

3Q 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 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 this report now also includes the research and engagement processes of Nomura Asset Management Singapore Limited (“NAM SG”) and Nomura Asset Management Malaysia Sdn. Bhd. (“NAMM”). 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 16 companies were reviewed and assigned ESG ratings. Of these, 5 were awarded a rating of ‘N’ (No Issues), 7 a rating of ‘I’ (Issues but Improving), 4 a rating of ‘I’ (Issues, Not Improving). In addition, 20 further companies were engaged with, supplementary to full company reviews, to discuss ESG related queries that arose over the period. In total 33 companies were contacted to discuss ESG concerns – of these engagements 18 were focused on Environmental Impact, 10 on Social Impact, 3 Governance and 2 Remuneration. Of the companies we engaged with 7 were based in North America, 2 in Europe, and 24 within Emerging Markets. Responses were received from 26 companies (79% response ratio).

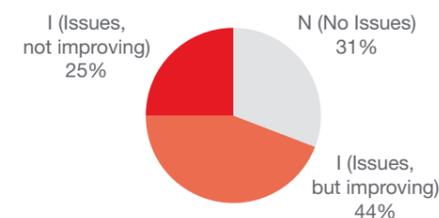
Companies reviewed	
N (No Issues)	5
I (Issues, but improving)	7
I (Issues, not improving)	4
U (Uninvestable)	0
Total	16

Engagements by Region	
Europe	2
Japan	0
North America	7
Emerging Markets	24

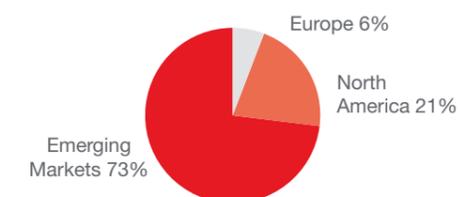
Engagements	
Number of contacts	33
Number of responses	26
Response Ratio	79%

Engagements by Subject	
Capital Allocation	0
Environmental Impact	18
Social Impact	10
Remuneration	2
Governance	3

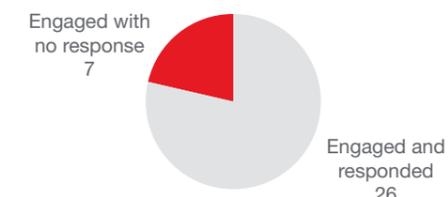
Ratings Assigned Over the Period



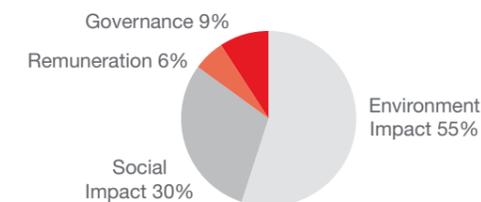
Engagement by Region



Engagement Over the Period



Engagement by Type



Notes from our Responsible Investing Research

- **Collaboration (Access to Medicine):** Over the quarter Nomura Asset Management became a signatory to the Access to Medicine Index pledging our support for the development of tools to assess the management of 'Access' across the pharmaceutical sector. Furthermore Nomura Asset Management has committed to taking a position as a leader alongside a peer signatory, in driving the collaboration with a member of the pharmaceutical index over the coming quarter.
- **Collaboration (Cocoa Supply Chain):** Nomura Asset Management is one of a number of investors involved in a collaboration, through Sustainalytics, that is seeking to address the complex issues within the cocoa supply chain. For further detail please see our Case Study.
- **Environmental Impact:** Over the quarter we expanded our efforts in relation to assessing the environmental impact of the companies we invest in and consider for investment. In particular we have focused on better understanding greenhouse gas emissions and the efforts being taken to responsibly manage this. Across Emerging Markets, companies often appear to still be in the early stages of reacting to investor pressures to address these issues however we are encouraged by the steps that are now being taken.

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
US Communication Services	Social & Governance – Whilst we believe the company has 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 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
Brazilian Miner	Social – Following the tragic collapse of a dam and reports of potential deficiencies at other facilities we have been engaging with the company and joining collaborative engagements	Ongoing	Meeting w/ IR May 2019; GES/Sustainalytics call Sep 2019; Email w/ IR Sep 2019 We continue to engage with the company and monitor progress with regards to dam busting issues and in particular how the families impacted will be compensated
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 Sept 2019 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
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; Call w/ our peer cocoa supply chain collaborators Sep 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 NGOs and recently engaged with the company on reports by the Rainforest Action Network (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
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

Responsible Investing Case Study

Nomura Asset Management UK is committed to ensuring responsibility within the supply chains of the companies that we invest in on behalf of our clients. A number of companies that we invest in use cocoa as one of their main raw materials for their products; most of the worldwide production of cocoa, takes places in Ivory Coast and Ghana, which brings with it complex supply chain risks as nearly two million children work in the supply chain. A commitment from the cocoa industry was introduced back in 2001 (The Harkin-Engel protocol), to combat child labour in the industry, but little progress was made subsequently.

As responsible investors, in 2018 we decided to take part in an initiative sponsored by Sustainalytics to engage with the main users of cocoa. As results of this engagement, the companies are now reporting on different initiatives to improve the conditions of the children and their families: (1) Child labour identification and remediation systems which would cover most of the farmers by 2020, (2) Contribution to an environment that fosters children's rights in these communities, and (3) Progress towards paying a living income for farmers in these two countries.

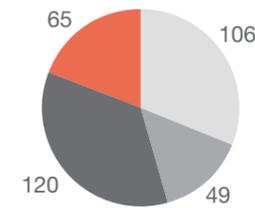
In our most recent call with Sustainalytics and our peer collaborators, new initiatives for continuing the engagement with the companies were announced which extends to an annual conference on sustainability in cocoa, to take place in Berlin in October 2019. A new report will be published next year, and it seems that efforts will need to be scaled up in order to meet the commitments made by the companies and other stakeholders. We will continue to follow-up on this issue and push it directly in our meetings with investee companies.

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 third quarter of 2019.

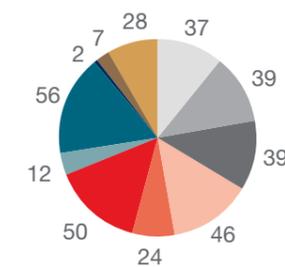
Sustainalytics Engagement Summary Report Ongoing Business Conduct Engagements (as at 3Q19).

Norm Area Breakdown



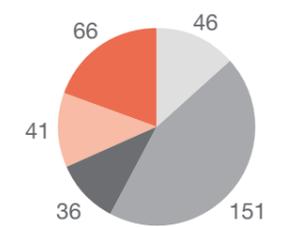
- Business Ethics
- Environment
- Human Rights
- Labour Rights

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 3Q19

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, NAM MY and NAM SG voted on 1181 proposals across 71 shareholder meetings and 138 ballots. In total 47% of proposals were director related, with a further 25% in relation to 'Routine Business' and 15% 'Capitalisation'. In total NAM UK and NAM SG voted 'With' management on 1083 (92%) proposals and 'Against' management (or 'Withheld' our vote) on 98 (8%) proposals. Examples of where we voted 'Against' management, or elected to 'Withhold' our vote included:

- Voted 'Against' the approval of the remuneration report of a UK Defence Services Company as a result of consistent underperformance relative to peer companies and management failures. We also voted 'Against' the re-election of those Directors that have overseen the underperformance
- Voted 'Against' the approval of the remuneration report of a UK Utility as a result of consistent underperformance relative to peer companies

Proposals Voted on in 3Q19

Proposal subject	Count	Proportion of Total Votes
Directorships	553	46.8%
Routine Business	298	25.2%
Capitalisation	179	15.2%
Compensation	59	5.0%
Reorg/M&A	39	3.3%
Antitakeover	30	2.5%
Other	23	1.9%
Health/Environment/Social	0	0.0%
Total	1181	100.0%

Proposals Voted 'Against' Management in 3Q19

Proposal subject	Count	Proportion of Total Votes
Directorships	64	65.3%
Compensation	17	17.3%
Capitalisation	11	11.2%
Reorg/M&A	3	3.1%
Routine Business	3	3.1%
Antitakeover	0	0.0%
Health/Environment/Social	0	0.0%
Other	0	0.0%
Total	98	100.0%

Voting Record vs. Management in 3Q19

	With	Against
Votes	1083	98
Proportion	91.7%	8.3%

Voting Record vs. ISS in 3Q19

	With	Against
Votes	1137	44
Proportion	96.3%	3.7%

ESG queries raised

ESG queries raised			
Description	ESG Rating	Governance	Specific Management/Pay
Korea Automotive OEM	I (Not Improving)	Company is considering diversity of board members' background and seeking to improve international representation and more gender diversity. Independent directors have meetings separately	-
USA Listed Appliances	I (Issues but Improving)	-	-
USA Pharmaceutical	I (Issues but Improving)	Drug pricing collusion enquiry is a significant overhang for generic manufacturers	-
USA Speciality Store	I (Issues but Improving)	Well governed with an independent board majority, separate CEO/ Chair roles and strong diversity. We have a positive view of the company's strategy and prudent approach to capital allocation. We note MSCI rates as 86th percentile	CEO total remuneration (at 1.3% of EBIT), although in line with the market, is in our opinion excessive, and not directly based on ROIC
Norway Agriculture Chemical	Contacted Outside Formal Review	-	-
USA Communication Services	Contacted Outside Formal Review	-	Executive remuneration remains excessive

ESG queries raised				
Environmental/Social	Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
The company acknowledge that they still have few female employees at higher level of management. They will make further progress in order to achieve gender diversification at higher management level. ESG related performance is linked to management KPI's. Recall issues are discussed at board meetings. The discussion is mainly focusing on 'direction', not 'details'	Y	Environmental Impact	Y	Engaged with the company via email and telephone conference regarding their ESG policies. They are planning to improve further in terms of environmental issues in the medium term
Product safety, quality and production in relation with recent recalls and Grenfell tower	Y	Social Impact	Y	Engaged on the product safety concerns and allegations - the company explained its quality control systems and industry standards it complies with
Has had quality (EpiPen shortage) and pricing issues (EpiPen price increases). Continues to face product liability lawsuits (deceptive marketing practises and corruption allegations). Have also had production quality issues	N	N/A	N/A	N/A
MSCI flags that the company lacks an energy reduction programme on the supplier side which renders it vulnerable to increased production costs in the event of stricter carbon regulations and resource constraints	Y	Environmental Impact	Y	Engaged with the company on oversight of supply chain emissions. The company was responsive and are carrying out further research
Recent research and media coverage has raised concerns over the impact fertiliser products have on the natural environment via leaching from the soil	Y	Environmental Impact	Y	We reached out to the company to discuss news reports in relation to poisonous algae and the impact of fertiliser products. The company responded that it actively works to avoid fertiliser overuse and offers premium products and software to help farmers optimise their fertiliser application
Ongoing issues with content filtering and treatment of employees. On the positive side it is now 100% powered by renewable energy (two years running now) and their purchasing of renewable energy has generated US\$5bn of new renewable capital investment	Y	Social Impact	Y	We participated in a group investor CSR call

ESG queries raised (cont'd)

Description	ESG Rating	ESG queries raised	
		Governance	Specific Management/Pay
Brazil Miner	Contacted Outside Formal Review	–	–
USA Professional Services	N (No Issues)	No major concerns however there is an entrenched board and CEO/Chair positions are not separated	Driven by TSR and ROIC (the LTIP) however CEO remuneration of 1.4% is too high
European OEM	Contacted Outside Formal Review	The company announced very large provisions for fines and recalls in relation to diesel vehicles, but continues to provide very little detail	–
USA Aerospace & Defence	Contacted Outside Formal Review	–	There are no explicit links to safety within remuneration
East European REIT	I (Issues but Improving)	Lack of board independence, unequal voting rights amongst shareholders and history of contentious business practises of owner are a concern but the recent commitment to a more conservative financial policy seems to indicate that the management and board take the interests of bondholders into close consideration	–
USA Agriculture Chemicals	I (Issues but Improving)	Corporate governance quality is difficult to assess, given the newness of the company, however governance was reasonable at the parent company from which this has been spun out of and the commitment to buy back stock suggests good treatment of shareholders	For 2018 bonus was driven by net income and Ag Division EBITDA, and assume it will be similar for the new company

Environmental/Social	ESG queries raised			Notes from Company Contact
	Company Contacted?	Engagement Issue	Company Responded?	
Following the dam burst earlier in the year the company is under pressure to ensure there is no repeat of the incident and address the impact on those directly affected. There remains an overhang with regards to fines	Y	Social Impact	Y	We continue to engage with the company and monitor progress with regards to dam busting issues experience. In particular how the families impacted will be remunerated
Very low environmental impact given nature of operations. Social impact is positive (facilitates employment)	Y	Remuneration	Y	Engaged with the company on the level of CEO remuneration which we believe to be far too high at 1.4% EBIT. Comments were taken on board but regrettably it feels improbable that this will be reviewed in great detail
–	Y	Governance	Y	The company continues to be shareholder unfriendly and provide very limited detail on the fines
The company has been involved in well flagged plane crash disasters, reportedly as a result of software glitches	Y	Remuneration	Y	Call in August 2019 with IR to discuss the concerns around airplane safety and the fact that there are no direct links to safety within remuneration targets
E and S dimensions of ESG ratings are good and we value the efforts made to acknowledge and tackle the environmental challenges. Transparency of the annual accounts has significantly increased over the past few years (albeit investors would benefit from quarterly performance updates). From a social perspective, large rent increases relate to offices buildings in Berlin, not residential buildings. This reduces significantly the risk of being associated to the increased cost of living in Berlin that may be perceived by the public.	Y	Social Impact	N	Reached out to the company to discuss recent lawsuits and related party transaction controversy
Manufactures genetically modified seeds (which are emotive for Europeans but less controversial in the USA) and chemicals that kill wild animals and plants. On the other hand its products enable high intensity food production to the benefit of society and are clearly aligned to at least two UN SDGs (No Poverty and Zero Hunger). Historic AgChem controversies for parent company such as the health impact from an old pesticide (chlogpyrifos)	Y	Environmental Impact	Y	Engaged with the company on GMO crop impact in addition to the future trajectory of management remuneration following the spin out

ESG queries raised (cont'd)

Description	ESG Rating	ESG queries raised	
		Governance	Specific Management/Pay
USA Communication Services	Contacted Outside Formal Review	-	-
UK Consumer Finance	I (Issues but Improving)	Governance is in our opinion robust, and we note the MSCI score of 8.7	LTIP aligned with investors and subject to a two-year holding period: 'Underlying' ROE, FCF and TSR
Philippines Speciality Chemicals	I (Improving)	The board is independent (4 out of 7) however the average age of the board members is nearly 70. There are some related party transactions - plant and office building which are owned by the founder family's private property development company, but all of its related party transactions are fairly paid, checked by auditors and fully disclosed in the financial statement	Female worker ratio is 40-50% across the whole company, including the management, and board level
Indonesia Bank	No Issues	Given the bank is State owned, the government will always have the final say on executive management. For M&A strategy and disbursement of loans, the company claims to be independent and not pressured by the government. Government can express their desire, but it is up to the bank to decide	Total compensation for executives disclosed in the annual report

Environmental/Social	ESG queries raised			
	Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
The company has been involved in a number of content filtering scandals	Y	Social Impact	Y	Re-engaged with the company to discuss ongoing CSR matters. Attended an investor CSR call
One could argue that the company benefits from financially distressed consumers. Alternatively, the company enables access to lower cost of credit for the entire population	N	N/A	N/A	N/A
Supplies many food ingredients to a lot of multinational companies with very rigid quality standards. Complies with global regulatory requirements like Hazard Analysis and Critical Control Points (HACCP), Good Manufacturing Practices (GMP), and ISO 9000 to maintain food safety. Offer welfare plans for their employees including family foundation support for education and retirement welfare. Company foundation supports ca. 400 scholarships	Y	Governance/ Environmental Issue	Y	Engaged with the company on Governance and Environmental issues that they are facing. We may monitor the progress of the company's initiatives like LEED (Leadership in Energy and Environment Design) certification etc.
Lending to the coal sector will fall over time and only lending to 'selective' companies. Coal loan exposure = 1.5% (selective category). Seeking to increase exposure to renewable and green sectors. However, the demand from such sectors in Indonesia is still not that large. Exposure to renewable is now < 1% of loan book. ESG is considered under loan risk assessment criteria under risk weighting. If client is under pressure from NGOs for deforestation, loan will be reviewed	Y	Governance/ Environmental	Y	Company has an established ESG policy which it circulated to shareholders in Aug 2019. The company is conscious of expectations of shareholders and stakeholders on ESG issues and has put in policies to improve

ESG queries raised (cont'd)

ESG queries raised			
Description	ESG Rating	Governance	Specific Management/Pay
Hong Kong REIT	No Issues	One of few HK property companies that has professional management teams instead of family-managed. 9 out of 12 members are independent board members. They are considering adding more mainland China members. The company has a sustainability committee chaired by the CEO (implementation and endorse), and sustainability working group chaired by general manager in corporate development and strategy as well as sustainability advisory committee chaired by the Chairman. The company is a UNPRI signatory	–
Taiwan Automobile parts manufacturer	No Issues	Across 7 directors, 3 are independent	–
Malaysia Consumer Discretionary	I (Issues but Improving)	Governance is strong but there is concern regarding the presence of certain related party transactions	Lack of disclosure in relation to executive pay
Malaysia Plastic Parts and Components Manufacturer	I (No Improvement)	There are concerns that (a) board members do not stand for annual re-elections, (b) board is potentially entrenched due to a high number of long-serving directors and (c) absence of female directors	Lack of disclosure in relation to executive pay
Malaysia Consumer Staples	I (No Improvement)	Governance is broadly strong. However the company is a family controlled firm with 55% of the voting rights. There is concern regarding presence of related party transactions	Lack of disclosure in relation to executive pay

ESG queries raised				
Environmental/Social	Company Contacted?	Engagement Issue	Company Responded?	Notes from Company Contact
Owns more than 100 shopping malls of which many are old – environmental friendliness could be below the updated modern buildings. Committed to supporting the Hong Kong government's waste reduction targets including reducing food waste disposal to landfills by 40% in 2022, etc. Environmental impact disclosures are relatively good. In July 2016 became the first HK company to issue a green bond. Donates 0.2% of Net Profit to charity programmes after shareholder approval. Have been publishing CSR report since 2011	Y	Governance/ Environmental	Y	Engaged with the company directly
Voluntarily started to produce CSR report since 2016 before the regulation was implemented. All internal standards meet the state's requirements, some are even stricter. In 2018, the total expenditure of environmental protection projects was NT\$144mm. Includes investment in air pollution control equipment, improving wastewater treatment equipment and leakage preventing equipment	Y	Governance/ Environmental Impact	Y	Engaged with the company via email and telephone conference regarding their ESG policies. They are planning to improve further in terms of environmental issues in the medium term
The company lacks a proactive approach towards restrictions on the use of chemicals in its products, particularly apparels	N	N/A	N/A	N/A
The company is not well positioned to take advantage of opportunities in the market for environmental technologies	N	N/A	N/A	N/A
There is risk of operational disruption due to compliance costs associated with rising energy prices and water shortages. The company's energy and water management practices are largely underdeveloped	Y	Environmental Impact	Y	The company has responded but without sufficient detail at this point

ESG queries raised (cont'd)

ESG queries raised			
Description	ESG Rating	Governance	Specific Management/Pay
Malaysia Telecoms Service Provider	I (No Improvement)	Governance is generally acceptable although there are some issues in relation to accounting and financial reporting practices	Early vesting provisions in share based awards which offer a poor alignment with shareholder interests
Malaysia Telecoms Service Provider	Contacted Outside Formal Review	There are concerns on the performance and composition of the board of directors	Lack of disclosure in relation to executive pay
Malaysia Telecoms Service Provider	Contacted Outside Formal Review	Ownership structure and related party transactions are red flags	–
Malaysia Telecoms Service Provider	Contacted Outside Formal Review	The board lacks an independent majority	Lack of disclosure in relation to executive pay
Malaysia Palm Oil Producer	Contacted Outside Formal Review	The company's corporate governance practices are generally well aligned with shareholder interests	–

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. Given the nature of the company's operations the primary focus is on environmental and social impact	Y	Environmental/Social Impact	N	The company has not responded to our questionnaire. We have followed up with the company to respond to us
The company's greenhouse gases emissions grew substantially in 2018 due to growth in the number of sites and entry into new markets	Y	Environmental/Social Impact	Y	Reached out to the company to discuss environmental and social issues. The company's greenhouse gases emissions grew substantially in 2018 due to growth in number of sites and entry into new markets. Cyber security and data privacy practices have been developed
Company's greenhouse gas emissions reduced by 1.3% and electricity consumption fell by 1.4% in 2018	Y	Environmental/Social Impact	Y	Engaged with the company on the level of GHG emissions and the work taking place in relation to data and privacy issues. To ensure full and continuous adherence to the PDPA, developed various initiatives and awareness programmes aimed at the employees and agents across the group
The company is the first to embark on sustainability reporting, adopting EMS (ISO 14001) and has the first Green Data Centre & Office building with LEEDS certificate among its peers in Malaysia. It has been reporting GHG emissions to CDP since 2009	Y	Environmental/Social Impact	Y	Engaged with the company on the level of GHG emissions and the work taking place in relation to data and privacy issues. The company provided a robust overview of the steps being taken
Pioneer member of RSPO and the world's largest producer of Certified Sustainable Palm Oil (CSPO). 100% of its operations in Malaysia, Indonesia, PNG and Solomon Islands are certified by RSPO. No deforestation commitment extends to all global suppliers. Efforts to reduce emissions and pollution include: installation of emission reduction technologies at Malaysian mills; strict monitoring of quality of discharged water; and regular GHG audits by the RSPO	Y	Environmental Impact	Y	Engaged with the company to discuss the management of environmental impact as a result of palm oil operations

ESG queries raised (cont'd)

Description	ESG Rating	ESG queries raised	
		Governance	Specific Management/Pay
Malaysia Semiconductor Manufacturing	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
Malaysia Management Services Provider	Contacted Outside Formal Review	There are concerns on related party transactions	Lack of disclosure in relation to executive pay
Malaysia Port and Harbour Operator (Container)	Contacted Outside Formal Review	The company is a founder firm. Note the presence of the controlling shareholder and related party transactions with the controlling shareholder	-
Malaysia Office and Industrial Properties REIT	Contacted Outside Formal Review	There is concern on executive pay	Lack of disclosure in relation to executive pay
Malaysia Office, Retail and Commercial Properties REIT	Contacted Outside Formal Review	We note related party transactions, over boarded directors and a lack of independence	Lack of disclosure in relation to executive pay

Environmental/Social	Company Contacted?	Engagement Issue	Company Responded?	ESG queries raised
				Notes from Company Contact
The company has installed solar panels on all buildings of its Penang factory. Has reduced electrical energy consumption by 7% with implementation of Intelligent Flow Controller to air compressor systems, installing energy efficient chiller systems	Y	Environmental Impact	Y	Engaged with the company to discuss the management of environmental impact and efforts being taken to reduce energy intensity
The company's operations are not of a heavy industrial nature and as such it emits minimal levels of greenhouse gases. Diesel and petrol are however used in some operations. In 2018, CO2 from petrol reduced by 53% and diesel emission reduced by 30% to 4,759 MT. Healthcare support and infrastructure services play an important role in the society, ensuring the condition of the hospitals, equipment, linens etc are safe for all patients	Y	Environmental/Social Impact	Y	Engaged with the company to discuss the management of environmental impact and efforts being taken to reduce energy intensity
Despite having notable safety processes backed by OHSAS 18001 certification, the company has to improve its health and safety management to reduce the number of incidents and accidents at the port area	Y	Social Impact	Y	We engaged on the number of incidents and accidents reported at the port area
-	Y	Environmental Impact	Y	Engaged with the company on measures being taken around environmental impact. The company has showed improvement in reducing energy consumption by 10% and energy (kWh/sq. ft.) from 9.01 to 4.74 efficiency throughout its premises. GHG reduced 10% and Emission intensity (kgCO2/ sq. ft.) from 6.25 to 3.29
-	Y	Environmental Impact	Y	Engaged with the company on measures being taken around environmental impact. The company has shown improvement in reducing GHG emission by 5% vs. 2017. However, energy consumption registered an increase of 3.6%. Overall water consumption for 2018 reduced by 6.7%

ESG queries raised (cont'd)

Description	ESG Rating	ESG queries raised	
		Governance	Specific Management/Pay
Malaysia Financial Institution	No Issues	Corporate governance practices are relatively well aligned with shareholder interests	The criteria for appointments as well as remuneration and shareholding of board members are disclosed in the annual report
Malaysia Industrial Conglomerate	Contacted Outside Formal Review	The company's corporate governance practices are generally well aligned with shareholder interests	–
Malaysia Plastic Packaging Manufacturer and Property Developer	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
Malaysia Semiconductor Manufacturer	Contacted Outside Formal Review	There are concerns that the board does not include a majority of independent directors and the presence of certain related party transactions	Lack of disclosure in relation to executive pay

Environmental/Social	ESG queries raised			Notes from Company Contact
	Company Contacted?	Engagement Issue	Company Responded?	
The company has clearly allocated substantial resources to improve on sustainability issues	Y	Environmental Impact	Y	Has established Risk Acceptance Criteria (RAC) for material ESG Sectors or sensitive sectors, particularly for Oil Palm and Energy (Oil & Gas). Guided by the industry sector limit threshold and Risk Acceptance Criteria (RAC) when financing potential customers. For example this would include Malaysian Sustainable Palm Oil (MSPO) certification in line with mandatory requirements set by Malaysia's Plantation Industries and Commodities Ministry. However, RACs for other material ESG sectors are still a work in progress
–	Y	Environmental Impact	N	NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Given the nature of the company's operations the primary focus is on environmental impact. Regrettably the company has not responded to our questionnaire. We have followed up with the company to respond to us
–	Y	Environmental Impact	N	NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Given the nature of the company's operations the primary focus is on environmental impact. Regrettably the company has not responded to our questionnaire. We have followed up with the company to respond to us
–	Y	Environmental Impact	N	NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Given the nature of the company's operations the primary focus is on environmental impact. Regrettably the company has not responded to our questionnaire. We have followed up with the company to respond to us

ESG queries raised (cont'd)

Description	ESG Rating	ESG queries raised	
		Governance	Specific Management/Pay
Malaysia Financial Institution	Contacted Outside Formal Review	There are concerns regarding the presence of certain related party transactions	Lack of disclosure in relation to executive pay
Malaysia Palm Oil Producer	Contacted Outside Formal Review	There are concerns on (a) ownership structure, (b) related party transactions and (c) high number of long-serving directors	–

ESG queries raised				Notes from Company Contact
Environmental/Social	Company Contacted?	Engagement Issue	Company Responded?	
–	Y	Social Impact	N	NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Given the nature of the company's operations the primary focus is on social impact. Regrettably the company has not responded to our questionnaire. We have followed up with the company to respond to us
–	Y	Environmental Impact	N	NAM Malaysia reached out to the company requesting that a stakeholder impact survey be completed on the E, S and G issues. Given the nature of the company's operations the primary focus is on environmental impact. Regrettably the company has not responded to our questionnaire. We have followed up with the company to respond to us

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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Today Nomura Asset Management provides its clients with a wide range of innovative investment strategies including global, regional and single country equities, high yield bonds, alternative investments and global fixed income strategies.

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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