

Basic Policy for Responsible Investment Management

NOMURA ASSET MANAGEMENT

Responsible Investment Committee

November 1, 2017

1. Basic Principles for Responsible Investment

The mission of NOMURA ASSET MANAGEMENT ("NAM" or "we" hereafter) is to continuously offer our clients high-quality asset management services to meet the needs of our clients, thereby contributing to the development of society and gaining strong trust through the asset management business.

As a fiduciary asset manager, NAM is committed to act at all times in the best interest of our clients based on our expertise with care required to carry out the duties. We ensure that conflicts of interest are handled ensuring independency and in such a manner so that client interests will never be damaged.

We have been entrusted with our clients' proxy rights and other rights on securities investment, as well as with securities transactions. We must properly exercise these rights in an effort to maximize the interests of our clients. We cannot achieve the growth of our clients' assets over the medium to long term unless investee companies achieve sustainable growth and create corporate value. To this end, we are committed to performing stewardship-related activities, including purposeful dialogue with investees (engagement) and proxy voting, to assume the important responsibility as a fiduciary asset manager.

ESG (Environmental, Social and Governance) issues are basic concerns to be addressed by companies to continuously engage in business activities as a member of society and create corporate value. ESG considerations are integral to our investment stewardship. Thus, we must strive to have a dialogue with investee companies to constantly identify how they respond to ESG issues and encourage them to properly take on these challenges through stewardship-related activities.

NAM understands and recognizes that the overall actions as stated above are practices to be performed as a "responsible investor" and these actions will eventually realize the establishment of a sound and sustainable society and efficient and stable capital markets. From this perspective, NAM defines investment involving these actions as "responsible investment" and will make active efforts to ensure such responsibility.

2. Concrete Actions

NAM specifies concrete actions that help attain the basic policy for responsible investment:

(1) Understanding Investee Companies

- Strive to deepen understanding on business model and strategy, business environment, business management and other important conditions of investee companies.
- When conducting fundamental research and analysis of a company, focus not only on financial information, but also on non-financial information such their ESG practices and the background to certain strategies and management philosophy.
- Render investment judgments on asset management and perform stewardship-related activities, such as engagement with investee companies which includes proxy voting, based on the deep understanding of the company.

(2) Approach to Investee Companies

- In order for investee companies to enhance corporate value and achieve sustainable growth, stipulate the "Ideal Form of Business Management of Investee Companies" (refer to [Appendix 1]) and encourage investee companies to realize it.
- Stipulate "Basic Principles of Engagement" (refer to [Appendix 2]) and "Global Proxy Voting Policy" (refer to [Appendix 3]) and give encouragement to investee companies from a fair and consistent posture.

(3) Control Conflicts of Interests

- Exercise due caution on the possibility of conflicts of interests to assume fiduciary duties and always give priority to client interests.
- Establish a highly transparent system and processes in order to ensure independence and properly control conflicts of interests.

(4) Collaboration and Outside Activities

- Properly perform duties on the understanding that collaboration with other institutional investors, etc., and outside activities will help enhance efficiency to give encouragement to investee companies.
- With regard to collaboration on individual projects, careful judgment should be made in consideration of the duty of confidentiality.
- Continue to collect information regarding responsible investment and reflect it in our business on

an as-needed basis.

(5) Information Disclosure and Accountability

- Properly fulfill the duty of accountability regarding our actions as a fiduciary asset manager through information disclosure and reports to clients.

(6) Organization and Actions

- Establish and operate a proper organizational structure so as to promote the above actions in an effective manner.
- Foster our ability on responsible investment by securing experts and strengthening our initiatives.

Ideal Form of Business Management of Investee Companies

NOMURA ASSET MANAGEMENT ("NAM" or "we" hereafter) stipulates the ideal form of business management of investee companies in order for investee companies to enhance corporate value and achieve sustainable growth, which is a driver of investment performance, and actively encourages investees through stewardship-related activities.

1. Proper Efforts on Social Responsibilities

NAM believes that in order to be recognized as a corporate citizen, it is indispensable for companies to continuously act in a proper manner, which constitutes the foundation of sustainability of business activities.

"Compliance" not only includes compliance with laws and regulations, but also aspects of corporate behavior such as commonly agreed practices and the observance of internal rules and regulations as a premise for companies to take appropriate action.

Moreover, we believe that a company's "proper" efforts in relation to social responsibilities that are included within the "ESG" framework, such as global environmental and social issues, will lead to the enhancement of long-term corporate value.

2. Value Creation through Capital Efficiency

NAM believes that in order for investee companies to enhance corporate value and achieve sustainable growth, it is necessary for investees to create value by utilizing capital with the efficiency that exceeds capital cost over the medium to long term. We also believe that such value creation is necessary for companies to contribute to society.

3. Adequate Performance of Corporate Governance Function

NAM believes the following requirements should be met for the corporate governance practices of a company to enhance capital efficiency, to achieve sustainable growth, and create corporate value:

- (1) The board consists of an adequate number of directors qualified for rendering proper business judgments and effective functioning.

- (2) The statutory auditors and the audit committee are qualified to audit the activities of the business and function effectively.
- (3) Where the board of directors has designated committees of the board to carry out specific functions, each committee shall consist of qualified members and operate with independence.
- (4) Executive compensation is well balanced and consistent with long term corporate value creation, and appropriate management incentives are in place.
- (5) Corporate governance systems are in place to ensure sufficient internal control in terms of compliance and internal auditing.
- (6) Comply with laws and regulations, and properly respond to the Corporate Governance Code.

4. Adequate information disclosure and a dialogue with investors

NAM believes that companies need to uphold their accountability through timely and proper public disclosure in order for us to precisely grasp the state of investee companies. NAM also believes that investee companies should actively hold dialogue with each investor to appropriately reflect investors' opinions to corporate management.

In particular, with respect to the violation of laws and regulations and criminal activities/fraudulent accounting practices, we will request sufficient disclosure and explanations on investigations of cause, clarification of where responsibility lies, and the formulation and dissemination of effective recurrence countermeasures.

Basic Principles of Engagement

NOMURA ASSET MANAGEMENT ("NAM" or "we" hereafter) considers that engagement (constructive "purposeful dialogue") with investee companies is an effective way to fulfill its stewardship responsibility, and we intend to do so proactively.

NAM believes that engagement should be held based on the deep understanding of investee companies and their business environment. In this way, we will strive to grasp companies' specific circumstances. We then support companies in the management of business to help them enhance corporate value and achieve sustainable growth through engagement. At the same time, we do not believe that asking for improvements in companies with management issues is the only method of engagement. We believe it is also very important to reassure well-managed companies of our support as investors.

Because NAM's operation underlies medium-to-long term investment based on thorough research and analysis of fundamentals, we believe that medium-to-long term fundamentals are key to engagement. However, we expect the contents of the dialogue with each investee company to vary depending on the business environment and the companies' specific business circumstances.

Based on the above principles, we set forth the basic stance on performing engagement as shown below, with an intent to fulfill our stewardship responsibilities by deepening mutual understanding through our day-to-day dialogue with investee companies:

- (1) Maintain an amicable and constructive stance when communicating with investee companies.
- (2) Deepen understanding not only on financial information, but also on non-financial information of the investee companies, which includes ESG issues, the background to certain strategies and management philosophy.
- (3) Exchange ideas and opinions with investee companies regarding capital efficiency.
- (4) Exchange ideas and opinions regarding the cause and recurrence countermeasures in the event of incidents that breach accepted standards and promote effective corporate management.

NAM will promote investee companies to create value and achieve sustainable growth through such activities.

There may be some cases where we receive material facts that have not been disclosed under the insider trading regulations or information that has a risk of being considered insider trading in the course of performing engagement. Such fact or information must, if received, be treated properly in accordance with laws and regulations, applicable rules and internal rules.

Global Proxy Voting Policy

1. Policy for Proxy Voting

NOMURA ASSET MANAGEMENT (“NAM” or “we” hereafter) has the fiduciary duty (a duty to manage our business activities in the best interest of our clients) to do our best to enhance returns for our clients as an investment manager. To fulfill our duties, we will continue to encourage investee companies to adopt appropriate management practices, in order to help them to enhance corporate value and achieve sustainable growth. Therefore, we shall exercise our proxy voting rights in a proper manner based on this Policy. We also encourage investee companies to operate their businesses in the best interests of their shareholders over the long term through our proper proxy voting activity.

2. Proxy Voting Guidelines

When exercising proxy voting rights, we will vote for resolutions that are deemed to enhance shareholder value, while voting against those that are deemed harmful to shareholder value. We do not exercise our proxy voting rights solely as a means to address specific social or political issues, irrespective of the investment returns of the company.

When making a judgment on the exercise of proxy voting rights, we regard any misconduct, violation of laws and regulations and rules of stock exchanges, or any act that is deemed questionable in view of efforts directed at ESG issues or social norms, as being harmful to shareholder value.

(Note) ESG refers to environment, social and corporate governance. We place emphasis on ESG issues, as they need to be considered in the context of corporate social responsibility and sustainability.

We closely examine voting resolutions that meet one or more of the conditions listed below. Where we believe that a specific resolution is not in the best interest of shareholders, we will, in principle, decide to vote against the resolution.

- (1) The company continuously reports sluggish business performance and its management’s business improvement efforts are considered inadequate. Sluggish business performance indicators that are considered when judging the exercise of proxy voting rights, include performance that leads to a significant decline in the investment returns of the company, such as recording a deficit for three consecutive years. Business performance is based on consolidated accounts. However, if consolidated accounts are not reported, business performance is based on non-consolidated accounts. (The same shall apply hereafter.)
- (2) The company accumulates a large amount of excess funds that are deemed not to be used effectively and/or are not distributed to shareholders adequately.

- (3) The company's disclosure is considered inadequate and harmful to shareholder value.
- (4) The auditor's opinion on the issuer is qualified.
- (5) The composition and/or size of the company's board of directors, or the composition and/or size of its board of statutory auditors, audit committee or any other committee is deemed to be inadequate and may harm shareholder value.
- (6) Extraordinary resolutions that are deemed highly likely to harm shareholder value.

3. Positions on Specific Issues

(1) Election of Directors

The board of directors is expected to consist of persons who are qualified for the position with sufficient skills and experience and the capability to supervise the execution of the business on behalf of shareholders.

If the company is found to have engaged in any activity that is materially harmful to shareholder value, or if the company's business performance remains sluggish over a long period and little remedial effort is apparent, or if any similar issue is found with regard to the company, we will in principle vote against the election of directors who are deemed to be responsible for such issues/activities.

In principle, we vote for the election of outside directors. However, we pay special attention to the directors' qualifications, such as their independence. We determine the independence of the outside directors from a comprehensive perspective on whether they are representatives of major shareholders, have received a large amount of income other than executive remuneration from the company in question, and are related to other executive members.

The number of directors should be adequate and appropriate considering the nature of the company's business and its scale.

(2) Election of Auditors

Auditors are expected to be qualified to audit the business on behalf of shareholders, and are also expected to function adequately for that purpose.

Where the company is found to have engaged in any activity that is materially harmful to shareholder value or if any similar issue is found with regard to the company in question, and an auditor is found responsible for any part thereof, or is deemed to have failed to fully perform his/her duties, we will vote against the reelection of the auditor.

It is desirable that outside auditors are independent of management. It is not desirable to have a board of statutory auditors and an audit committee composed of outside auditors, all of whom lack independence. We determine the independence of the outside auditors from a comprehensive perspective on whether they are representatives of major shareholders, have

received a large amount of income other than executive remuneration from the company in question, and are related to other executive members.

Where a reduction in the number of auditors is proposed, there should be proper justification for such a reduction.

(3) Election of Accounting Auditors

In principle, we will vote for the election of accounting auditors except where it is found that:

- The accounting auditor has an interest in the company and lacks independence.
- Excessive non-audit remuneration has been paid to the accounting auditor by the company.
- The accounting auditor has expressed inaccurate opinions on the company's financial conditions.

(4) Executive Remuneration

It is desirable that executive remuneration plans are reasonable and are aligned with the long-term performance of the company.

We vote against remuneration plans, if the company is found to have engaged in any activity that is materially harmful to shareholder value, or the amount of remuneration is inconsistent with or inequitable compared to the company's overall financial condition, or plans are deemed to substantially harm shareholder value.

(5) Executive Bonus

We will vote against resolutions on executive bonuses when the company is found to have engaged in any activity that is materially harmful to shareholder value, or when there is a significant decline in business performance or share price, or when the bonus payment amount is found to be unreasonably large in relation to past achievements and the current financial conditions of the company, or as compared with other competitors.

(6) Retirement Bonus for Directors and Auditors

We will vote against resolutions on retirement bonuses for retiring executives when the company is found to have engaged in any activity that is materially harmful to shareholder value, or when there is a significant decline in business performance or share price, or when the amount of the retirement bonus payment is found to be unreasonably large considering past achievements and the current financial conditions of the company, or as compared with other competitors.

(7) Stock Remuneration

We will vote against resolutions on offering company stocks as remuneration when the company is found to have engaged in any activity that is materially harmful to shareholder value, or there is a significant decline in business performance or share price, or the value of stock remuneration is found to be unreasonably high in view of past achievements and the current financial conditions of the company, or as compared with other competitors.

In principle, we vote for stock remuneration plans when the terms and conditions of the plan, such as eligibility and scale, are properly set forth for the purpose of incentivizing executives and employees. However, we vote against such plans when the terms and conditions of the plan, including eligibility and scale, are deemed to be improper. We will require sufficient explanation on stocks offered to outside parties in light of whether it leads to the enhancement of shareholder value.

We will determine whether to vote for or against resolutions on the granting of stock options as remuneration by applying mutatis mutandis the rules on stock remuneration mentioned above.

(8) Allocation of Dividends and Profits

In deciding on distributions to its shareholders, the company should ensure that such distributions are consistent with its long-term investment plan and capital policies. In principle, it is desirable that excess funds are distributed to shareholders.

While considering whether the company's allocation of dividends and profits is consistent with its long-term investment plan and capital policies, we shall vote against allocation policies that are deemed to be significantly inadequate and harmful to shareholder value.

(9) Acquisition of the Company's Own Stock

While we view the acquisition of the company's own stock positively as a means to enhance shareholder value, we would oppose such a resolution when it is deemed to be inappropriate for the sake of the company's capital structure.

(10) Change in Number of Authorized Shares

When said purposes are inappropriate, NAM will in principle vote against a company's proposed increase in the number of authorized shares.

(11) Issuance of Preferred and Other Classes of Shares

We will in principle vote for resolutions if the purpose is deemed to be clear and appropriate, and the issuance of such shares is deemed not to harm the interests of general shareholders in consideration of appropriate application requirements, the fairness of voting rights, beneficiaries and other relevant matters. Otherwise, we would oppose the resolution in

principle.

- (12) Corporate Restructuring and Capital Policy (Mergers, Acquisitions, Sale/Transfer of Business, Corporate Separation, Capital Increase, etc.)

We will vote for proposed corporate restructuring and capital policies, if they are deemed appropriate after considering the contents of the respective resolutions, financial conditions (including premiums), effects on shareholder value, basis and rationality of management judgment, fair disclosure, etc., from an overall perspective. Otherwise, we would oppose the resolutions. When general shareholders receive a consideration, whether in the form of shares, money or otherwise, in relation to corporate restructuring or capital policy, we would emphasize the appropriateness of the consideration when forming a judgment on whether to vote for or against the resolutions.

- (13) Anti-Takeover Measures

We individually analyze anti-takeover measures. We would oppose such resolutions unless shareholder value is protected.

- (14) Amendment of Articles

We will determine whether to vote for or against resolutions on amendments to the articles of incorporation on a case by case basis from the perspective of the long-term enhancement of shareholder value or the protection of shareholder value from impairment. We will vote for (against) such resolutions if we find them appropriate (inappropriate) from these perspectives.

- (15) Shareholder Resolution

We will determine whether to vote for or against shareholder resolutions on a case by case basis from the perspective of long-term enhancement of shareholder value or the protection of shareholder value from impairment. We will vote for (against) such resolutions if we find them appropriate (inappropriate) from these perspectives.

- (16) Other

NAM will determine whether to vote for or against resolutions on any other issues on a case by case basis from the perspective of the long-term enhancement of shareholder value or the protection of shareholder value from impairment. We will vote for (against) such resolutions if we find them appropriate (inappropriate) from these perspectives.

4. Conflict-of-Interest Management Policy

We conduct business in good faith and consider the fair treatment of our clients, and we appropriately manage conflicts of interest based on our “Conflict-of-Interest Management Policy.”

To manage the risk of a conflict of interest arising, we conduct our business in an appropriate manner by giving first priority to the clients’ interests.

With regard to proxy voting, the Responsible Investment Committee which consists of members who are independent of the investment division, is in charge of policy-makings and final proxy voting decisions. In cases where we exercise proxy voting rights for securities issued by Group Companies and subsidiaries or affiliates of Nomura Holdings Inc., and/or concerning the Group Companies’ interests, after making such facts clear, we refer to opinions from multiple proxy advisors and make decisions at the Responsible Investment Committee to protect the clients’ interests. The Responsible Investment Council validates whether such decisions are adequate and if necessary may make a recommendation to the Responsible Investment Committee. When receiving the recommendation, the Responsible Investment Committee reviews the related proxy voting decision again and makes the final decision.

5. Other

NAM may be unable to vote or may decide to abstain from voting in certain circumstances. The following list, although not exhaustive, highlights some potential instances in which a proxy may not be voted:

(1) Securities Lending

When securities are offered for loan as of the record date of exercising a proxy vote, they need to be collected before exercising the vote. We may not exercise a proxy vote after considering the practical implications of such an exercise and the cost incurred for collecting such securities.

(2) Share Blocking

Some countries and regions require shareholders to deposit their shares with a designated depository during a specific period shortly before a shareholders’ meeting as a condition for exercising a proxy vote. Shares cannot be sold during this blocking period. In such a case, we may not exercise the proxy vote due to practical considerations and the potential for opportunity loss.

(3) Re-registration

In some countries and regions, re-registration of shares is required to exercise a proxy vote. We may choose not to exercise a proxy vote in consideration of the fact that the shares cannot be sold during the re-registration period.

(4) Other

For example, when we are unable to obtain adequate information, e.g. if the period between receipt of the resolutions and the exercise of voting is insufficient. Also, if the cost of voting the proxy outweighs the possible benefit to the client, we may also choose not to exercise the proxy vote.