit committee	CEO paid US\$18mm in 2018, very high for size of company. MSCI score as 3rd percentile in the US, fixed high, severance vesting, perks, dilution. Paid on revenue growth, earnings per share growth and return on invested capital during the three-year performance period
MENA Outsourced Services	N (No Issues)	Is controlled by a Emirati bank and law ensures must be controlled by a UAE company	–
US Aerospace & Defence	Contacted Outside Formal Review	–	In relation to the recent incidents involving the crashing of planes, reportedly as a result of faulty software it was noted that safety is not incorporated into management remuneration
Korean Trading Company & Distributor	I (Improving)	Current board of directors consists of members, one non-executive director, two executive directors and four outside directors. Scores poorly on MSCI driven primarily by related party transactions	There appears to be a lack of remuneration committee
US Healthcare Equipment	I (No Improvement)	NAM Z score of -0.13, and compares poorly with peers. Main area of concern; entrenched and over boarded board, combination of CEO and chair roles, and shareholder dissent over three re-appointments	–
UK Application Software	N (No Issues)	–	CEO was appointed CEO in November 2018, having been the interim CEO since August, when the company fired the previous CEO

ESG queries raised				
Environmental/Social	Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
Improved to BBB from B on MSCI's ESG ratings, but is lower than would expect and would highlight the positive impact on Good Health and Wellbeing UNSDG. The company scores highly on carbon emissions on account of aggressive efforts to reduce its footprint. Labour management is flagged in the context of recent acquisition and need to deliver synergies	N	N/A	N/A	We engaged previously on the legal cases in relation to [partial] responsibility for the opioid crisis
Limited coverage given is being IPO'd but we believe underlying operations have a strong (financial inclusion theme) impact on society	N	N/A	N/A	N/A
–	Y	Remuneration	N	Reached out to company but regrettably did not receive response
Is facing public scrutiny over involvement in palm oil cultivation and sourcing of cotton from Uzbekistan (child labour concerns). Company has stated that it found no evidence of child labour in its Korean supply chain. We further recognize the efforts of the company working closely with the government in Uzbekistan to adopt international labour standards. Cotton and Palm oil represent ca. 1% of sales each	Y	Social Impact (Primary - also Environmental)	Y	Engaged with the company to better understand accusations of child labour in the supply chain. The company rebuked this stating it had not found evidence to support this
Lack of disclosures regarding energy use and sourcing as well as the absence of policy to improve the current situation. Does not have access to healthcare (ATH) initiatives in place to expand its presence in developing regions. Although common in the industry note suffered number of recalls (29 in 2018 and 48 in 2017)	N	N/A	N/A	N/A
Environmental impact is naturally low . We see significant positive societal impact from operations which supported the development of SMEs and streamline operations	N	N/A	N/A	N/A

ESG queries raised (cont'd)

Description	ESG Rating	ESG queries raised	
		Governance	Specific Management/Pay
EU Auto Supplier	I (Improving)	Average scoring range for all the companies MSCI assess relative to global peers. Some red flag related to board of directors which does not currently include a fully independent audit committee or fully independent pay committee	–
Taiwan Listed Life Insurance	I (Improving)	Scores weakly on governance (as per MSCI) driven by concerns over leadership and board independence. On the positive side state a commitment to responsible investing to guarantee the rights of shareholders and policyholders. In 2018 signed the Taiwan Stock Exchange's Stewardship Principles for Responsible Investors. We are closely watching the increasing stake of the parent company given its intention to acquire 100% - our primary focus is on achieving a fair merger ratio	–
Malaysian Commodity Chemicals Producer	I (Improving)	There are concerns on related party transactions, over boarded directors and a lack of independence	Lack of disclosure in relation to executive pay
Malaysian Healthcare Facilities	I (Improving)	The board does not have an independent majority and the main shareholder has a controlling stake	–
Malaysian Healthcare Facilities	I (Improving)	Governance is strong relative to the home market although MSCI ESG Research gives low score on pay and raises concern on lack of executive remuneration disclosure	Lack of disclosure in relation to executive pay

ESG queries raised		Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
Environmental/Social					
Nomura Model assigns a weak score in the environmental part with E z-score of -0.06 driven by weak score on Water and Waste section. We note this diverges from MSCI --> Environment score at 6.6 with Toxic emission and Waster score at 7.8 above Industry average of 5.5		N	N/A	N/A	N/A
Aim to accelerate domestic industrial transformation by injecting insurance industry funds into such industries as green energy technology, the Asia Silicon Valley, biomedicine, national defence, smart machinery, and the circular economy. Recognise the impact of climate change		N	N/A	N/A	N/A
The company's emissions intensity is above the industry average, but hazardous waste intensity is below average. Also an incident involving a fire and explosion occurred earlier this year, has compelled us to contact the company		Y	Environmental Impact	Y	The company informed us that a desulfurization unit which is owned by its sister company caught fire and exploded while undergoing testing in a refinery facility within the same complex. There were no casualties reported and only two workers were treated at the site for minor injuries. The case is being investigated by the parent company together with a government authority and therefore we will follow up with the company after the full investigation is completed
There is exposure to potentially increased costs linked to carbon pricing or regulatory caps		N	N/A	N/A	N/A
There is exposure to potentially increased costs linked to carbon pricing or regulatory caps		Y	Environmental Impact	Y	The company has provided a comprehensive updates on environmental matters but has not disclosed emission levels and fossil fuel exposure. It is committed to managing its impact on the environment by prioritising strict adherence to environmental regulations governing waste and energy performance

ESG queries raised (cont'd)

ESG queries raised			
Description	ESG Rating	Governance	Specific Management/Pay
Malaysian Financial Institution	I (No Improvement)	Governance is broadly acceptable but we do note the presence of related party transactions as a flag. 'Family' control 78.5% of the shares	–
Malaysian Containers & Packaging	Contacted Outside Formal Review	The board does not have an independent majority and the main shareholder has a controlling stake	–
Malaysian Automobile Manufacturer	N (No Issues)	Overall, the company has strong governance practices	–
Malaysian Palm Oil Producer	Contacted Outside Formal Review	–	–
Malaysian Property Conglomerate	Contacted Outside Formal Review	The company shows improved governance practices. However there are concerns on high number of long-serving directors and lack of gender diversity in the board	Lack of disclosure in relation to executive pay
Malaysian Real Estate Management & Development	Contacted Outside Formal Review	–	–

ESG queries raised				
Environmental/Social	Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
Poor due diligence processes related to environmental concerns potentially risk the company's reputation and indeed credit defaults	N	N/A	N/A	N/A
NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Nevertheless, given the nature of the company's operations the primary focus is on social impact	Y	Social Impact	N	The company has not responded to our questionnaire. We have followed up with the company to respond to us
NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Nevertheless, given the nature of the company's operations the primary focus is on environmental impact	Y	Environmental Impact	Y	The company uses high-levels of energy, with electricity being the primary source and other forms of fuels like natural gas. It publishes the emission level and fossil fuel exposure in the annual sustainability report. However, the data is unaudited. It also monitors water quality and has treatment facilities to treat industrial effluent and sewage
NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Nevertheless, given the nature of the company's operations the primary focus is on environmental impact	Y	Environmental Impact	N	The company has not responded to our questionnaire. We have followed up with the company to respond to us
NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Nevertheless, given the nature of the company's operations the primary focus is on social impact	Y	Social Impact	Y	The company shows very high commitment on sustainability practices across all its wide range of businesses with about 15,000 strong employee base
NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Nevertheless, given the nature of the company's operations the primary focus is on social impact	Y	Social Impact	Y	The sustainability statement is published in the annual report but there are still gaps in disclosure and response to sustainability practice

ESG queries raised (cont'd)

ESG queries raised			
Description	ESG Rating	Governance	Specific Management/Pay
Malaysia Health Care Services/Glove Manufacturer	Contacted Outside Formal Review	The board does not have an independent majority or independent chairperson and gender diversity is also flagged	Lack of disclosure in relation to executive pay
Malaysian Marine Business	Contacted Outside Formal Review	There are concerns on ownership structure and related party transactions	Lack of disclosure in relation to executive pay
Malaysian Oil & Gas Service and Equipment	Contacted Outside Formal Review	The board is potentially entrenched due to a high number of long-serving directors	Lack of disclosure in relation to executive pay
Malaysian Semiconductor Manufacturing	Contacted Outside Formal Review	-	-
Malaysian IT Services	Contacted Outside Formal Review	-	-

ESG queries raised				
Environmental/Social	Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Nevertheless, given the nature of the company's operations the primary focus is on environmental impact	Y	Environmental Impact	N	The company has not responded to our questionnaire. We have followed up with the company to respond to us
NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Nevertheless, given the nature of the company's operations the primary focus is on environmental impact	Y	Environmental Impact	Y	The company has informed us that all vessels would be in compliance with the IMO2020 Global Sulphur Cap regulation by using low sulphur fuels or retrofitted with scrubbers
NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Nevertheless, given the nature of the company's operations the primary focus is on environmental impact	Y	Environmental Impact	N	The company has not responded to our questionnaire. We have followed up with the company to respond to us
NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Nevertheless, given the nature of the company's operations the primary focus is on environmental impact	Y	Environmental Impact	Y	The company continuously embark on cost-effective energy efficiency improvement and retrofits to optimize the energy consumption. But it did not achieve the target in 2018 to decrease the consumption by 2% per annum because of the increase in production volume
NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Nevertheless, given the nature of the company's operations the primary focus is on social impact	Y	Social Impact	Y	The company has showed its strength in promoting diversity and equal opportunities among the employees. It has consistently won Employer of the Year awards including the Employer of Choice grand price from the Malaysian Institute of Human Resource Management in 2017

ESG queries raised (cont'd)

ESG queries raised			
Description	ESG Rating	Governance	Specific Management/Pay
Malaysian Integrated Electric Utility	Contacted Outside Formal Review	There is concern on the ownership structure with regards to the controlling shareholder	-

ESG queries raised				
Environmental/Social	Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Nevertheless, given the nature of the company's operations the primary focus is on environmental impact	Y	Environmental Impact	Y	GHG emissions are high due to the nature of its core business in supplying electricity. However, the company is promoting renewable energy and minimizing carbon footprint by investing in clean coal and more efficient gas turbine technologies. Its GHG emission is comparable with that of regional utilities with similar fuel mix. Also, its power plants track water consumption on a monthly basis under a plant optimization and waste minimization program in compliance with ISO 14001

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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US\$ **425** bn

assets under
management globally

1,312

staff employed
across 15 offices

240

portfolio managers located
strategically around the world

109

dedicated professionals committed to
fundamental and quantitative research

1959

Our investment management capability was
established in Japan over 50 years ago

30 years

Operating in Europe
for over 30 years

Source: Nomura Asset Management as at 31st December 2018

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1. **NAMM:** <https://www.nomura-asset.com.my/nomura-asset-management-malaysia/namm-s-investment-solutions/responsible-investment>
2. **NIAM:** <https://www.nomura-asset.com.my/nomura-islamic-asset-management/niam-s-investment-solutions/responsible-investment>

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