

The UK Stewardship Code

The Financial Reporting Council (FRC) is the UK's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment; as well as setting standards for corporate reporting, actuarial practice, accounting and auditing. In July 2010 it published its UK Stewardship Code (the "Code") with further revisions made in 2012.

The Code is directed in the first instance to institutional investors, by which is meant asset owners and asset managers with equity holdings in UK listed companies. It 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. All UK-authorized Asset Managers are required under the Financial Conduct Authority (FCA)'s Conduct of Business Rules to produce a statement of commitment to the Code or explain why it is not appropriate to their business model.

About Nomura Asset Management

The Nomura group of companies was founded in 1873. By the early 1920s it had grown to be a dominant force in Japanese financial services. Building on this success, the group expanded globally in the 1950s.

The group's investment management activities are represented by Nomura Asset Management ("NAM"), Japan's largest independent investment manager. Headquartered in Tokyo, NAM has dedicated investment management operations globally, including the UK through its subsidiary company Nomura Asset Management U.K. Limited ("NAM UK").

NAM UK is authorised and regulated by the FCA and is contracted to manage predominantly equity and global fixed income strategies for European and Middle Eastern institutional investors. We manage some UK listed equities as part of global equity mandates, these mainly being for Japanese retail and non EMEA-based institutional clients.

We believe in the regional management of investment portfolios through dedicated centres of expertise supported by local client servicing. We therefore implement cross border delegation arrangements whereby the locally contracted NAM office delegates portfolio management to the respective regional NAM group entity where the relevant investment expertise is based.

NAM UK supports the UK Stewardship Code's principles as best practice and those of similar codes in other jurisdictions. Whilst the Code is focused on the UK where we and our clients have limited exposure to UK listed companies, we believe the principles are relevant in a broader context for non-UK securities. Our parent company in Tokyo is a signatory to The Principles for Responsible Institutional Investors (Japan's Stewardship Code).

Unless otherwise stated, the details contained in this statement relate to mandates managed by NAM UK from our London office. There may be regional differences between the processes undertaken by NAM UK and other entities within the NAM group.

Our Investment and Stewardship Process

NAM UK is a responsible investor and committed to investing responsibly on behalf of its clients. Responsible investing entails broad appreciation and concern for the wide range of stakeholders in each investment, including clients, the environment, the broader community and employees; although our primary concern will always be to meet the objectives of our clients.

Over time we expect that through investing responsibly we can achieve superior returns for our clients and the broader stakeholder community. To achieve such broad benefit it is crucial that our investee companies

manage their business operations with due consideration for their stakeholders' - including shareholders' - interests. Our equity investment process involves gaining sufficient information about the companies in which we may invest, identifying and analysing issues with their performance or outlook, eg governance or environmental issues, and then engaging with the company to encourage improvement. Effective corporate governance is key to a company's ability to meet stakeholder objectives so we have established a basic framework of corporate governance principles which helps us assess the likely effectiveness of a company's corporate governance and hence its ability to meet the broader objectives.

Each company that is analysed is awarded an Environmental, Social & Governance (ESG) rating, which is one of the factors considered in our regular stock selection committee meetings when portfolio managers and analysts discuss the research and decide whether or not to include the stock on our 'OK to buy list.'

How we monitor our investee companies

NAM UK's portfolio managers and research analysts maintain regular dialogue with the companies into which they invest, including face to face meetings. These communications allow evaluation to be made of key factors determining investment decisions, such as the development of companies' business operations, capital structures, financial standings and strategic plans; as well as to monitor essential elements concerning 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.

As part of this ongoing dialogue, situations may arise - albeit rarely - where company information is disclosed that is of a price sensitive nature and could put NAM UK in the position of being an insider. Such instances are dealt with in accordance with our documented policies and procedures, and where necessary the appropriate steps are taken to restrict dealing in the affected stock to prevent insider trading,

In performing investment management services for its clients, NAM UK may from time to time face situations in which a conflict of interest arises, typically between:

- i) The interest of one or more clients and those of NAM UK or any associated employee or member of the wider Nomura Group
- ii) One client or stakeholder and another

NAM UK has reviewed its business and position within the Nomura Group in order to identify where conflicts of interest entailing a material risk of damage might exist. As a result of this review, NAM UK has created a record of such conflicts (the 'Conflict Matrix') and has analysed the way in which conflicts are managed and controlled. As part of our Conflicts of Interest policy, the matrix is reviewed on at least an annual basis to ensure the controls in place are appropriate and that any new issues have been identified and are being managed effectively. The results of the annual review are presented to the NAM UK Board.

Examples of conflicts that could arise during the management of our clients' monies could include:

- use of non-public information (eg. about an investee company) to deal on behalf of NAM UK, its clients or staff, or to procure others to do so
- dealing by NAM UK's personnel ahead of clients' investments or in conflict with a client's investments
- use of brokerage affiliates to execute client trades, neglecting best execution obligations
- purchase of IPOs or placings from brokerage affiliates
- 'acting in concert' with the corporate finance entities of the wider Nomura Group

In all of the above examples, NAM UK has sufficient, robust processes and controls in place to mitigate the risk of these instances occurring.

In terms of investee company stewardship, the diagram below shows how stakeholder objectives are prioritised in an effort to identify any potential conflicts, with the overriding principle being that our clients' interests should always be put before our own.

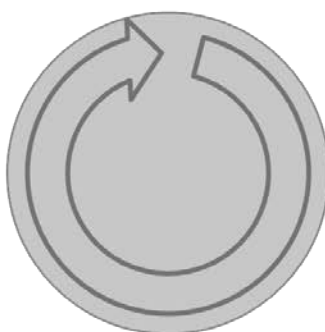
“Investing with a clear conscience”

1. Understand the objectives of all the stakeholders in an investment. For example:

- Our clients (the ultimate owner of the investment).
- Ourselves.
- The investment company we work for.
- The broader community.
- The environment.
- Others.

4. Work to rectify poorly met stakeholder objectives. For example:

- Speak to the investee company specifically on ESG matters.
- Communicate our concerns on corporate governance, environmental impact etc to the company.
- Notify our client of any influence on their objectives stemming from the objectives of other stakeholders.



2. Prioritise the stakeholder objectives. For example:

- Our client objectives are more important than our own.
- Our client objectives are more important than those of the investment company we work for.

3. Achieve balance between the stakeholder objectives, given the priorities and our analysis of the investment idea. For example:

- Between two otherwise identical investments we prefer the lower environmental damage company.
- We generally prefer higher investment returns to higher investee company employee remuneration

Our engagement with investee companies

All of our investment professionals will engage with companies. The lead is generally taken by the relevant analyst, but portfolio managers also play an active role. As pertains the specific issues associated with responsible investing our process is to discuss environmental, social and governance aspects of an investment or potential investment and in doing so, identify any concerns and to rate the company. It is then generally the analyst’s responsibility to contact the company to highlight our specific issues and solicit a response. When the response is received the analyst will summarise if necessary and feed back to the rest of the team, for further discussion.

NAM UK’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. **Our quarterly Responsible Investing report provides examples of where we have escalated concerns with some of our investee companies – see the ‘Reporting our stewardship and voting activities’ section below.**

Engagement may be in a variety of forms, although it is most likely to start with an initial telephone discussion with the company’s investor relations team, with escalated action if necessary. Escalation of our approach may depend upon the company’s individual situation, including the country and jurisdiction to which it belongs, and might include communication through the board of directors or through channels other than our usual investor relations contacts.

Where appropriate, we may consider and partake in joint action with other institutional investors, for example class actions against companies that have behaved to the detriment of shareholders. We hope that through our engagement and encouragement these companies will improve internal practices to the benefit of our clients and other stakeholders.

Proxy Voting

Proxy voting is an important part of the discharge of stewardship responsibilities. We have proxy voting policies lodged with a third party service provider (Institutional Shareholder Services - ISS), which helps us efficiently cast votes in an appropriate way, but for key issues we will more closely assess the vote decision.

NAM's Global Proxy Voting Policy sets out different scenarios upon which we might be required to cast a proxy vote on behalf of our clients, and the circumstances in which we would vote for and against company management. Generally we will vote 'for' agenda items that are deemed to enhance shareholder value, and 'against' those that are deemed to harm them. Examples include election of Directors and Auditors, executive compensation including bonuses and retirement provision, distribution of profits to shareholders, and other corporate actions.

Generally we will vote on all issues and all shares but may abstain in situations including where the shares are out on loan (mainly in passive portfolios such as Exchange Traded Funds) and we do not wish to recall them, or the shares need to be re-registered in order to cast the vote (meaning it would not be possible to sell them during that same period); if we are unable to obtain adequate information; the period from the receipt of agenda items to the exercise of voting is not sufficient or the cost of voting the proxy outweighs the possible benefit to the client.

Reporting our stewardship and voting activities

We consider external reporting a key part of our stewardship responsibility. Our latest quarterly Responsible Investing Report is published on our website and includes details of our engagement with investee companies as well as proxy voting data:

<http://www.nomura.com/nam-europe/resources/upload/responsible-investing-report-q12018.pdf>

We also provide regular reports to our clients, tailored to their specific requirements.

Further details of our Responsible Investing process can be found here:

<http://www.nomura.com/nam-europe/resources/upload/NAMUK-Responsible-Investing-Process-Flow.pdf>

Andrew Whitaker, Head of Client Relations
Nomura Asset Management UK Limited
1 Angel Lane
London
EC4R 3AB

April 2018