

The UK Stewardship Code

In July 2010, the Financial Reporting Council (FRC) published its UK Stewardship Code (the “Code”) for institutional investors.

The FRC is the UK’s independent regulator responsible for promoting high quality corporate governance and reporting to foster investment. It sets standards for corporate reporting, actuarial practice, accounting and auditing.

The Code is designed to promote better dialogue between shareholders of UK listed stocks and company boards, and more transparency about the way in which investors oversee the companies they own. It sets out good practice on engagement with investee companies to which institutional investors should aspire.

Nomura Asset Management UK Limited (“NAM UK”) is authorised and regulated by the Financial Services Authority in the UK and is a wholly owned subsidiary of Nomura Asset Management Co. Ltd based in Tokyo (“NAM Tokyo”). NAM UK is responsible for managing global assets (specialising in Asia Pacific equities) for European and Middle Eastern institutional investors and also manages some UK listed equities on behalf of global investors (mainly Japanese retail investors) as part of NAM Tokyo’s mutual equity funds offering.

NAM UK, in conjunction with NAM Tokyo (together, “NAM”), supports the Code’s principles as best practice and the details shown below are a general overview of the processes and policies currently in place.

The UK Stewardship Code Principles

Institutional investors should:

(1) Publicly disclose their policy on how they will discharge their stewardship responsibilities

NAM believes that proxy voting is the principal fundamental measure for communication with corporate management. Therefore, we have set out clear voting policies and standards by which we discharge our stewardship responsibilities. NAM’s Global Proxy Voting Policy is available at:

<http://www.nomura.com/resources/nam-europe/pdfs/nam-proxy-voting-policy.pdf>

(2) Have a robust policy on managing conflicts of interest in relation to stewardship and this should be publicly disclosed

NAM acknowledges that conflicts of interest may arise in the context of stewardship responsibilities. Therefore, we have established a robust policy for managing conflicts of interest with regard to proxy voting, which we consider to be our primary channel through which we discharge our stewardship responsibilities. Please refer to NAM’s Global Proxy Voting Policy mentioned above.

When such a conflict of interest arises, NAM shall direct its vote based on the recommendations of third-party proxy voting service vendors in order to remain impartial in the exercising of such proxy voting rights,

(3) Monitor their investee companies

NAM’s portfolio managers, research analysts and corporate governance specialists maintain regular dialogue with the companies into which they invest on behalf of clients. These communications allow us to evaluate key factors determining our investment decisions, such as the development of companies’ business operations, capital structures and financial standings, and strategic plans; as well as to monitor essential elements concerning a company’s sustainability, such as corporate governance and corporate social responsibility activities. We believe this continuous dialogue with companies will encourage them to give due consideration to their corporate responsibilities.

(4) Establish clear guidelines on when and how to escalate their activities as a method of protecting and enhancing shareholder value

NAM's policy is to maintain active dialogue with companies at all times, and this also applies if there are shortcomings in performance, or a company has failed to apply appropriate standards, or to provide adequate disclosure. We will continue our dialogue with the company over an extended period if necessary. Escalation of our approach will depend upon the company's individual situation, and the country and jurisdiction to which it belongs. Escalated action might include communication through the board of directors or through channels other than our usual contacts.

(5) Be willing to act collectively with other investors where appropriate

Where and when appropriate, NAM may consider and partake in joint action with other institutional investors and companies. This may involve participation in joint associations and conferences and in so doing, NAM is representing the investment society to discuss management issues with the aim of sustaining corporate values and to propose concrete solutions.

(6) Have a clear policy on voting and disclosure of voting activity

NAM makes proxy voting judgments based on our Global Proxy Voting Policy which applies to all offices. Portfolio managers and specialists act on behalf of their clients in a manner consistent with the corporate governance principles, proxy voting policy and standards stated above, using proxy voting service vendors to assist in assessing the corporate governance of investee companies.

(7) Report periodically on their stewardship and voting activities

We prepare detailed periodical documents and ad hoc reports that are available to our institutional clients such as pension funds and pension consultants.

Nomura Asset Management UK Limited

Nomura House
1 St Martin's-le-Grand
London
United Kingdom
EC1A 4NT

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