



**NOMURA**

# Nomura Corporate Research and Asset Management Inc. (NCRAM)

## Summary of Engagement Practices

MARCH 2021

STRICTLY PRIVATE AND CONFIDENTIAL

**Copyright © 2021 Nomura**

This document is the sole property of Nomura. No part of this document may be reproduced in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the prior written permission of Nomura.

## NCRAM Engagement Policy

NCRAM believes that engagement helps us understand how companies are committed to incorporating ESG issues into their ownership and management, and their plans to address those ESG risks that may have a material financial impact in the future. Engagement also allows NCRAM to encourage companies to disclose ESG risks and create plans to address them. We believe that companies should sustainably manage relationships with their various stakeholders, including shareholders, lenders, employees, customers and consumers, as well as their impact on the environment. Companies should place appropriate emphasis on long-term business sustainability, with due consideration for the wider communities within which they operate.

Our basic approach to engagement activities is as follows:

- We encourage companies in which we invest to engage in proactive dialogue with their investors.
- We encourage companies to increase their disclosure of ESG related activities and risks, such as carbon footprint, employee and board diversity, and policies surrounding social and community initiatives.
- Through disclosure and dialogue, we seek to understand ESG issues and solutions for the companies in which we invest.
- We share our views concerning ESG issues with the companies in which we invest, and we encourage companies that are considered to have problems with ESG issues to improve their approach.

NCRAM analysts engage with companies on ESG issues in various settings, including new issue meetings, regular company calls, and group meetings. Analysts incorporate their ESG engagement activities in their regular investment updates and recommendations for portfolio managers. Beginning in 2021, analysts will be required to undertake a more comprehensive ESG analysis and engagement on a semi-annual basis that will focus on companies that we believe have more material ESG risks. This engagement will focus on specific ESG risks and the company's initiatives, timeline/targets for addressing those risks, and an assessment as to whether those targets are achievable. This engagement will be reported separately from routine investment meetings and updates.

As bondholders, we have limited ability to alter the governance structure of a company, such as nominating board directors or voting on management compensation. However, we can encourage companies to take our engagement seriously by reevaluating our investment decisions and our participation in new issues if we feel that a company is not doing enough to address the ESG risks that may impact their financial outlook.

*NCRAM uses certain processes when determining the ESG strengths and weaknesses of issuers. Different ESG processes may achieve different results. NCRAM's overall ESG determinations with regard to issuers may change over time. NCRAM's ESG determinations may not conform to a client's ESG determinations. NCRAM has no firm-wide exclusion list and may purchase or hold securities from issuers which may be considered to have low ESG ratings and/or substantial ESG risk (unless limitations are stipulated in client guidelines). Low ESG determinations do not automatically result in an exclusion or sell decision (unless exclusions are stipulated in client guidelines).*

*This material is being provided for informational purposes only, and is subject to change without notice. Nothing herein is intended to constitute investment advice, a recommendation or an offer or solicitation to purchase or sell any securities, funds or strategies to any person in any jurisdiction in which an offer, solicitation, purchase or sale would be unlawful under the securities laws of such jurisdiction. Any examples used in this material are generic, hypothetical and for illustration purposes only. The views and strategies described may not be suitable for all investors. Investing involves risk.*