

NOMURA

What is *your* total impact?

Nomura Asset Management Sdn Bhd

Nomura Global Shariah Sustainable Equity Fund
Impact Report 2023

The data provided in this report covers the period January until December 2023. In certain cases where companies had yet to report 2023 data, we have used data from the prior year. The content and data in this report were correct as at June 2024 and have not been updated since.

For your reference, the following definitions will be used throughout this document:

"NAM Group" "NAM" "Our" "We"	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 Tokyo"	This refers to Nomura Asset Management Co., Ltd., the Head Office of the NAM Group based in Tokyo, Japan.
"NAM UK"	This refers to Nomura Asset Management U.K. Limited, the UK based subsidiary of NAM Tokyo.
"NAMM"	This refers to Nomura Asset Management Malaysia Sdn Bhd, the Malaysia based subsidiary of NAM Tokyo.

Introducing the Global Shariah Sustainable Equity Fund

The Nomura Global Shariah Sustainable Equity (GSSE) Fund is a global equity strategy that seeks to deliver strong risk-adjusted returns through investing in shariah-compliant equities that the team believes to have high overall positive impact on all stakeholders (meaning the environment, society, customers, suppliers, employees and investors). In keeping with the team's investment philosophy, the strategy has a strong bias towards quality companies and seeks to avoid investing in companies the team believes may cause significant harm to any environmental or social objective of the strategy. The strategy capitalises on Nomura's successful core global equity investment platform and its track record of considering double materiality*.

*Considering investee companies' influence on environment and society in addition to financial impact of environmental and/or social factors on investee companies.

The team focuses on individual stock selection with an emphasis on the timely purchase of a select number of high quality businesses trading below their intrinsic values. It implements a unique, collegiate stock selection process combined with proprietary 'Total Stakeholder Impact' framework and UN Sustainable Development Goals (UN SDGs) analysis.

Introducing the Team

Portfolio management of the strategy is led by Leslie Yap, who is based in Kuala Lumpur. The portfolio manager is supported by a team of investment professionals based in Malaysia and UK. The fund has appointed Nomura Asset Management U.K. Limited as the investment adviser.



Leslie Yap, CFA

Lead Portfolio Manager of the Nomura Global Shariah Sustainable Equity Fund

Leslie Yap has been the Managing Director and Country Head for Nomura Asset Management Malaysia since November 2021. He has been serving as the Head of Investments (Malaysia) since April 2015. Leslie joined NAM Malaysia in December 2007, overseeing the global equities team in Malaysia and responsible for the investment management of global developed markets equities (ethical and Shariah-compliant listed equities). Leslie is a CFA Charterholder and holds a Bachelor of Engineering in Manufacturing and Operations Management from the University of Nottingham in United Kingdom.



Tien Zhuen Lee

Portfolio Manager, Nomura Asset Management Malaysia

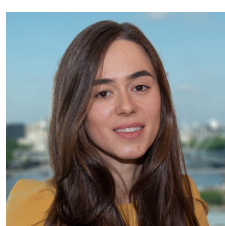
Tien Zhuen Lee joined Nomura Asset Management Malaysia as an investment executive in November 2020. Tien Zhuen focuses on Consumers, Industrials and Japan market. Prior to joining the company, he gained investment research experience with the incorporation of ESG factors through internships at Riverwater Partners LLC in the United States. Tien Zhuen graduated with a Bachelor's degree in Finance, Investment, and Banking at University of Wisconsin – Madison and is a CFA level III candidate.



Alex Rowe, CFA

Lead Portfolio Manager

Alex has been with Nomura Asset Management U.K.Ltd., and has been a professional equity investor for over 12 years. He holds a Masters of Chemistry (University of Oxford, First Class), and is a CFA Charterholder. Alex is an alumni of the Oxford University Said Business School Impact Investing executive program. Alex has specialized in sustainable investing since 2016.



Daniela Dorelova

Sustainable Investment Specialist

Daniela joined Nomura Asset Management U.K. Ltd. in 2017 as part of the Risk and Performance team, and in January 2021 transferred to the Equity team as the Sustainable Investment Specialist and Global Utilities analyst. Daniela holds a Bachelor's degree in Financial Economics (Richmond the American International University in London) and is a CFA Level III candidate.

Introduction

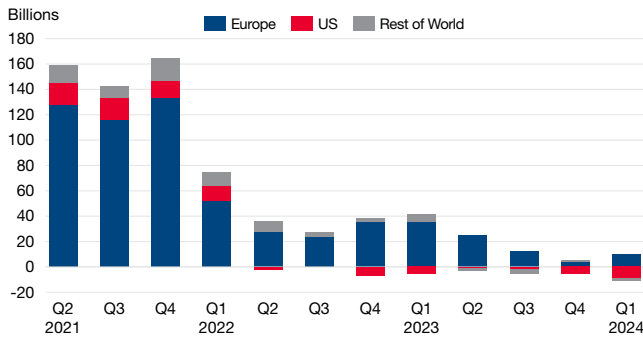
The purpose of this report is to provide transparency and in-depth detail on the Nomura Asset Management Malaysia Sdn Bhd (NAMM) Global Shariah Sustainable Equity team's approach to assessing the positive impacts that individual holdings are having and the impact the team are striving to have through engagement. The report is produced on a best efforts basis noting that "impact" reporting within the large public company space remains in a relatively early stage. Whilst the team recognises the limitations of measuring and disclosing impact due to limited standardisation of data and the lack of granular level of data for certain companies, it is our strong belief that disclosing what we believe as impact is important to shift the mind-set of investors towards impact.

Any references to 'we/us/our/ours' etc within this document refer to only the Nomura Asset Management GSSE Strategy.

Foreword

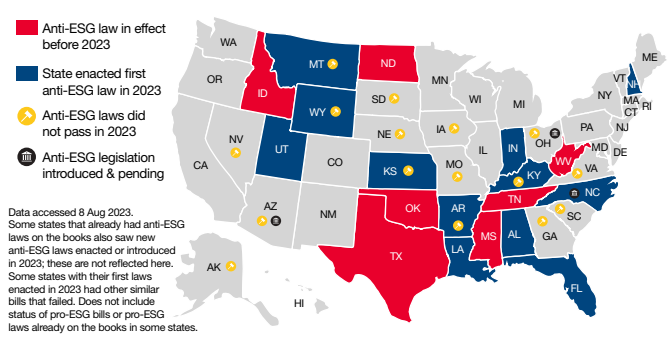
2023 was another very tough year for sustainable and impact orientated funds as despite the outperformance of growth – to which the majority of funds are overweight – the narrowness of the market rally being concentrated across Mega Cap Tech was a large headwind and a number of impact areas, most notably renewables, performed exceptionally poorly. The year also saw further growth in the disappointing ‘anti-ESG’ backlash movement, especially in the United States in which more states have either passed or tabled anti-ESG laws. As a result, flows into the global sustainable space have continued to decline and even turned negative in the USA.

Quarterly Global Sustainable Fund Flows (USD Billion)



Source: Morningstar Direct Data as of March 2024

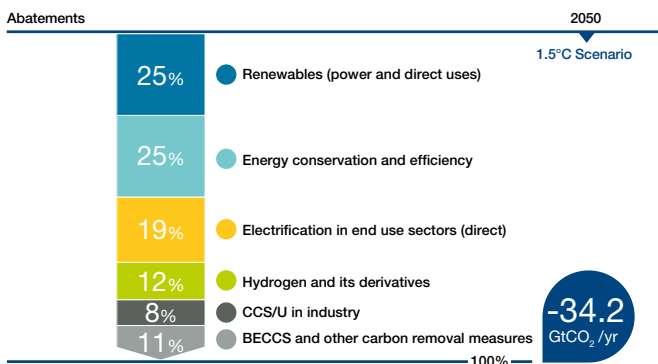
Anti-ESG Legislation in US States in 2023



Source: S&P Global, Ropes & Gray LLP, LegiScan

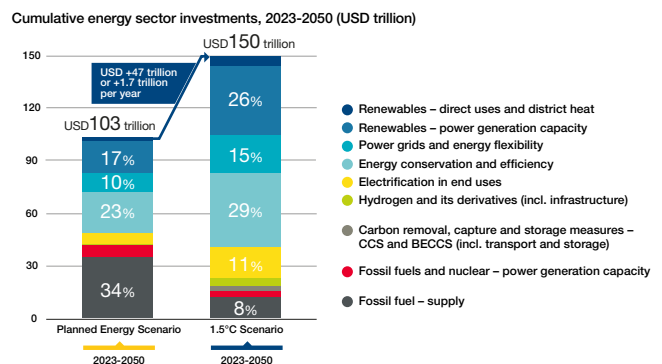
A more in-depth focus on impact can however support a mitigation of both of these headwinds for sustainable funds. With regard to crowding within sustainable investing and the growth bias, we have written extensively about the fact that sustainable does not have to mean growth and in our view many mature businesses with more stable earnings and cash flow profiles remain highly underappreciated with respect to their real world impact. One area that we would highlight which caused significant pain for sustainable funds in 2023 was climate change mitigation and the huge headwind faced in the most obvious investment field for supporting progression towards this goal – renewables. Efficiency and electrification are equally important areas for investment in supporting a climate transition. Indeed we would highlight that renewables only account for in the region of 26% of the total investment required globally to meet commitments to keep global warming to below 1.5°C (IRENA) whilst efficiency, electrification and the development of power grids account for 55% of the required investment. Our framework seeks to understand the challenges faced and the avenues to invest that align with tackling climate change, in addition to the core impact of potential investee companies. This has supported the avoidance of areas of overcrowding or needing to make compromises when investing for impact.

Carbon Dioxide Emissions Abatement under the 1.5°C Scenario in 2050



Notes: BECCS = bioenergy with carbon capture and storage; CCS/U = carbon capture and storage/utilisation; GtCO₂/yr = gigatonne of carbon dioxide per year
Source: IRENA World Energy Transition Outlook 2023 and Roadmap to 2050

Global investment by technological avenue: Planned Energy Scenario and 1.5°C Scenario, 2023-2050



Notes: BECCS = bioenergy, carbon capture and storage; CCS = carbon capture and storage
Source: IRENA World Energy Transition Outlook 2023 and Roadmap to 2050

Foreword

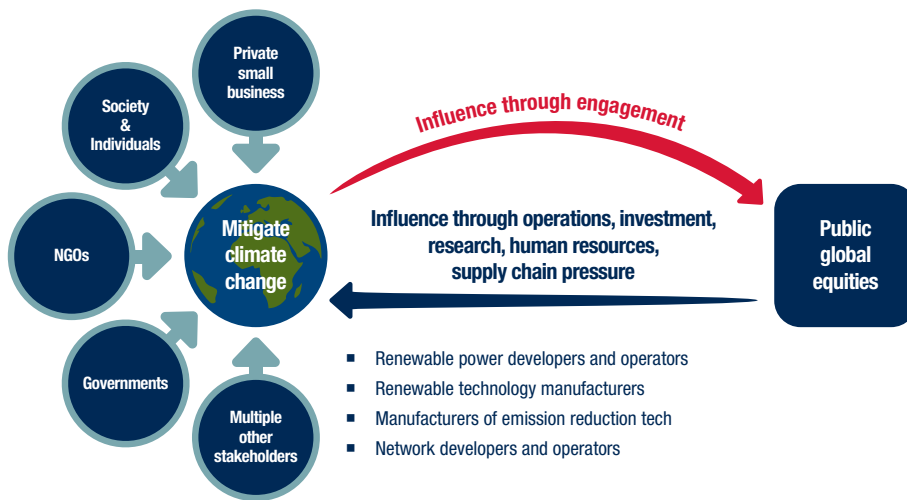
With regard to ESG backlash, it is our view that this has been driven to a great extent by a misinterpretation of what sustainable investors are seeking to deliver for their clients and the asset management industry has not delivered a clear enough message. Our number one priority is to deliver performance for our clients and our impact reporting seeks to better articulate what we are trying to support and where we perceive positive or negative impacts on society to exist, and endeavour to be highly transparent to clients and prospects so that there can be no misunderstanding or misinterpretation.

As always the team remain committed to being open to having our views challenged and reassessing our positions when new evidence is presented. Over the year in light of new research and evidence on ultra-processed foods (UPFs) we changed our view on impact of one Consumer Staples holdings, which were fully divested in January 2024.

Another key area of focus within the sustainable investment space through 2023 has been engagement. More and more investors in sustainable products and regulators are rightly asking the question 'what has your engagement activity actually achieved?'. Seeking to influence companies through engagement and active ownership does indeed take considerable time and the industry has benefitted from somewhat of a grace period to show it has supported more positive outcomes and genuinely driven change through the huge resources that have been piled into engagement. It is our view that too great a focus on what has been done rather than what has been achieved has now left the industry in a difficult position with regard to evidencing that this effort has driven change. We certainly do not claim to yet have the perfect solution for this complexity but we endeavour to have impact through our engagement activity and focus activity where we can drive change with an impact mind-set. We continue to report our activity by number of engagements though we have provided greater transparency this year with regard to the stage of engagements we are carrying out on behalf of our clients. At the same time, we seek to provide greater transparency through a number of case studies wherein we deem that our activity has played a meaningful role in driving change.

Our Impact Investing Philosophy

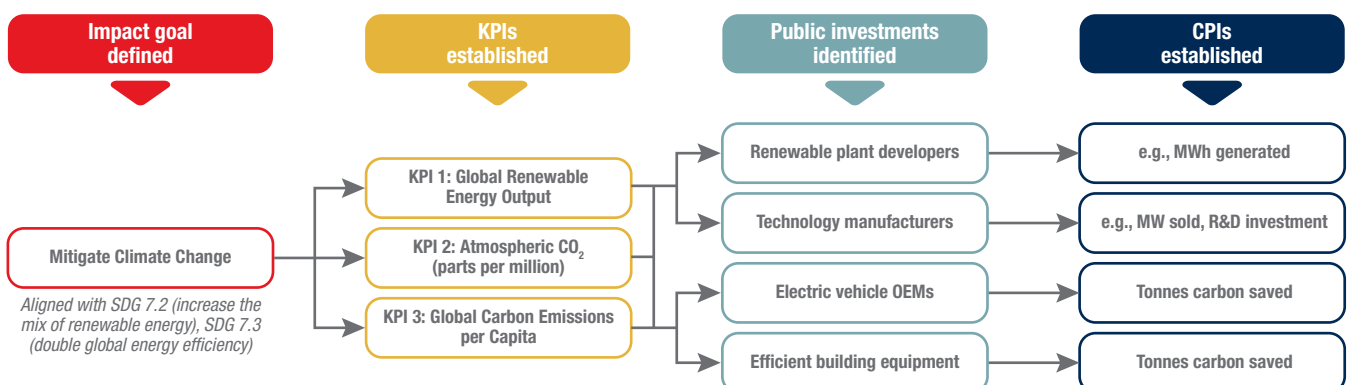
NAMM's Global Shariah Sustainable Equity team is committed to reporting credible impact data to support our clients' understanding of the impact that their capital is having on the world alongside the competitive financial returns. Whilst public equity funds are not traditionally considered vehicles for having impact, listed companies have a unique role to play, alongside multiple other stakeholders, in solving many of the problems society faces. Indeed, for certain UN SDGs-related targets public companies are very well positioned with the resources, scale and investment firepower, to bridge the huge funding gaps required to meet the goals. Institutional investors are furthermore uniquely positioned to enhance the impact of public companies through targeted engagement.



Our Approach

Impact cannot be claimed without having first established clear environmental and social goals that have a definable objective. The 'impact' must be measurable in order to assess progress towards the goals and if required, adapt the approach. At the public company level, it is possible to report 'inputs' (such as R&D investment) or 'outputs' (number of patients receiving HIV treatment) but it is far more difficult to assess true 'impact' (ie what was the explicit change to, for example, quality of life or reduction in mortality). Our approach is:





1. Set **'Impact Goals'** and establish **Key Performance Indicators (KPIs)** for each goal
2. Identify **investee companies** that support these goals and set **Company Performance Indicators (CPIs)**
3. **Track both KPIs and CPIs** and **Engage with Companies** to enhance individual impact
4. Report impact data and engagement activity



Defining Our Goals

The environmental and social goals of NAMM's Global Shariah Sustainable Equity team are focused on the most pressing issues facing our world today. Our "Impact Goals" are closely aligned with the UN SDGs and Nomura Asset Management group's ESG Statement. We have taken into consideration where we believe listed equities can have a material impact and in which our engagement can support and enhance impact.

Setting Definable Impact Goals in line with NAM's ESG statement and the UN SDGs

ESG Statement	Environment		Society	
	Climate Change	Natural Capital	Access to Healthcare	Social Responsibility
				
Impact Goals	Mitigate Climate Change Keep global warming to below 1.5°C	Mitigate Natural Capital Depletion	Eliminate Communicable Disease Mitigate the Obesity Epidemic	Global Access to Basic Financial Services Global Access to Clean Drinking Water
Key Performance Indicators	Global Renewable Energy Output Atmospheric CO ₂ Levels Global Carbon Emissions per Capita	Material Consumption per Capita Global Annual Tree Cover Loss	Deaths due to HIV, TB and Malaria Obesity related Death Rate	Percentage of population who are Unbanked Percentage of Global Population with Access to Safe Drinking Water
Alignment with the UN SDGs	SDG 7.2 Increase the mix of renewable energy SDG 7.3 Double global energy efficiency	SDG 12.2 Achieve the sustainable management and efficient use of raw materials SDG 15.2 Promote the implementation of sustainable management of all types of forests, halt deforestation	SDG 3.3 By 2030, end epidemics of AIDS, Tuberculosis and Malaria SDG 3.4 Reduce mortality from non-communicable diseases	SDG 1.4 By 2030, ensure all have equal rights to economic resources SDG 6.1 Achieve universal access to clean water

The six impact goals are those which the team feel large public companies are one of the most important stakeholders for driving change, however these should not be seen as the only areas in which the Fund can invest and indeed wherein the team identify suitable companies that it deems to be supporting better outcomes outside of these six goals these can still be invested in. The team will report and track the relevant CPIs for these.

Source: https://global.nomura-am.co.jp/responsibility-investment/pdf/esg_statement.pdf

A Word on Company Level 'Impact' Data Reported

For each of our six Impact Goals we report multiple indicators (KPIs), which enable us to understand how society is progressing towards the goal, and supports our identification of investments and engagement activity that can have positive impact. At a company level, we want to report data that encapsulates the true 'impact' that the company has on the Impact Goal and its KPIs. However, as a result of both the scale and complexity of the issues faced and the degree of reporting by companies themselves, the company 'impact' data (CPIs) we report will span across a range of 'proxies' for impact. The levels of understanding and tracking 'impact' progress through the following levels – 'Theory of Change'*:

- I. **Input** – Resources invested into the activity, for example R&D expense, workers
- II. **Activities** – The activities that took place as a result
- III. **Output** – Results as a consequence of the activities and inputs
- IV. **Outcomes** – Changes that occurred because of the outputs
- V. **Impact** – What was the impact on the initial goal (e.g. how did this mitigate climate change)

As we progress from (I) Input through to (V) Impact above, the metrics become harder to measure, more reliant on company reporting, and harder to attribute. Taking for example a HIV treatment company's input might include the human resources and capital invested, activities might be the research, manufacturing, agreement of licensing agreements, outputs might be the number of HIV treatments manufactured and distributed. Outcomes would articulate the change this had on human life (extension, lives saved), and impact is the ultimate change this delivered with regards to 'eliminating HIV'. A number of pharmaceutical companies are currently working with academic institutions towards industry-standard true impact reporting, however currently our impact reporting is predominantly limited to output as we would have to make too many assumptions that we cannot credibly claim to have sufficient accurate insight into given the data that is available to us. However, through also tracking KPIs, such as total deaths from certain diseases, and our knowledge of the proportion of patients being reached by a company, we are able to develop a more qualitative understanding of the magnitude of the role the company is playing with regards to 'impact' on our goal.

Depending on the company, the quality of its reporting and nature of operation, we may have input, activities and output data. We seek to report the best data (CPIs) that reflects a 'proxy' for the ultimate impact it is having. We have included with the appendix full disclosure of all metrics we are tracking for our underlying companies and welcome any opportunity to engage with stakeholders on these metrics.

As in the prior year's report, we have tried to move the debate forward by considering the real-world impact of the company in addition to reporting the company specific data.

* Source: <https://iris.thegiin.org/metric/5.0/od6350/>

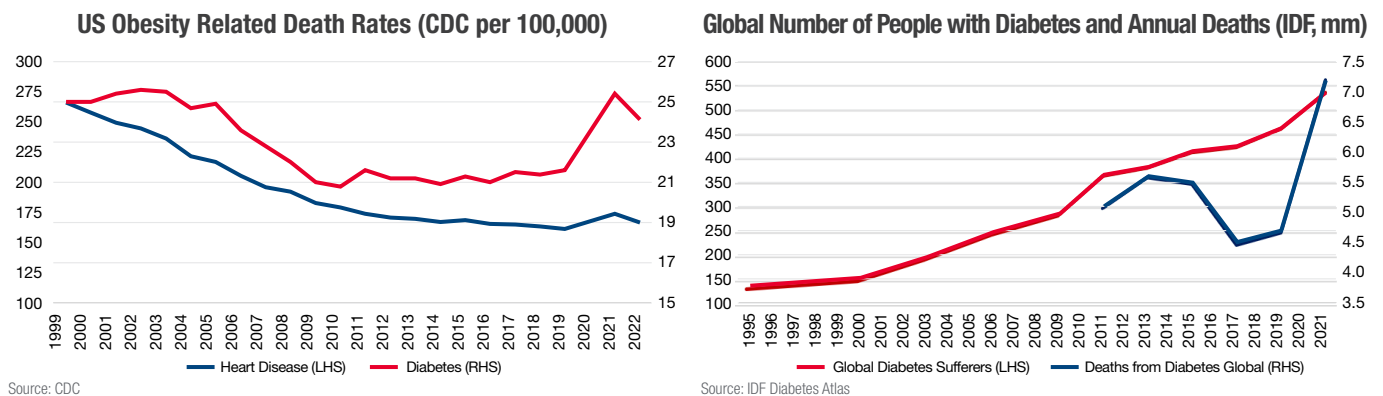
Tracking Progress Towards Our Environmental and Social Goals

Mitigate The Obesity Epidemic

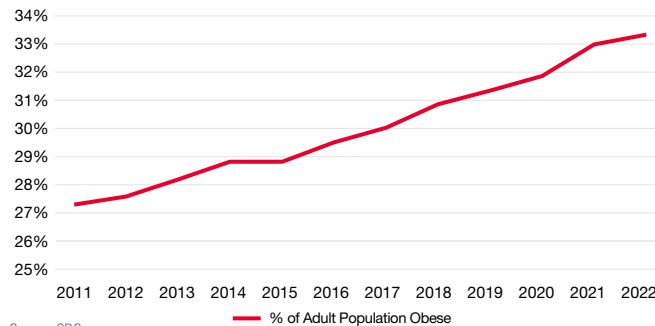
SDG Alignment: Our Mitigate the Obesity Epidemic Impact Goal is most closely aligned with SDG Target 3.4 'By 2030, reduce by one third premature mortality from non-communicable diseases'

KPIs Tracked: US obesity related death rates (Centers for Disease Control and Prevention (CDC)), Global prevalence of diabetes and annual deaths (International Diabetes Federation (IDF)), US obesity rates (CDC)

KPI Targets: By 2030, mortality from obesity related diseases to decrease by a third from 2016 base



US Obesity Rate (Percent of Adults – CDC Data)



The Challenge: The prevalence of obesity has increased substantially over the past decades and is a global problem. In the US, the CDC estimated prevalence rose to 33% (2022) from 27.4% (2011). Across Western Europe and developed Asian countries we have seen a similar pattern. Obesity in China is growing at a particularly alarming rate; an in-depth study by Ma et al showed the prevalence of obesity increased from 4% (1993) to 16% (2015).

Obesity directly causes medical problems that reduce life expectancy and the quality of life. Visceral fat can lead to increased blood cholesterol, increased blood pressure and the likelihood of developing type 2 diabetes, ultimately increasing the chance of developing cardiovascular diseases. Obesity also directly causes other medical conditions such as fatty liver disease and sleep apnea. In total, treating the associated conditions of obesity costs healthcare systems vast amounts of money. In the US alone, the CDC estimated that obesity cost the total healthcare system US\$173bn in 2019. Finally, there is a growing body of evidence suggesting that obesity is one of the leading causes of cancer. According to the University of Texas's MD Anderson Cancer Centre, excess body fat is thought to trigger inflammation that can lead to the pancreas producing more insulin and oestrogen, which increases cell division frequency that raises the chances of cancer developing.

Given the negative consequences that stem from obesity, reducing the prevalence of it is logical for healthcare systems. However, the current options available to those with excess weight (bariatric surgery, lifestyle options) have been unable to slow the rise in obese individuals. We think new, highly efficacious weight loss drugs may offer a way for many patients to lose significant amounts of weight. The arrival of these drugs comes after over a hundred years of controversial treatments in this field. Since these earlier attempts, pharmaceutical companies have continued to research the field but struggled to find a medicine with both high efficacy and limited side effects.

* Source: Ma et al – Trends in prevalence of overweight, obesity and abdominal obesity among Chinese adults between 1993 and 2015: <https://go.gale.com/ps/i.do?id=GALE%7CA655716151&sid=googleScholar&v=2.1&it=r&link-access=abs&issn=03070565&p=HRCA&sw=w&userGroupName=anon%7E44c67ff&aty=open+web+entry>.

Progression of KPIs: Deaths from diabetes and cardiovascular disease spiked sharply in 2020 and 2021 driven primarily by the COVID-19 pandemic and the increased threat to those with comorbidities. Despite this, obesity rates continue to trend ever higher – in the United States the percentage of the population that is obese jumped from 31.9% in 2020 to 33.3% in 2022.

Examples of our Investments and Engagement for Impact:

- **Novo Nordisk:** Global leader in diabetes treatment (41.6mm people living with diabetes and obesity reached in 2023) and has been the early leader in obesity treatment through the development of the semaglutide molecule. Wegovy, the brand name for semaglutide in weight control, showed 15% weight loss in the STEP-1 trial published in 2021.
- **Eli Lilly:** The significant other player in diabetes and anti-obesity medicines alongside Novo Nordisk. Eli Lilly’s tirzepatide molecule was approved by the Food and Drug Administration (FDA) for treatment of obesity during 2023 with sales of Zepbound (the brand name) having begun in 4Q23.
- **Boston Scientific:** MedTech company with a significant cardiovascular business that helps to counteract some of the negative repercussions of obesity.
- **Becton Dickinson:** Medical equipment applications across diabetes and cardiovascular disease.

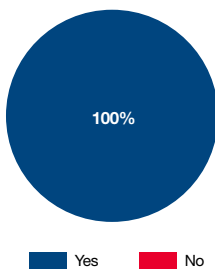
Engaged extensively through the year with our new sustainability project focussing on reducing obesity within the US workforce. We believe that cutting obesity in the workforce can lead to tangible financial benefits to employers from lower absenteeism due to sickness and lower healthcare insurance costs. Most importantly, though, we think this is a way for employers to improve the quality of life for their employees. We focus on the US because employers are large stakeholders in the healthcare system. Around 50% of Americans are covered by health insurance co-sponsored by their employer.

We contacted our holdings in GSSE that have a sizeable US presence. Through a survey we asked them what measures they were taking to combat obesity in the workforce. Our areas of focus included the coverage of anti-obesity medicines (AOMs), weight-loss programmes, bariatric surgery, and other initiatives intended to promote fitness and wellbeing.

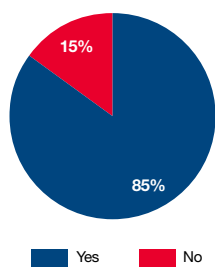
The results indicated a willingness from employers to help tackle obesity. Out of our survey, 100% of respondents indicated that they cover bariatric surgery for employees. For some, there were higher thresholds for approval including pre-certification and the operation being deemed necessary by a physician. Several also detailed that the operation needed to be carried out at a centre of excellence. On the whole, we felt these qualifications were not too onerous for employees. In addition, 85% of respondents at least partially covered weight loss programmes either through their health insurance scheme or directly by offering discounts to classes such as WeightWatchers.

As mentioned previously, a novel pathway for targeting obesity is through highly efficacious drugs. Novo Nordisk (NOVO), a holding in GSSE, has been an early leader in the field. Now, several other companies are trying to move into the space including Eli Lilly, AMGEN and AstraZeneca. The high cost of these medicines (US\$1,349 per month list price for NOVO’s Wegovy) and large addressable population can create cost pressures for employers. Despite this, we found that 70% of respondents currently cover anti-obesity medicines. We were quite encouraged by this rapid take-up. Out of the 30% who did not cover, one cited the upcoming cardiovascular trials as important evidence on whether these medicines improved health outcomes as well as weight loss. These trials, if successful, could spur greater take-up amongst employers.

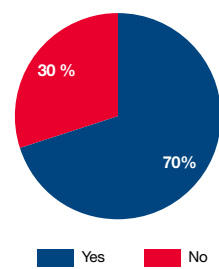
Does your healthcare plan cover bariatric surgery for employees?



Does your healthcare plan cover weight loss programmes for your employees?



Does your healthcare plan cover anti-obesity medicines?

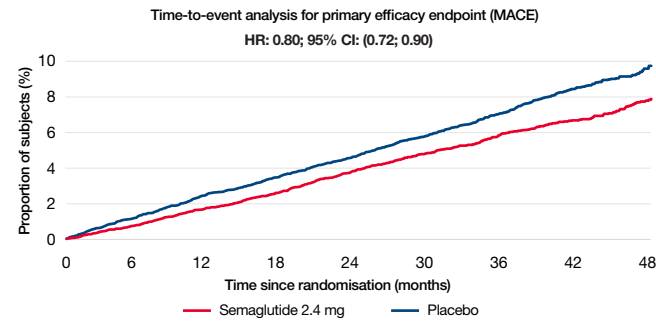


Source: NAM UK

Translation into Impact: As new data has emerged in 2023, we have advanced our thinking on how to calculate the impact from our investments in this area on the mitigation of obesity and improved health outcomes. Novo Nordisk published the results from their SELECT trial in August 2023 that showed a 20% reduction in major adverse cardiovascular events from taking Wegovy, which was higher than the targeted 17%. Previously Novo Nordisk has estimated that 764mm people have obesity with around half of that in developed markets. Around 10% of that population (76mm) seek help for obesity but very few (low single digit millions) are treated with anti-obesity medicines. Our assumption published in our UPF whitepaper is that 65mm adults could

be on GLP-1s for either diabetes or anti-obesity medication by 2030. If we assume that all of these adults experience the 20% reduction in cardiovascular (CV) events (either because they are taking Wegovy or Eli Lilly's Zepbound) then this could amount to a reduction in 13mm CV events over time. Given the length of the SELECT trial (5yrs), the real effects from this new drug class could be even greater and there is substantial reason to think that penetration of GLP-1s will accelerate even faster from 2030 to 2040 as semaglutide (the ingredient in Wegovy) comes off patent at the beginning of the decade.

Results from Wegovy's SELECT trial showing a reduction in primary efficacy endpoint



The pharmaceutical industry is not standing still. Instead new innovations within the GLP-1 space look to explore connections with other harm-reducing behaviours as well as finding more efficacious treatments over time. Doctors and patients have noticed a link between taking GLP-1 medicines and a reduction in dopamine-inducing behaviour such as drinking alcohol or taking drugs. This interesting development will be further explored by Novo Nordisk as they develop a Phase II study to test with CagriSema, their next generation molecule, to see if it can reduce alcohol intake and treat alcoholic liver disease. Alcoholic liver disease kills 30k Americans a year and so the ability to reduce the figure through medication could further increase the impact of these medicines. The second strand of innovation is to look for more efficacious molecules. Both Novo Nordisk and Eli Lilly have next generation molecules (CagriSema and GGG respectively) that aim to reduce weight by 25% (higher than Wegovy and Zepbound). This higher efficacy is necessary for those with higher BMIs, where the health improvement from lower weight could improve above and beyond 15% weight reduction with Wegovy or 21% with Zepbound. We expect to see Phase 3 data from Novo Nordisk's CagriSema data this year and outcomes data over the following years.



Tracking Progress Towards Our Environmental and Social Goals

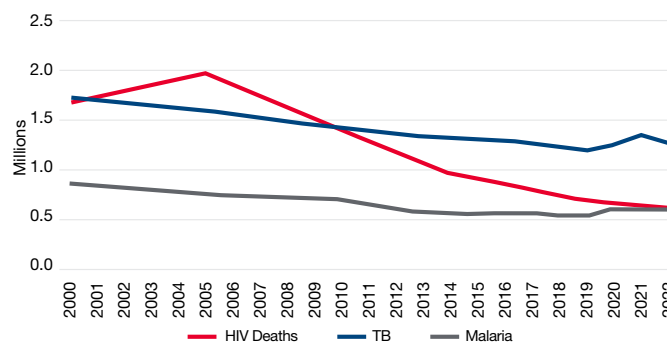
Eliminate Communicable Disease

SDG Alignment: Our Eliminate Communicable Disease Impact Goal is most closely aligned with SDG Target 3.3 'By 2030, end the epidemics of AIDS, tuberculosis (TB), malaria & other communicable disease'

KPIs Tracked: Deaths due to HIV, TB and malaria (World Health Organization (WHO))

KPI Targets: By 2030, deaths from HIV, TB and malaria to each decline by greater than 50% from a 2016 base

Global Deaths from HIV, TB and Malaria



Source: WHO

The Challenge and Progression of KPI's: On a global basis, the number of people living with HIV remains very high at 39m in 2022. Though the number of new HIV cases and the mortality of HIV have been steadily decreasing over time, a ramping up of current prevention and treatment strategies will be needed to achieve the Global Health Sector Strategies targets set out by WHO. In 2022, HIV related deaths stood at 630k globally and, though this was a decrease compared to 650k in 2021, it remains significantly above the WHO targets of 250k by 2025 and 240k by 2030. The 2025 target is very unlikely to be achieved. Over time, we think better treatment options can bring down the mortality rate of HIV with anti-retroviral coverage already vastly expanded; now at 76% in 2022 compared to just 25% in 2010. These treatments are more heavily penetrated in developed economies and creating access to these in emerging economies is a significant challenge. Testing is also extremely important to prevent new cases and stop the spread of the disease. Unfortunately, there is significant work to do here with new cases still at 1.3m in 2022 compared to the WHO targets of 370k by 2025 and 335k by 2030. The COVID-19 pandemic likely played a role in making testing more challenging with almost half of countries reporting disruption to these facilities to the WHO through the pandemic. A continued focus on placing diagnostics to allow testing is crucial to bringing about the end of the epidemic.

Examples of our Investments and Engagement for Impact:

- **Gilead:** World's leading HIV treatment pharmaceutical company and has been a pioneer in supporting access in emerging economies. In 2023, 20m HIV sufferers received treatment in low/mid income countries through access strategies. Remdesivir was one of the earliest treatments for COVID-19 and continues to be important for use in hospitalised patients.
- **AstraZeneca:** The company took a sustainable approach in offering its COVID-19 vaccine on a not-for-profit basis during the pandemic. AstraZeneca also have been working on antibody treatments for those who cannot take vaccines. In May 2024, the company announced positive results from its Phase 3 trial of sipavibart, a long-acting antibody against COVID-19.

Engaged proactively with companies on responsibility in pricing. Whilst the focus for engagement was on other health-related goals in 2023, we continued to engage with companies on how to responsibly bring products to the market. For example, we engaged with Gilead on how they brought assets to the HIV market after allegations of malpractice in the US.

Translation into Impact: The primary data that we track and report on is the number of patients reached with treatment and particularly those reached through access strategies. These data points do not however fully reflect the impact on human life or adjusted for the attribution across the stakeholders in the value chain. For example, donations to patent pools is an extremely effective way to support access, but does not deserve the same attribution as manufacturing and delivering treatment directly. The companies are currently working with academic institutions to develop better reporting on true impact and furthermore, through the pandemic, steps have been taken forward to better assess the impact on human life.

In our discussions with investors, we sometimes debate the impact of the pharmaceutical industry and the controversies on pricing/access that have haunted the industry. Our view is that whilst there are issues and problems to confront, the overall impact of the segment in developing new treatments clearly trumps these negatives. Gilead, one of our healthcare holdings, published very positive data in June 2024 from their Purpose 1 trial of Lenacapivir. This twice-yearly injection was designed to prevent HIV infections developing with a much more convenient formulation to administer than the standard of care (2x injection vs daily oral). During the trial, no patients who took Lenacapivir developed an HIV infection, which was better than the comparator (oral Truvada). Whilst this asset presents a significant commercial opportunity for Gilead, particularly in developed economies, we were also really encouraged that Gilead have signed a non-exclusive, royalty-free voluntary licensing agreement with six generic manufacturers to make and sell generic Lenacapivir in the developing world. The HIV pandemic has continued in varying levels of incidence since 1981 and though important positive steps have been made, 33.6mn people were still living with HIV in 2022 according to UN figures. Preventing new infections is a big priority as well as anti-retroviral treatment for those already carrying the disease. In both of these areas, we think the innovation of the pharmaceutical sector is crucial and we are encouraged to see this positive development.

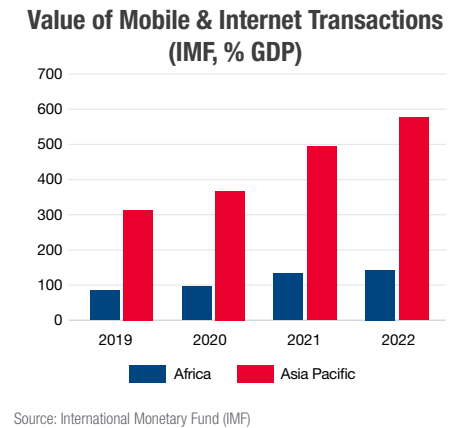
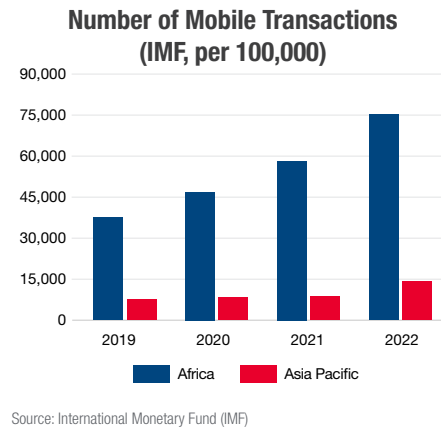
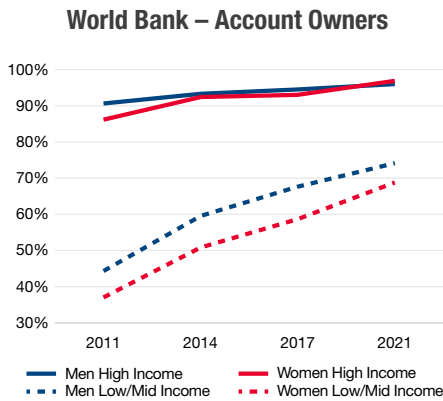
Tracking Progress Towards Our Environmental and Social Goals

Global Access to Basic Financial Services

SDG Alignment: Our Global Access to Basic Financial Services Impact Goal is most closely aligned with SDG Target 1.4 ‘By 2030, ensure all have equal rights to economic resources’

KPIs Tracked: Percentage of the global population that is unbanked; we track World Bank Account Ownership data as a proxy for this across low/mid income and high income economies, further broken down by gender. We also track data on digital payments to support our understanding

KPI Targets: By 2030 low/mid income account ownership to converge with high income achieving 95%+ and for the gender gap to close completely



The Challenge: In 2021 almost 1.4bn adults remained unbanked with 24% of the global population not holding an account. Whilst there has been considerable improvement over the past decade - these figures stood at 2.5bn unbanked adults and 49% not holding an account in 2011 – much remains to be done and supporting global progression towards near universal access to basic financial services is one of the greatest levers through which to push for an improvement in living standards and a more equitable world. Not only does account ownership support saving, credit access and the ability to make or receive payments, but it is also a material driver in supporting economic growth, increased safety, health and wellbeing.

Obstacles to having a bank account quoted in the World Bank Findex survey include a lack of money, distance to the nearest bank and lack of documentation. A key driver for overcoming the historic obstacles has been the emergence of mobile money services and the rapid growth in mobile phone ownership across developing economies, which has offset the still very low levels in physical banking penetration. Looking forward, the building out of telecommunication networks and payment processing – in addition to further increasing mobile phone access – will play a key role in growing access further.

Progression of KPIs: The World Bank has not updated data since the Findex Report based on 2021, which showed that between 2017 and 2021 account ownership in developing countries increased from 63% to 71%. Within the interim period in which the World Bank does not update this, we are tracking other proxies, including the level of mobile transactions and the value of mobile transactions across Asia and Africa. These indicators continue to grow very strongly across both regions with Africa in particular seeing very rapid growth in mobile transactions (ca. 30% in 2022). Penetration growth with regard to mobile transactions serves as an exceptionally efficient driver of increasing access to basic financials services by breaking down the barriers created by very low physical bank penetration.

Example of our Investments and Engagement for Impact:

- **Mastercard:** Leading global payment company that provides financial solutions to support financial inclusion. Connected 870m people to the digital economy progressing towards 1bn people by 2025. (Source: Mastercard 2023 ESG report page 7)*.

Engaged with Visa to push for better impact metrics that will enable investors to more fully understand the alignment with supporting global access to basic financial services.

Over the past decade, we have observed significant advancements in technology and how it has developed to become increasingly accessible to a wider population. However, despite the existence of technology that helps to support access to basic financial services, financial inclusion remains a pressing issue, especially for developing countries. This underscores the need for more initiatives to support communities or populations that have been underserved or unserved. MasterCard and Visa as global payment companies play a critical role to bridge the gap as both companies possess the right infrastructure and extensive scale of network to deploy their extensive technological and financial expertise to support financial inclusions. In 2023, Mastercard have connected 48 million micro, small and medium enterprises to the digital economy on track of its 50 million target by 2025. On the other hand, Visa have connected ~67 million small and micro business to the digital economy which far exceeded its target of 50 million by 2023. We are pleased to see that both companies have continued to set ambitious targets to provide basic financial services to a wider community. With more connected financial services between societies, more individuals could benefit from boosted economic growth and lower poverty rates.

* Source: <https://www.mastercard.com/content/dam/public/mastercardcom/na/global-site/documents/mastercard-esg-sustainability-report-2023.pdf>



Tracking Progress Towards Our Environmental and Social Goals

Global Access to Clean Drinking Water

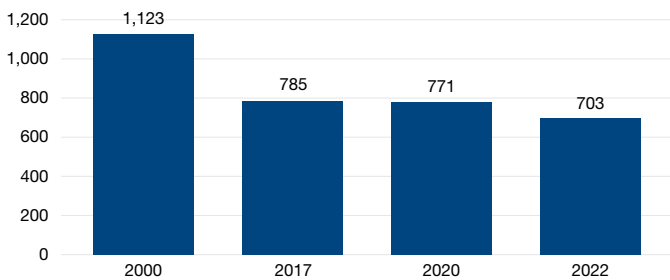
SDG Alignment: Our Global Access to Clean Drinking Water Impact Goal is most closely aligned with SDG Target 6.1, *'By 2030, achieve universal and equitable access to safe and affordable drinking water for all (100%)'*

KPIs Tracked: Percentage of Global Population with Access to Safe Drinking Water and Percentage of Global Population with Access to Safely Managed Sanitation Facilities (World Bank), Number of People Lacking Basic Drinking Water Services (WHO/UNICEF Joint Monitoring Programme) and Degree of integrated water resourced management implementation (SDG Data)

KPI Targets: Our initial target would be for every individual universally to have access to at least basic drinking water and sanitation facilities. Once this is achieved, we would ultimately want safe access to such facilities to be provided to all

The Challenge: The United Nations recognises access to water and sanitation as a fundamental human right, which is crucial for every individual's health, dignity and prosperity. Unfortunately, according to latest available data (2022), 9% of the world's population, or approximately 703 million people, are still lacking access to **basic** drinking water and sanitation services. It is important to note, that significant progress has been seen since 2000 (number of people without access has reduced 37.4%, from 1.1 billion), while during the same period the global population has increased by 28.6%. Despite progress, we still have a long way to go and according to the latest assessment of progress towards reaching the UN SDG's reaching this target will require a fourfold increase in the current rate of progress and no SDG region is currently on track to do so.

Number of People Lacking Basic Drinking Water Services (mm)



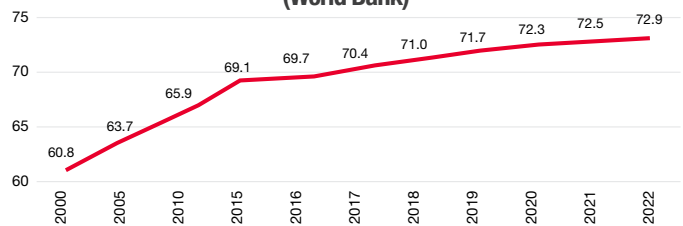
Source: WHO/UNICEF Joint Monitoring Programme (JPM)

The WHO/UNICEF Joint Monitoring Programme's (JPM) most recent update indicates that around 27.1% (approximately 2 billion people) of the world's population still do not have access to **safe** drinking water, while 43.4% (approximately 3.5 billion people) do not have access to safely managed sanitation facilities. Although we are observing a downward trend in the numbers year over year, which indicates clear progress we are still far from reaching the goal of universal access.

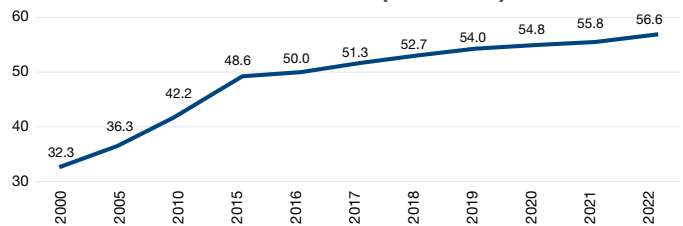
With regard to degree of integrated water resource management globally, we continue to see significant progress across the board but particularly across Central and South East Asia and Sub-Saharan Africa. Interesting to note that in the UN's latest 2023 update, for the first time it is observed a slight reversal of progress in Australia and New Zealand in integrated water resources management implementation.

It is important to highlight how the UN SDG's are interlinked with some of our other Impact Goals. For example, a basic human right such as universal access to drinking water and sanitation facilities is an absolute prerequisite for achieving higher rates of public health, decreasing child mortality rates, drastically reducing the spread of various communicable diseases, getting a step closer to achieving gender equality, higher literacy rates, and overall economic prosperity.

% of Global Population with Access to Safe Drinking Water (World Bank)

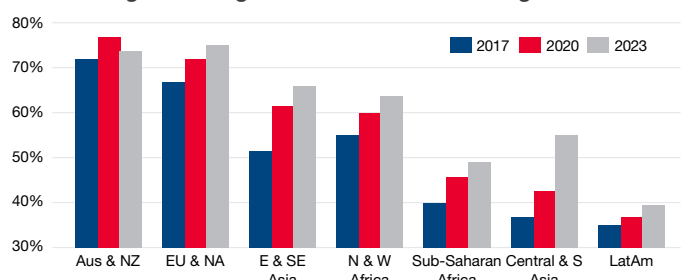


% of Global Population with Access to Safely Managed Sanitation Facilities (World Bank)



Source: World Bank

Degree of Integrated Water Resource Management



Source: SDG Data

Examples of our Investments:

- **Tetra Tech:** Provides services such as design and engineering for water infrastructure projects across both the United States and global markets. The company has a very high positive impact on Global Access to Clean Drinking Water especially through its involvement with international development projects that take place in developing nations as well as supporting access where it is needed the most. The impact of supporting clean water access in the US, its country of domicile, is also high. For 2023, Tetra Tech reported that its projects have enabled 4.16 trillion gallons of water to be treated, saved or reduced.
- **Pentair:** The company manufactures pumps and filtration systems. These products enable the processing and treatment of both water and wastewater. Pentair have a particularly strong presence within emerging markets, where they support global access to clean drinking water. 'Project Safewater' has supported access to water for 3mm people.
- **Nestlé:** Has facilitated access to clean water within its supply chain to over 600k people that would otherwise not have had access.

Examples of our Engagement for Impact:

During the period, the team engaged with **TSMC**, a leading semiconductor manufacturer on their water recycling and water conservation strategy especially when it comes to expansion of their fabrication plants (fabs) into new geographies. The semiconductor space is very water intensive, so the team has approached the matter proactively. In the past, we have also encouraged the company to disclose better impact data around their water usage in production and links to efficiency. We encouraged them to start reporting in more detail water conservation measures and were pleased with the additional level of detail provided by them on water conserved through various measures undertaken, such as decreasing water discharge loss, reducing consumption, and increasing wastewater recycling.

Translation into Impact: Still today, close to 1 in 10 people worldwide, or approximately 703 million people are living without access to clean, safe drinking water and sanitation. **So, what does this really mean?** Access to clean water and sanitation can save 16,000 lives a week, of which 43% are children under the age of five and can prevent countless numbers of permanent disabilities. Access to clean water can prevent women and girls from spending aggregate of 200 million hours daily collecting water, and as a result, with access to the right facilities school attendance can go up by about 31%. Women are responsible for 72% of the water collected in Sub-Saharan Africa. With access to water, women and girls can get their lives back. They start businesses, improve their homes and take charge of their own futures. In conclusion, access to clean drinking water and sanitation is a basic human right and a key driver of economic growth. There are various different estimates used by charity:water and other WASH organisations on the impact of every £1 invested in clean water projects. Depending on the types of investments, geographical locations and year of publishing the research those can range from 4 times, to 7 times to as high as 21 times more value than expenditure.

charity: water: In Dec 2022, NAM UK announced the start of a 3-year partnership with charity: water. Our first donation went towards the construction of piped systems with tap stands for 4 communities in Ethiopia and water, latrines and handwashing facilities for a whole school in Niger. We are pleased to report that both projects are progressing well as this point. In Ethiopia, construction work has started at 31 on-spot springs and training has been provided to 1,213 individuals as well as to teachers at 4 primary schools. In Niger, eighteen boreholes have been drilled in communities and three rehabilitations have been completed, providing water for 2,127 people. The two additional boreholes remaining will provide water for 989 additional people. Completion of the projects is expected by the end of calendar year 2024.

In the meantime, we also submitted our second donation in December 2023, which would go towards the construction of two further projects that would bring people a step closer to access to clean drinking water and sanitation facilities. Our second donation is meant for the construction of water, latrines and handwashing facilities at 2 schools in Bangladesh and 1 school in Mali. At the time of writing this report, donations have already been distributed to the charity's local partners in the 2 countries with project planning underway, including securing permits, materials, equipment and labour.



Tracking Progress Towards Our Environmental and Social Goals

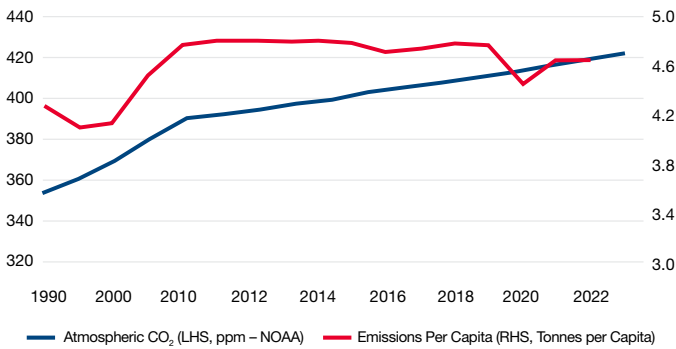
Mitigate Climate Change

SDG Alignment: Our Mitigate Climate Change Impact Goal is most closely aligned with SDG Targets

KPIs Tracked: Global Renewable Energy Output (International Energy Agency (IEA)), Atmospheric Carbon Levels (National Oceanic and Atmospheric Administration (NOAA)) and Global Carbon Emissions per Capita (Global Carbon Atlas)

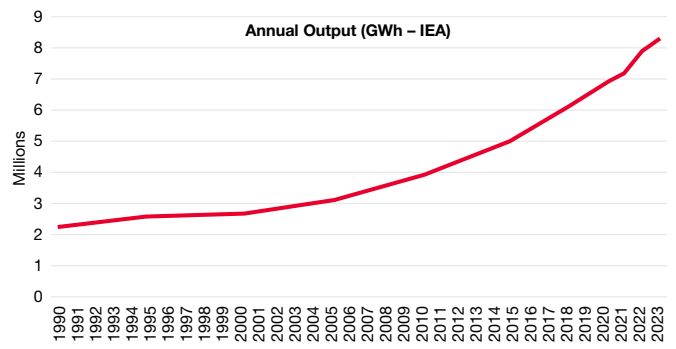
KPI Targets: Our ultimate target is for global warming to be limited to 1.5°C. For temperatures to stabilise this means reaching Net Zero emissions. To remain on track global renewable energy generation needs to increase to 65% of electricity generation by 2030 whilst annual emissions must decline towards 25Gt (aligned with International Renewable Energy Agency World Energy Transition Outlook) requiring ca. 30% reduction in Emissions per Capita by 2030

Atmospheric CO₂ Levels and Emissions per Capita



Source: NOAA Mauna Loa Observatory

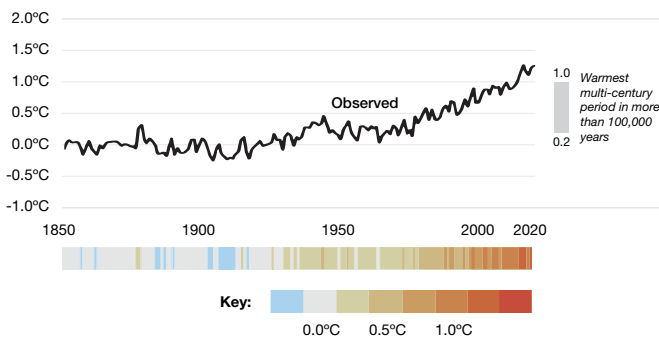
Global Renewable Energy Generation



Source: International Energy Agency

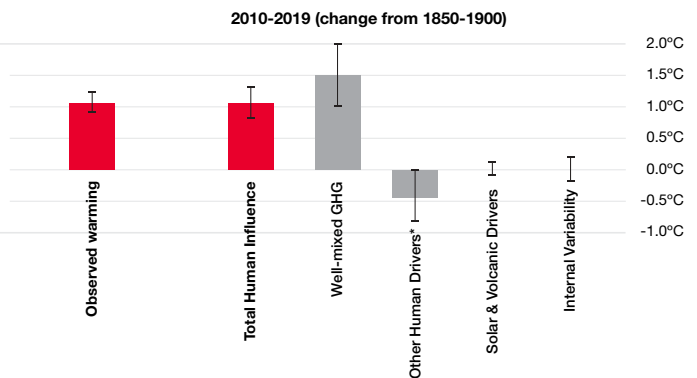
The Challenge: Global temperatures have continued to rise as the level of cumulative global emissions has grown and the scientific evidence is clear that there is a near linear correlation between emissions and surface temperatures. The Intergovernmental Panel on Climate Change (IPCC) estimate that a surface temperature increase of between 0.8 and 1.3°C (1850-1900 vs. 2010-2019) has been ‘human-caused’. The IPCC further estimate that at 2°C of warming it could be expected that once-in-a-decade droughts would increase by 2.4x and the intensity of cyclones would increase by +13% relative to 1850-1900, disproportionately impacting those in low and middle income countries. At 4°C of warming these numbers increase to 4.1x and +30% respectively.

Global Surface Temperature has Increased by 1.1°C by 2011-2020 Compared to 1850-1900



Source: IPCC https://report.ipcc.ch/ar6syr/pdf/IPCC_AR6_SYR_LongerReport.pdf

Observed Warming Driven by Emissions from Human Activities with GHG Warming Partly Masked by Aerosol Cooling

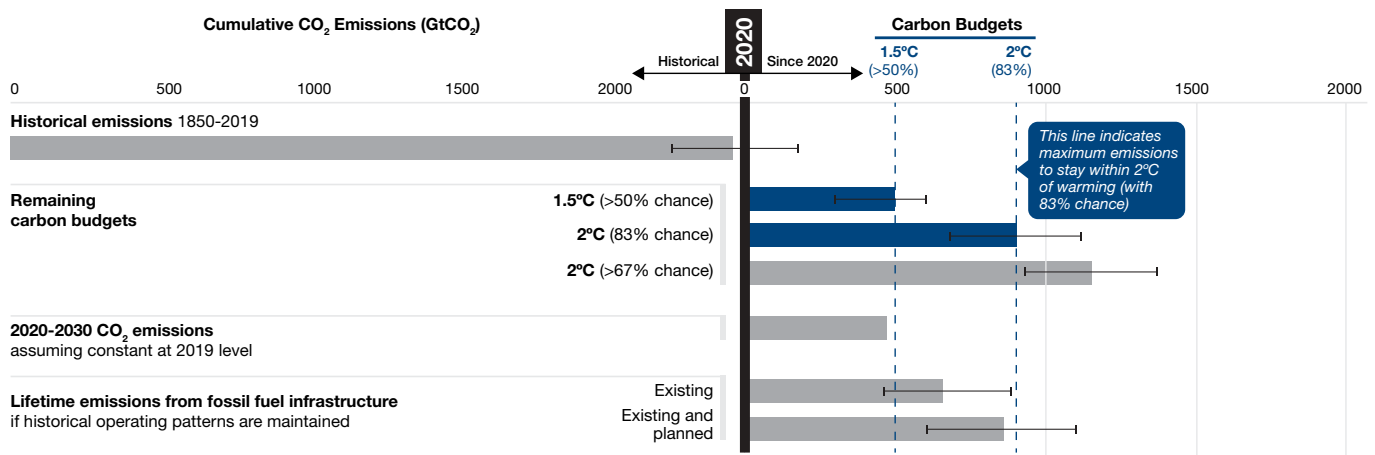


*Other human drivers are predominantly cooling aerosols, but also warming aerosols, land-use change (land-use reflectance) and ozone.

The IPCC's Sixth Assessment Report, further estimates that to have a likely chance of limiting global warming to 1.5°C (with a 50% probability) globally we have a remaining carbon budget of 500 Gt CO₂. If GHG emissions continue at a 2019 level, this entire budget will be used by 2030. With the global population growing annually at just under 1%, the need to develop solutions that reduce per capita emissions and roll them out rapidly is at extreme levels. This will be achieved not only through a shift to generating renewables, but through electrification and efficiency.

Remaining Carbon Budgets to Limit Warming to 1.5°C Could Soon be Exhausted, and Those for 2°C Largely Depleted

Remaining carbon budgets are similar to emissions from use of existing and planned fossil fuel infrastructure, without additional abatement



Source: IPCC Sixth Assessment Report

Progression of KPIs: Total renewable energy output is estimated to have grown by 4.6% in 2023, a step down from the 9.5% increase in 2022, however excluding the more volatile hydropower output it expanded at 14.4% with solar photovoltaic (PV) again driving the majority of this growth (+25.1% 3y CAGR). Carbon emissions per capita were flat year-on-year (2022 vs. 2021) and must come down rapidly given both annual population growth and the limited carbon budget left to limit global warming (a ca. 30% reduction in per capita emissions must be achieved by 2030).

Examples of our Investments and Engagement for Impact:

- **Schneider:** World leading electrical equipment business with regards to managing climate impact and enabling customer emissions reduction through electrification. In 2023 enabled the avoidance of 133m tonnes of carbon emissions through its products and services.
- **Tetra Tech:** Environmental and sustainability engineering consultant that supports the planning and development of solutions in relation to renewables and grid infrastructure construction. 52.4m tonnes of carbon were avoided or removed by these projects in 2023.

Translation into Impact: The true world impact on mitigating climate change of the underlying holdings should in theory be the more straightforward to assess given that the 'impact' itself is how global warming has been mitigated and the 'macro' consideration for this is relatively well established and homogenous. That is to say there has been considerable research that is broadly accepted with regard to the carbon budget left globally, the current level of annual global emissions and what reductions are needed to prevent global warming from exceeding targeted levels (and estimates on what could happen if these are exceeded). We also know to a reasonable extent where emissions are coming from at an industry/activity level and also where the greatest challenges lie. Therefore if a concrete data point can be established at a micro level for a company that fully reflects the individual contribution to reducing carbon emissions this can be assessed in relation to its contribution to supporting a reduction in global emissions and the effort to not exceed the carbon budget that remains.

This might be compared to, for example, access to basic financial services wherein whilst one might be able to ascertain at a micro level the number of people reached who were previously unbanked.

The impact this actually had is complicated by the complexity and the individual situation and wide ranging uses of this new access in relation to the prevailing circumstances for which we are very reliant on the companies themselves to assess.

For mitigating climate change, the complexity comes however more in relation to the micro level assessment of tonnes of carbon avoided by a certain business for which there are multiple complications. One very large consideration is whether this should be done under an individual attribution basis (the direct impact of the product or service in replacing a different version) or a more holistic ecosystem level. For example, under an individual attribution approach the assessment of the impact of Tesla with respect to avoided emissions through their products is

vastly underestimated as this does not take into account the huge pressure that Tesla placed on the broader ecosystem in forcing other original equipment manufacturers (OEMs) to rapidly ramp up their own electric vehicle (EV) efforts. In addition to the technological innovation and lowering of prices across the supply chain bringing down barriers to entry for new entrants. As one might expect, the difficulty in ascertaining this second derivative impact is currently more often than not too difficult and not credible enough for companies to report on and it is carried out more on an individual attribution basis. However, herein lies another problem in that there is no standardised methodology for what the reference product or service should be. Whilst this might be more obvious for a renewable developer that can with reasonable certainty assess what thermal generation has been displaced with, for the building products segment this can be much trickier and we see a wide range of approaches in how the reference product is selected (relative to minimum regulatory standards vs relative to existing average or competitor product etc).

The next crucial consideration is the assessment of attribution along the value chain and the issue of double counting. A number of mega cap tech companies have secured private power purchase agreements (PPAs) for onshore wind for example and report the avoidance of emissions as a result of this. How should this be attributed between the company that purchased the PPA and facilitated the project being built vs the developer that built the project vs the company that developed the equipment vs the other business in the value chain (contractors, consultants etc)? Companies themselves do tend to report this on a 'total' basis rather than attributing this across the value chain and this of course creates issues with double counting. One way around this is to account for this on a proportion of capital expenditure basis across the value chain, however it is our view that this can severely underestimate the importance of technological advancements and the R&D process vs implementation and financings.

At this current point in time our approach is to give full transparency on the avoided emissions (Scope 4) and also be transparent about the limitations of this.

In addition to this portfolio emissions (Scope 1+2+3), scenario alignment and the proportion of companies committed to setting SBTi approved targets are further examples of outputs we can use to articulate alignment with climate change mitigation. These are independently provided by one of our data providers, ISS Climate Impact reporting.



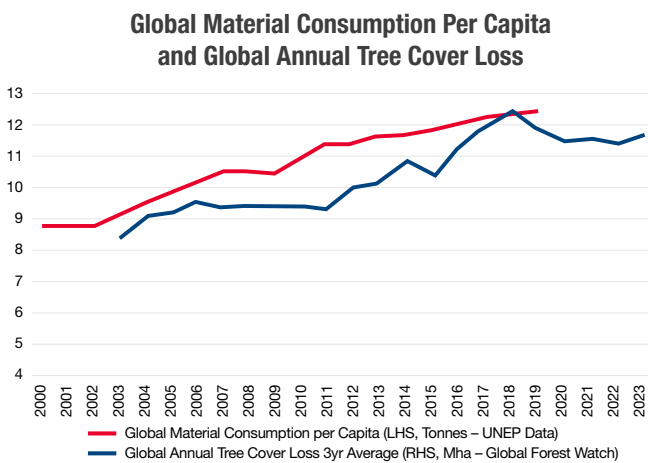
Tracking Progress Towards Our Environmental and Social Goals

Mitigate Natural Capital Depletion

SDG Alignment: Our Mitigate Natural Capital Depletion Impact Goal, is most closely aligned with SDG Target 12.2 'By 2030, achieve the sustainable management and efficient use of natural resources' and SDG Target 15.2 'By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally'

KPIs Tracked: The Key Performance Indicators (KPIs) that we have tracked in relation to Mitigate Natural Capital Depletion are Global Annual Tree Cover Loss (million hectares, rolling three year average) and Material Consumption per Capita (tonnes per person pa, the sum of the material footprint for biomass, fossil fuels, metal ores and non-metal ores, UN)

KPI Targets: This is a multi-layered target, which is quite difficult to define and achieve. From our perspective, the initial target we would set is to see the companies in our portfolio(s) achieve sustainable supply chain practices and monitoring of deforestation and biodiversity loss



Source: <https://ourworldindata.org/grapher/material-footprint-per-capita>

Year	Oil Consumption (barrels)	Coal Consumption (kg)	Steel Apparent Use (kg)	Aluminum Production (kg)	Copper Production (kg)
2015	4.5	1049.4	0.0	7.9	2.6
2016	4.6	1009.8	0.0	8.0	2.7
2017	4.6	1014.4	215.3	8.3	2.6
2018	4.6	1019.9	223.0	8.4	2.7
2019	4.6	998.3	229.1	8.2	2.6
2020	4.1	960.8	228.9	8.3	2.6
2021	4.4	1024.8	233.3	8.5	2.7
2022	4.5	1021.1	224.2	8.7	2.7

Sources:
<https://www.energyinst.org/statistical-review>
<https://www.worldsteel.org/en/dam/jcr:5001dac8-0083-46f3-aadd-35aa357acbcc/Steel%2520Statistical%2520Yearbook%25202020%2520%2520concise%2520version%2529.pdf>
<https://www.world-aluminium.org/statistics/#data>
<https://www2.bgs.ac.uk/mineralsuk/statistics/wms.cfc?method=searchWMS>

The Challenge: It is estimated that 10 million hectares of forest are destroyed every year and approximately 90% of the use is for agricultural expansion e.g. cropland (49.6%) and livestock grazing (38.5%). The trend in global population growth exacerbates the need for establishing more sustainable agricultural practices and to better manage the output we currently achieve e.g. food lost or wasted. For instance, 13.3% of the global harvest annually does not reach retail markets as it is lost in the process of transportation, storage and processing. While at the same time, 17% of that total food is wasted at consumer level, which includes households, grocery stores and restaurants.

Universal trends like transition to green energy and electrification of the economy are key for fighting climate change and natural capital depletion, however, it is important to mention that they come with their resource demands. In order to meet this demand, we need more sustainable sourcing and recycling of rare earth and other materials used in the production of batteries, renewable energy equipment (e.g. solar panels and wind turbines) and others. According to the latest data from 2022, the global average for e-waste collections was only 22.3% with the vast majority of consumers' electronic waste not being safely managed. The UN's Global e-waste monitor estimates that generation of electronic waste globally is rising at a pace 5 times faster than the growth in e-waste recycling capacity. Whenever the topic of sustainable supply chains emerges, a key question and risk is also how it interlinks with human rights challenges and the need for ensuring the necessary living income. Across the team, we try to incorporate such consideration in our analysis and engagement work as well.

Progression of KPIs: With regard to the KPIs the team tracks under this impact goal, we would note that the material consumption per capita, defined as the sum of the material footprint for biomass, fossil fuels, metal ores and non-metal ores, measured in tonnes per person per year, continues to steadily increase year over year, along with population growth. The United Nations Environment Programme (UNEP) have not published data on consumption since 2019, however more frequently published data on global individual natural resource consumption did suggest a moderation in 2020 driven by the COVID-19 pandemic most notably in coal and oil (declined -10% and -5% respectively). Since 2021, however as expected, data suggests a rebound as economies fully reopened with a continuation of the trend in the latest data from 2022.

*Source: <https://unstats.un.org/sdgs/report/2023/The-Sustainable-Development-Goals-Report-2023.pdf> p.42

As for our tracking of annual global tree cover loss, we would point out that in 2023 we highlighted a significant uptick in the numbers (28.3 Mha) coming close to the peak observed in 2016/2017 of around 30 million hectares deforested. The team notes that that metric does not take into account reforestation, which might potentially smooth numbers slightly.

Examples of our Investments:

- **Umicore:** Company operates world leading industrial and precious metal recycling operations that support a reduction in extraction requirements. In 2023, the company recycled ca. 500k tonnes of high value industrial and precious metals.
- **Adobe:** Although indirectly, the team believes that through products and services Adobe supports mitigation of climate change and natural capital depletion. In 2023, the company reported that over 400 billion of PDFs were opened in Adobe Products.

Examples of our Engagement for Impact:

As part of a Satellite based collaborative engagement towards zero deforestation, NAM UK is leading the engagements with **Nestlé**. The investor coalition collaborates with Satelligence who provide us with satellite imaging and artificial intelligence (AI) to support us in holding companies accountable for deforestation in supply chains. Another example of our differentiated engagement work towards mitigating natural capital depletion is NAM UK's participation, along with other asset managers, in an innovative **bioacoustics study**. The investor group along with Green Praxis collaborated to conduct an on-the-ground study of biodiversity richness and abundance at a palm oil plantation in Indonesia. This project aimed to inform the investment group and the participating corporate on the effects on biodiversity life in conservation areas versus monoculture production areas.



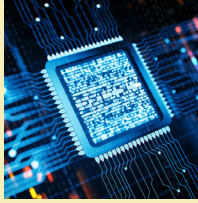







Translation into Impact: It is estimated that around 40,000 species are on the verge of extinction in the coming decades. According to Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) Global Assessment Report, change in land use, such as forest degradation and deforestation are the primary cause for biodiversity loss, globally causing around 30% of the total decline. Other factors that deplete biological diversity are overexploitation, such as hunting and fishing, which explains around 23% of the decline. Climate change (ca. 14%), pollution (ca. 14%) and invasive species (ca. 11%), are also among the most common causes observed. Mitigating deforestation and increasing conservation and reforestation efforts can prevent numerous species from becoming extinct and maintain functioning ecosystems. Furthermore, biodiversity supports steady food supplies (food security) and has greatly contributed to advancements in modern medicine and treatments.

Reducing forest degradation and deforestation and switching our focus to forest restoration not only mitigates natural capital depletion and biodiversity loss but is also key for achieving society's climate goals. Forests are a brilliant example of nature's own carbon capture and storage (CCS) processes. Trees trap carbon dioxide (CO₂) from the atmosphere through photosynthesis and store it for the lifetime of the tree or the by-product if timber is used to produce furniture or in house building. On average around 50% of the dry mass of a tree is made up of absorbed carbon. It is estimated that a mature tree can absorb around 22 kilograms of carbon dioxide from the atmosphere annually, while in exchange releasing oxygen. As investors, we are starting to see the conversation with companies shifting towards forest positive strategies, which play key roles in the company's Net Zero goals.



The Global Shariah Sustainable Equity Fund Investee Company Impact

Per US\$1mm invested in the Global Sustainable Equity strategy it is estimated that the underlying holdings achieved the following impact. More details on individual company contribution are available in the appendix.

<h3>Mitigate Natural Capital Depletion</h3>  <p>Recovered 290 kgs of high value industrial and precious metals through recycling</p> <p>2,631 single use plastic water bottles displaced by filtration products</p>	<h3>Eliminate Communicable Disease</h3>  <p>16 low income patients reached with treatments through access strategies – of which 8 represents HIV treatment</p>	<h3>Global Access to Basic Financial Services</h3>  <p>Have reached 134 previously unbanked individuals through financial access strategies since 2015</p>
<h3>Mitigate Climate Change</h3>  <p>23.23 tonnes lower CO₂ emissions (scope 1+2) relative to DJIDEV</p> <p><i>Equivalent to taking 5 cars off the road and</i></p> <p>44.4 tonnes of reported emissions avoided from products (Scope 4)</p>  <p>204 million tonnes of CO₂ avoided or captured by projects</p>  <p>49 kWh of cathode material produced for electric vehicles</p> <p><i>Enough to power 1 EV</i></p>	<p><i>per</i></p> <h2>US\$1mm</h2> <p><i>invested</i></p> <h3>Global Access to Clean Drinking Water</h3>  <p>1,278 litres of safe and clean drinking water</p>  <p>8 people reached through hygiene outreach and water access programmes</p>	<h3>Mitigate the Obesity Epidemic</h3>  <p>Provided treatment for 5 diabetes sufferers</p>  <p>12 members covered with medical insurance</p>

Source: Company Reports, Nomura Asset Management Research as of December 2023, assessed June 2024. Company sustainability data is collected from each company's shareholder reports, regulatory filings, and/or other company-specific documentation. Impact data is susceptible to inconsistencies. There is currently no standardised, uniformly accepted methodology for companies to measure and report this data, which, in some cases, requires a conversion to allow for aggregation across the strategy.

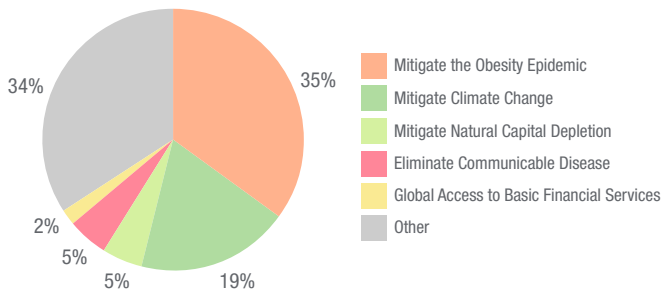
The slide contains estimates produced by NAMM and has been prepared on a best efforts basis with a view of supporting an understanding of the impact of underlying holdings. Data has not been independently verified. Impact per US\$1m is taking into account the strategy's effective ownership of underlying companies. The impact is calculated as a proportion of our ownership relative to the companies' overall impact and is aggregated across all holdings. For example, if Company A reached 15.2m people with HIV treatment through its access strategies, and considering the strategy holds 2% of its AUM in this company, US\$1m in the strategy would have a US\$20k holding in Company A. To calculate the impact we use the market cap of Company A and apply the following formula: (US\$20k / US\$market cap) x 15.2m. The end result represents the estimated number of people reached with HIV treatment by the underlying companies within the portfolio per US\$1m invested. The company specific impact metrics and KPIs we track for our 6 impact goals have been collected from April until the end of May 2024.

Engaging for Impact

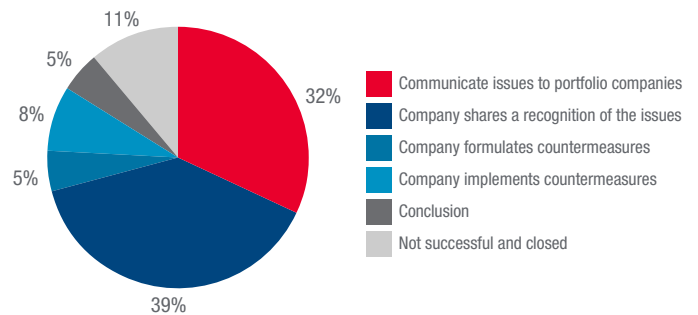
Nomura Global Shariah Sustainable Equity team believe that the investment management industry has a huge opportunity to have a positive impact. We are at the heart of an ecosystem in which there are multiple avenues to support better outcomes be that through collaboration with our investment peers, supporting intercompany collaboration or working together with non-governmental organisations (NGOs) and the media, how we behave as professionals or supporting the next generation of impact investors. Engaging in pursuit of impact is one very important avenue through which we can support better outcomes.

Over the year, we undertook 52 engagements with portfolio companies. Of these 21 were in relation to the Mitigate the Obesity Epidemic goal, 11 Mitigate Climate Change, 3 Mitigate Natural Capital Depletion, 3 Eliminate Communicable Disease, 1 Global Access to Basic Financial Services and 13 'Other' sustainability areas. Of these engagements 38 were ongoing engagements whilst 14 were one off engagements. Of the 49 ongoing engagements, 12 were at Milestone Level 1, 15 Level 2, 2 Level 3 and 3 at Level 4, whilst 2 were concluded successfully (Level 5) and 4 were closed unsuccessfully (Level 10).

Nomura Global Equity Team's Global Equity Team's Impact Goals



Engagements by Milestone Progress



Environment

19%
Mitigate Climate Change

5%
Mitigate Natural Capital Depletion

Society

35%
Mitigate Obesity Epidemic

5%
Eliminate Communicable Disease

2%
Global Access to Basic Financial Services

Global Access to Clean Drinking Water

Ongoing Milestone Tracking – 5 Steps



During the year we concluded 4 engagements due to lack of success.

Case Studies

Case Study 1: Mitigate Climate Change

As part of the team's commitment to support progression towards Net Zero, all portfolio holdings are tracked with regard to having set or committed to setting SBTi approved targets. The team initiated this project in 2022 and whilst there has been positive progression for a number of holdings since then the team recently carried out a series of follow-up engagements with those companies that have still not committed to setting approved targets. One pushback the team has frequently received is in relation to the measurement of Scope 3 emissions, and the team is leveraging its positive experience in working with Eversource Energy to overcome this to try to support companies that have similar reservations. The team is also using its experience across global companies to push a Japanese HVAC manufacturer to set approved targets – the company has a specific pushback on doing so, however, its US peers are all signatories and the team is urging the company to meet the standards set by its global peers and working with the company to help it understand how its peers have overcome the challenges.

Case Study 2: Mitigate the Obesity Epidemic

The team carried out an engagement project across portfolio holdings to promote access to obesity medications and treatment of the condition. This project is closely aligned with one of the strategy's impact goals - Mitigate the Obesity Epidemic. As a first step, the team started distributing a questionnaire to all Global Sustainable Equity holdings with a sizable presence in the US. The main purpose of this study was to get an understanding of investee companies' health care plans in relation to obesity treatment coverage and weight loss programs.

Case Study 3: Mitigate the Obesity Epidemic

As the lead investor for the Access to Medicine (ATM) Foundation collaborative engagement with Eli Lilly, the team undertook a number of engagements over the year on areas for improvement flagged by ATM. The primary objective of the engagement programme was however to push for Eli Lilly to engage more with the Foundation as it did not participate fully this year with regard to responding completely to the data collection process. One small area of weakness for the ATM index is that companies operating within the non-communicable diseases space view the index as being somewhat more favourable to those companies with portfolios further aligned with the treatment of communicable disease. The team was delighted to learn that Eli Lilly have subsequently post 2023 year-end taken the decision to participate in the Access to Medicine index data collection for the 2023 period.

Case Study 4: Mitigate the Obesity Epidemic

The team became increasingly concerned that certain Consumer Staples companies may be having a negative effect on the Mitigate the Obesity Epidemic goal with Big Food and ultra-processed foods (UPFs) fostering an environment in which obesity could be allowed to grow in prevalence. The term UPF is still relatively new and was popularly categorised by researchers in Brazil during 2009. These foods are the products of industrial processes in either the way they are formulated, constructed, or preserved. The category is broad and the foods are popular in many countries. In the UK, consumers obtain 60% of their calories from UPFs. However, unfortunately, there appears to be an increasingly strong link between consuming UPFs and poor health outcomes. Following extensive research, the team has published a white paper on the topic highlighting studies that show how both cardiovascular events as well as obesity can be linked to the consumption of UPFs. This research had two interesting conclusions as the team integrated it into our investment process. Firstly, from a sustainability perspective the team has re-evaluated the Consumer Staples companies in the GSE Total Impact Framework to take a more critical view of the impacts from their products. This ultimately led several businesses to have lower scores on the framework. Secondly, by evaluating the quantity of UPFs by country and the new effect from weight loss medications (GLP-1s) the team also became less constructive on the fundamental growth drivers of several Big Food companies. Ultimately, this led to the exit of Nestlé in the strategy. The team has also engaged extensively with these businesses and continue to push for a more responsible approach to UPFs.

Case Studies

Case Study 5: Eliminate Communicable Disease

NAM UK co-hosted the launch of Access to Medicine (ATM) Foundation's report on generics and biosimilar medicine manufacturers. The Foundation has previously focused primarily on the developers of the drugs and treatments, which are ranked in the annual ATM Index, however, it has expanded to cover the generic manufacturers who also play a very important role in supporting access, and NAM UK was delighted to be able to support this in some small way through co-hosting the launch event and participating in the investor discussion. Generic manufacturers play a very important role further downstream than the R&D-focused pharmaceuticals, and will often be the companies that manufacture the treatments themselves in low and middle income countries (LMICs) – either off patent treatments or through agreements wherein a treatment patent has been donated such that drugs can be manufactured across a range of lower income countries by generics. Benjamin Lacaille, Healthcare Analyst and Supporting Portfolio Manager also contributed to a fascinating panel discussion.

Case Study 6: Other Sustainability Matters

Over the past two years, the team has engaged extensively with Thermo Fisher Scientific's management on the sale of DNA sequencing devices and consumables within the People's Republic of China. These devices play a critical role globally in supporting reduction in crime, which the team view as very positive to society, but have unfortunately, in very limited circumstances, been abused. The company has engaged proactively on this issue and has now announced that it has halted sales in the regions associated with potential human rights violations. The original allegations of malpractice related to the province of Xinjiang and predated our initial investment. In 2019, Thermo Fisher halted sales of DNA sequencing devices in Xinjiang after it was alleged that the Chinese authorities were using them to build genetic surveillance infrastructure to monitor the Uyghur minority living in the province. Even after sales were officially stopped, the team was concerned that controls were not sufficient and devices were being transferred to Xinjiang from other provinces in China. Engagements with Thermo Fisher supported the view that the company was taking steps to address this and that prior sales volumes in Xinjiang were not sufficient to amount to mass genetic surveillance. In 2022, new concerns emerged around Thermo Fisher's equipment being used in the mass collection of DNA by the Tibetan authorities. The team's engagement with Thermo Fisher resumed, focussed around pushing for a halt in sales to the province similar to Xinjiang. Pressure from activists and lawmakers as well as investors seems to have helped persuade the company, and in January 2024 Thermo Fisher confirmed that they had stopped selling DNA technology in the Tibet region.

Appendix: Individual Company Contributions

Company	Alignment with NAM Impact Goal	Direct Intentionality	Measurement	Company CPI 1		
				Value 2023	Value 2022	Value 2021
MICROSOFT CORP	Mitigate Climate Change	No	Renewable energy credits and power purchase agreements (GWh)	23,568	18,153	12,969
MASTERCARD INC - A	Global Access to Basic Financial Services	Yes	Number of people reached previously excluded from financial services (target 1bn by 2025)	870mm	780mm	675mm
TAIWAN SEMICONDUCTOR MANUFAC	Mitigate Climate Change, Global Access to Clean Drinking Water	No	Total water saving (million metric tons)	Not yet released	216	186
NOVO NORDISK A/S-B	Mitigate the Obesity Epidemic	Yes	Number of patients that received Novo Nordisk treatment for diabetes (pa)	41.6mm	36.3mm	34.6mm
BOSTON SCIENTIFIC CORP	Mitigate the Obesity Epidemic	Yes	Number of patients served	37m	33mn	30mm
ASML HOLDING NV	Mitigate Climate Change	No	Scope 3 emissions intensity rate (kt per EUR mm of customer revenues)	0.55	0.56	0.47
JOHNSON CONTROLS INTERNATION	Mitigate Climate Change	Yes	Carbon saved as a result of performance contracting (tonnes pa and total since 2000)	3.8mm (39mm total)	3.3mm (35.2mm total)	4.1mm (31.9mm total)
THERMO FISHER SCIENTIFIC INC	Eliminate Communicable Disease	Yes	COVID-19 PCR diagnostic testing (cumulative in million)	Unlikely to update	1000	1000
ADOBE INC	Mitigate Climate Change, Mitigate Natural Capital Depletion	No	Number of PDFs opened in Adobe Products (annual, billions)	>400bn	400bn	320bn
VISA INC-CLASS A SHARES	Global Access to Basic Financial Services	Yes	Small and micro businesses digitally enabled (cumulative since 2020, goal of 50mm by 2023)	Not yet released	40mm	30.7mm
ALPHABET INC-CL A	Mitigate Climate Change	No	Renewable energy secured under PPAs (cumulative GW)	Not yet released	10GW	7.2GW
SCHNEIDER ELECTRIC SE	Mitigate Climate Change	Yes	Tonnes of CO ₂ saved by customers as a result of offering (since 2018 cumulative)	553mm	440mm	347mm
TETRA TECH INC	Global Access to Clean Drinking Water	Yes	Gallons of water treated, saved or reduced by projects (annual)	4.16trn	502bn	
ASTRAZENECA PLC	Eliminate Communicable Disease, Mitigate the Obesity Epidemic	Yes	People reached through access to healthcare programmes (cumulative)	66.4mn	44.6mm	31mm
CISCO SYSTEMS INC	Mitigate Climate Change	No	Metric tonnes of CO ₂ e avoided through energy efficiency and renewable energy projects (pa)	2,100	8,000	2,700
SAP SE	Mitigate Climate Change	No	Total GHG emissions offset and avoided from renewables investments (metric tonnes per annum)	376,000	257,000	219,500
PENTAIR PLC	Global Access to Clean Drinking Water	No	Number of people provided with clean drinking water in developing economies under Project Safewater	3mm	3mm	>3mm
BECTON DICKINSON AND CO	Mitigate the Obesity Epidemic, Eliminate Communicable Disease	Yes	R&D expenditure used as a proxy for investment in solutions for Mitigate the Obesity Epidemic and Eliminate Communicable Disease	US\$1,237mm	US\$1,256mm	US\$1,181mm
SMITH (A.O.) CORP	Mitigate Climate Change, Global Access to Clean Drinking Water	Yes	Tonnes carbon saved from AOS' efficient technology (pa)	Not yet released	585k	495k
GILEAD SCIENCES INC	Eliminate Communicable Disease	Yes	HIV sufferers that have received GILD drugs in low/mid income countries through access strategies	20.0mm	20.0mm	16.5mm
NESTLE SA-REG	Global Access to Clean Drinking Water	No	Absolute water savings through projects (m3, pa)	3mm	2.38mm	2.3mm
ELI LILLY & CO	Mitigate the Obesity Epidemic	Yes	Number of people reached by Eli Lilly medicines	55.8mm	51mm	47mm

Measurement	Company CPI 2			Measurement	Company CPI 3		
	Value 2023	Value 2022	Value 2021		Value 2023	Value 2022	Value 2021
Airband Initiative to close the broadband gap (cumulative, target 250mm by 2025)	63mm	50mm	33mm	Number of people provided with access to clean water and sanitation solutions (cumulative, target 1.5mm by 2030)	550k		
Energy conserved based on company estimate "each 1 kWh devoted to production conserves 4 kWh for the world"	Not yet released	84.3GWh	72.3GWh				
Diabetes sufferers treated with human insulin (at a cost <US\$3/vial) and through access programme	2.4mm and 5mm across total access strategies	1.8mm and 4.3mm across total access strategies	1.7mm (lowered to US\$3), 5mm total through access strategies	R&D expense (of which the majority is in obesity and related diseases)	DKK 32.44bn	DKK 24.05bn	DKK 17.77bn
Number of clinical trials being undertaken, which covers new products and applications	63	80	145				
Total number of wafers produced by ASML EUV system installed base (mm)	Not reported	111	59				
Research and development (R&D) spend (US\$bn, pa)	1.3	1.5	1.4	Number of clinical trials (pa)	Not in report have emailed	8,200	7,100
Electronic and digital signature transactions processed (billions)	>8bn	8bn	8bn				
Number of previously unbanked customers who received a first-time account from Visa (annual)	Stopped reporting	Stopped reporting	Stopped reporting				
Household energy saved by Nest thermostat customers (cumulative GWh)	Not yet released	113,000	86,711	Population of Android smartphones used worldwide (billions)	4.91bn	4.75bn	4.59bn
Number of people provided access to green electricity (additional in year)	6.9mm (46.5mm since 2009)	5.5mm	4.2mm				
Millions of tonnes of CO ₂ emissions avoided or captured by projects (annual)	52.4mm	80.6mm	20.6mm	Hectares of land protected or restored (annual)	5.7mm	6.7mm	
Number of people reached through Healthy Heart Africa, Young Health and Healthy Lung Programme (cum)	66.4mm	45mm	31mm	Number of COVID-19 vaccine doses supplied	>3bn	3bn	2.5bn
People impacted through social impact grants and signature programs (cumulative, target 1bn by 2025)	1,100mm	848mm	716mm				
Metrics tonnes of carbon saved from efficient pumps (annual and total, since 2005)	548k tonnes (16.4mm total)	15.9mm	15.4mm	Single use plastic water bottles avoided	6.97bn	7.77bn	8.96bn
Number of devices committed for COVID-19 vaccines (needles, syringes)	No longer reporting	2bn	2bn				
Displacement of single use plastic bottles by water filtration systems	Not yet released	1.8bn	1.3bn	Gallons of drinking water filtered by AOS water treatment systems	Not yet released	231mm gallons	167mm gallons
R&D expense	US\$5.7bn	US\$5.9bn	US\$5.5bn	Individuals treated with Remdesivir (COVID treatment) through voluntary licensing	8.1mm	8mm	
GHG emission reductions + removals (millions tonnes CO ₂ e, pa)	13.3	10.7	13.7	Number of young people around the world with access to economic opportunities (millions, cumulative since 2017)	7.70mm	5.62mm	3.89mm
Number of people reached in resource limited locations	18mm	13mm	10.5mm				

Appendix: Individual Company Contributions

Company	Alignment with NAM Impact Goal	Direct Intentionality	Measurement	Company CPI 1		
				Value 2023	Value 2022	Value 2021
DSM-FIRMENICH AG	Mitigate Climate Change	Yes	Proportion of sales that are 'Brighter Living Solutions' defined by the company as having a higher environmental or societal impact than mainstream alternatives	Paused post DSM/FR merger	67%	64%
UMICORE	Mitigate Climate Change, Mitigate Natural Capital Depletion	Yes	GWh of capacity - battery cathode material for electric vehicles	85GWh	65GWh	65GWh
DAIKIN INDUSTRIES LTD	Mitigate Climate Change	Yes	Tonnes of carbon saved as a result of company's environmentally conscious products	Not yet released	22mm	21mm
TESLA INC	Mitigate Climate Change	Yes	Avoided emissions from EVs, storage and solar panels (million tonnes)	20.4	13.4	8.4
MEDTRONIC PLC	Mitigate the Obesity Epidemic	Yes	Patients served (we estimate 60% of the business is related to fields impacted by obesity - CV, diabetes etc)	74mm	76mm	72mm
ORSTED A/S	Mitigate Climate Change	No	Installed Renewable Capacity (GW)	24.1	15.1	13.0
TRACTOR SUPPLY COMPANY	Mitigate the Obesity Epidemic	No	Neighbours Club membership (mm)	32.0	28.0	23.6
FISERV INC	Global Access to Basic Financial Services	No	GPV (global payment volume) through the Clover platform (US\$bn)	271	232	201
ADYEN NV	Global Access to Basic Financial Services	No	Processed Volume as proxy for impact on financial system (US\$bn)	970.1	767.5	516.0
APPLE INC	Mitigate Climate Change	No	Renewable energy capacity committed at suppliers' facilities (GW)	21.0GW	20.0GW	15.9GW
NVIDIA CORP	Mitigate Climate Change	No	R&D expenditure as a proxy for supporting innovation (US\$bn)	8.7	7.3	5.3
PALO ALTO NETWORKS INC	Mitigate Climate Change	No	Total Scope 1 & 2 (Market) GHG Emissions (metric tonnes CO2e)	13,659	14,148	9,609

Measurement	Company CPI 2			Measurement	Company CPI 3		
	Value 2023	Value 2022	Value 2021		Value 2023	Value 2022	Value 2021
Reduction in Scope 3 emissions intensity from 2016 base level	11% (impacted by merger)	17%	8%	Number of people reached in supporting enabling closing the micronutrient gap (total, mm)	677mm		
Tonnes of carbon avoided as a result of products and services (annual)	11mm	11mm	13mm	Tonnes of industrial and precious metals recycled (capacity is used as a proxy)	500kt	500kt	500kt
Environmentally conscious products as percentage of residential air conditioner sales	Not yet released	99%	99%				
R&D expenditure (proxy for investment into technology supporting mitigate the obesity epidemic - we estimate ca. 60% of business)	US\$2.6bn	US\$2.7bn	US\$2.5bn				
Emission avoided by environmental programs (metric tonnes CO ₂ e)	31,000,000	28,000,000	23,000,000	Scope 2 Emissions avoided as a result of renewable energy sourcing (metric tonnes CO ₂ e)	1,144,000	1,201,000	1,063,720
Material Data Breach	0	0	0				



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US\$ **561** bn*

assets under
management globally

1,375

staff employed
across **14** offices

230

portfolio managers located
strategically around the world

126

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 1st April 2024; *as of 31st March 2024.

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NAM UK

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November 2024

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