

NOMURA



What is *your* total impact?

Nomura Asset Management U.K. Limited

Nomura Global Sustainable Equity Fund  
Impact Report 2021

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

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"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.

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## Introducing the Global Sustainable Equity Fund

The Nomura Global Sustainable Equity (GSE) Fund is a concentrated global equity strategy that seeks to deliver a double bottom line, defined as strong investment returns and high positive impact on the environment and society through both investment and engagement activity. In keeping with the team's investment philosophy the strategy has a strong bias towards quality companies and does not invest in companies that have a clear negative impact on our planet and society. The strategy capitalises on Nomura's successful core global equity investment platform and long standing track record as responsible investors.

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 Alex Rowe with Tom Wildgoose as co-manager. The portfolio managers are supported by a team of investment professionals, based in London and Malaysia. The strategy is team based but Alex Rowe has final decision making power.



### **Alex Rowe, CFA**

#### *Lead Portfolio Manager*

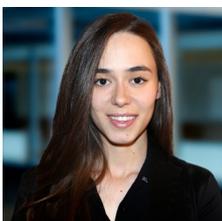
Alex has been with Nomura Asset Management U.K. Ltd. since 2014, and has been a professional equity investor for over 10 years. He holds a Masters of Chemistry (University of Oxford, First Class), and is a CFA Charterholder. He is an alumni of the Oxford University Said Business School Impact Investing executive program. Alex has specialised in sustainable investing since 2016.



### **Tom Wildgoose, CFA**

#### *Co-Manager, Head of Equity Investment*

Tom is the Head of Equity Investment at Nomura Asset Management U.K. Ltd. and has been with the firm since 2007. He has been an equity investor for over 20 years. Tom holds a Masters of Engineering (University of Durham, First Class), a Masters in Computing (Imperial College, London), is a CFA Charterholder and an exam qualified management accountant.



### **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.

## Foreword

The sustainable investment market has seen massive inflows in recent years, but it is now at a critical juncture. Ice caps are melting at record rates, and extreme weather events are ever more frequent. We are just emerging from the deadliest pandemic in over a century, and a major war is taking place on the borders of the European Union leading investors to question the relationship between these various environmental and social issues and sustainable investing. Investors often find themselves with a vast amount of data and uncorrelated ESG scores wrapped in terminology that bears little relationship to real world outcomes. Against this backdrop, we believe that ‘impact awareness’ will become the most important concept as sustainable investing matures. Our annual Impact Report is our best effort to articulate the philosophy of ‘impact awareness’ that runs through everything we do on the behalf of our clients.

Impact awareness is simply an understanding of both the impact that a company is having on its stakeholders through its products and services (or indeed its operations), and crucially also the impact the asset manager is having through engagement activity. Often and even at the most difficult of times we find that companies have a positive impact on society, for example during the COVID-19 pandemic. Large pharmaceutical companies with the human resources, intellectual property, willingness to invest, and management capabilities were the ones that could develop vaccines in record time. Nonetheless the ongoing positive impact of these companies must be scrutinised and encouraged. This is where the investment management industry can play a crucial role. Through engagement, asset managers can encourage companies to improve their social impact, for example providing access to medicine in lower income countries.

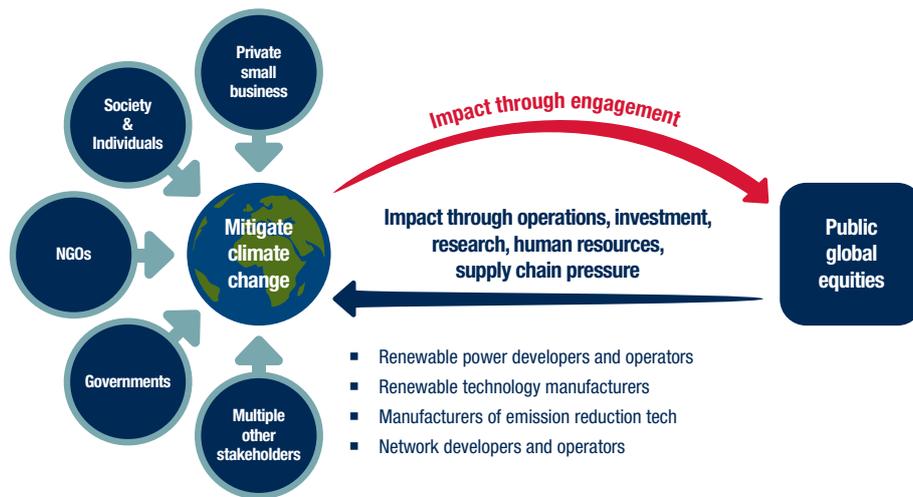
In order to grasp the total impact of a company on all its stakeholders, an investor needs a thorough understanding of the company’s operations, objectives and the associated data. This understanding is the basis upon which clients place their trust in investment management teams and, moreover, is what allows investors to truly understand the sustainability status of the portfolios they manage. For a company that is developing emission-reducing technology, we need data to help us better understand its impact in terms of the carbon emissions avoided as a result of this technology. For a mobile payments business in an emerging economy that is supporting access to otherwise scarce basic financial services, we need to know the number of people using the service and the volume of payments across the platform. For a company that is developing treatments for communicable diseases such as HIV, we need to understand the number of people that are being reached by the company, particularly those within lower income countries through access strategies, and even more crucially, the ultimate impact this has had on human life.

Through understanding the core impact of the companies they invest in, fund managers can not only make better investment decisions but can also present the impact of underlying holdings to their clients with a standardised figure for each unit of investment. This can cut through all of the noise around sustainable investing, and support a far better understanding of whether the strategy is indeed aligned with an investor’s view as to what a ‘sustainable’ investment should achieve. This will enable investors to consider whether the most important investment perspectives they see are consistent with the environmental and social outcomes most important to them.

Impact through engagement is a mind-set through which we believe the asset management industry can do a better job for clients by refocussing on the outcomes of the activity carried out on their behalf. Historically, the investment management industry has tended to report on activity rather than on outcomes from the activity – for example the number of engagements by region and theme rather than whether those engagement activities actually drove change and the impact of that change. Investors are now asking for more – what is most important is actually the impact that one had through engagement efforts – and asking what change any activity brought about and what was the actual impact of those changes. For example should an asset manager drive a company to divest dirty oil and gas exploration assets only to find that the new owner subsequently manages the assets less responsibly and emissions increase substantially. Has the asset manager actually had a positive impact despite good intentions? Though this more self-critical lens of whether activity is actually driving positive outcomes is indeed extremely challenging and brings numerous issues with regard to for example attribution, it is also a tool that greatly increases the efficiency of activity and ultimately supports better outcomes. We face immense challenges as a society and the focus must be on whether the impact we are having is making a difference to these issues. We must also be prepared to pivot and try new avenues rather than trying the same approach repeatedly without recognising that times and indeed our role as asset managers has changed.

## Our Impact Investing Philosophy

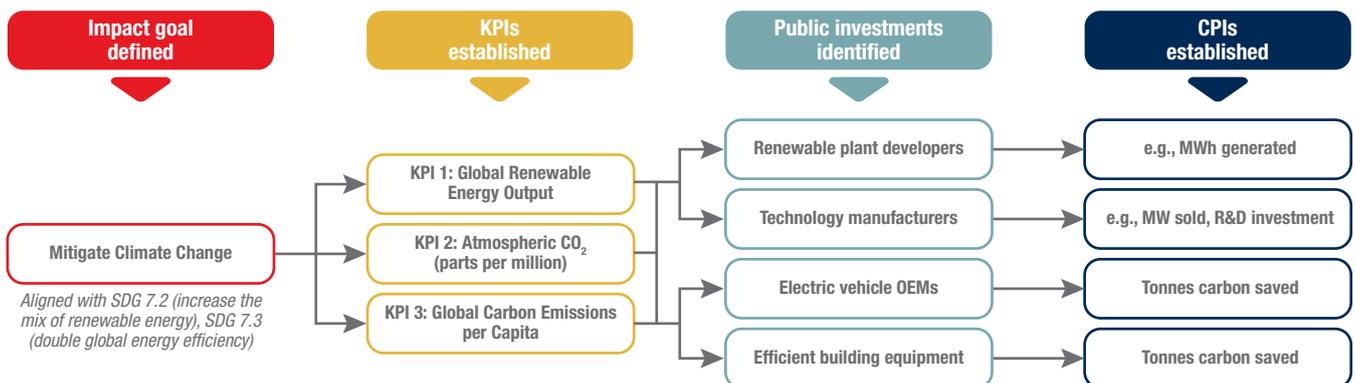
Nomura Asset Management U.K. Limited (NAM UK) is committed to reporting credible impact data to support our clients' understanding of the impact that their capital is having on the world alongside the competitive financial returns. Whilst public equity funds are not traditionally considered vehicles 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 no other stakeholder can have a greater impact than public companies, which have 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'. 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 NAM UK 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 previously published Global 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.

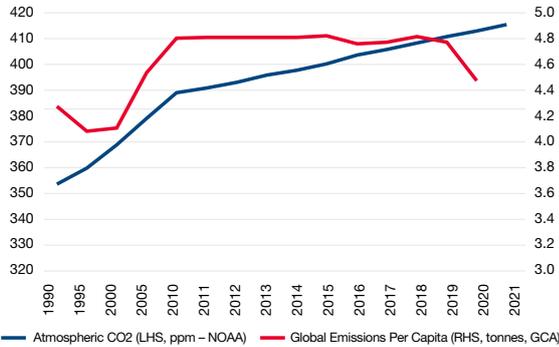
## Setting Definable Impact Goals in line with NAM's ESG statement and the UN SDGs

ESG Statement	Environment		Society	
	Climate Change	Natural Capital	Access to Healthcare	Social Responsibility
				
<b>Impact Goals</b>	<b>Mitigate Climate Change:</b> Keep global warming to below 1.5°C	<b>Mitigate Natural Capital Depletion</b>	<b>Eliminate Communicable Disease</b>  <b>Mitigate the Obesity Epidemic</b>	<b>Global Access to Basic Financial Services</b>  <b>Global Access to Clean Drinking Water</b>
<b>Key Performance Indicators</b>	Global Renewable Energy Output  Atmospheric CO <sub>2</sub> 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
<b>Alignment with the UN SDGs</b>	<b>SDG 7.2</b> Increase the mix of renewable energy <b>SDG 7.3</b> Double global energy efficiency	<b>SDG 12.2</b> Achieve the sustainable management and efficient use of raw materials	<b>SDG 3.3</b> By 2030, end epidemics of AIDS, Tuberculosis and Malaria <b>SDG 3.4</b> Reduce mortality from non-communicable diseases	<b>SDG 1.4</b> By 2030, ensure all have equal rights to economic resources <b>SDG 6.1</b> Achieve universal access to clean water

# Tracking Progress Towards Our Environmental and Social Goals

## Mitigate Climate Change

### Atmospheric CO<sub>2</sub> Levels and Emissions per Capita



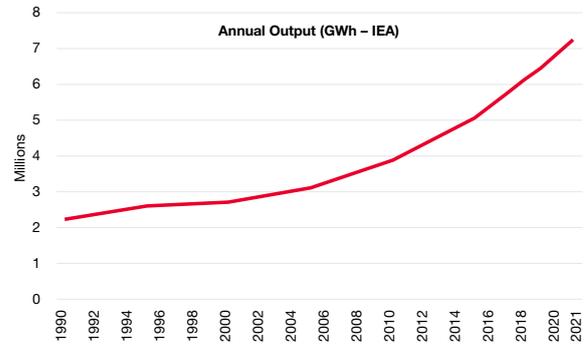
#### Progression towards our Goal and KPIs

**Global Carbon Emissions per Capita and Carbon Intensity per Capita:** Declined substantially in 2020 as a result of the pandemic but will have rebounded in 2021 as economies reopened and there remains a huge need to reduce consumption per capita as population growth continues.

**Atmospheric CO<sub>2</sub> Levels:** Continued to increase at just under 1% per annum even despite emissions reducing modestly in 2020 highlighting the extent to which emissions intensity must decrease.

**Global Renewable Energy Output:** Is growing at 5-6% per annum. Solar has overtaken wind as the greatest driver of growth over the past two years driven by a huge reduction in costs.

### Global Renewable Energy Generation



#### Examples of our Investments for Impact

**Daikin:** Leading position in inverter and ductless HVAC technology supports significant emission reduction.

**NextEra Energy:** World's largest onshore wind energy generator with rapidly growing solar portfolio.

**Johnson Controls:** Efficient HVAC and control systems drastically reduce building emissions.

**Schneider:** World leading electrical equipment business with regards to managing climate impact and enabling customer emissions reduction.

**Umicore:** Leading manufacturer of cathode material for EV batteries.

#### Examples of our Engagement for Impact

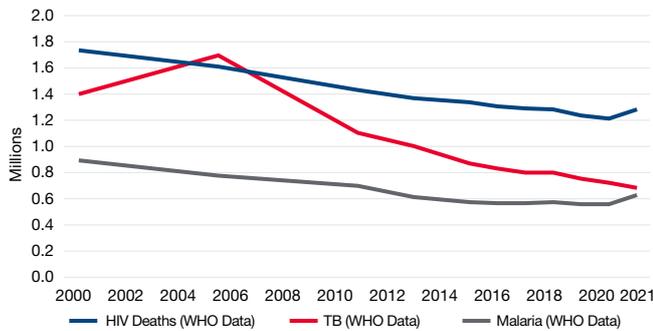
Continue to engage extensively with companies to report better climate impact data – most importantly an increased focus on the emissions avoided as a result of products and services. In late 2021 began SBTi project to engage with those companies that have not yet set (or committed to setting) SBTi approved targets.



# Tracking Progress Towards Our Environmental and Social Goals

## Eliminate Communicable Disease

**Global Deaths from HIV, TB and Malaria**

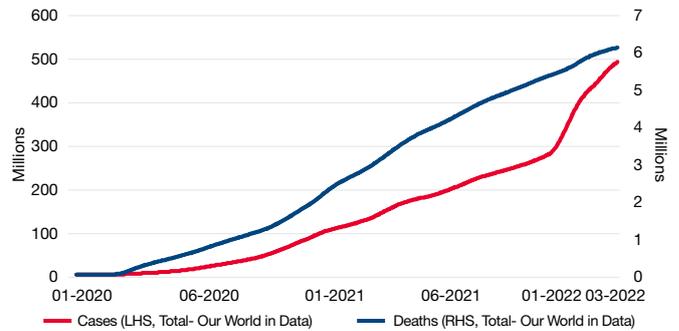


**Progression towards our Goal and KPIs**

**Deaths due to HIV, TB, Malaria:** Global deaths from HIV/AIDS continue to decline however deaths from TB increased for the first time in a decade to 1.28mm and Malaria deaths also increased. The COVID-19 pandemic was the primary driver of this as resources were reallocated to fighting the pandemic and access to healthcare was reduced. There is still no vaccine for pulmonary TB within adults however some positive strides have been made more recently.

**Deaths from COVID-19:** As at end of March 2022, there were 6.14mm reported deaths from COVID-19. Large pharmaceutical stakeholders have played a particular important role in supporting the global response to the pandemic.

**Global COVID-19 Cases and Deaths**



**Examples of our Investments for Impact**

**AstraZeneca:** The company has taken by far the most sustainable approach to tackling the pandemic offering its COVID-19 vaccine on a not for profit basis and supplying 2.5bn doses in 2021.

**Gilead:** The world's leading HIV treatment pharmaceutical company. Drug Remdesivir was one of the earliest treatments for COVID-19 to be introduced.

**GlaxoSmithKline:** Largest vaccine manufacturer globally with leading Access strategies. Currently working with CureVac to develop next generation mRNA COVID vaccine.

**Becton Dickinson:** Has played a vital role in tackling the COVID-19 pandemic through both COVID-19 tests and devices committed for vaccine administration (2bn).

**CVS:** Supported COVID-19 vaccine administration (59mm in 2021) and testing (32mm tests in 2021).

**Examples of our Engagement for Impact**

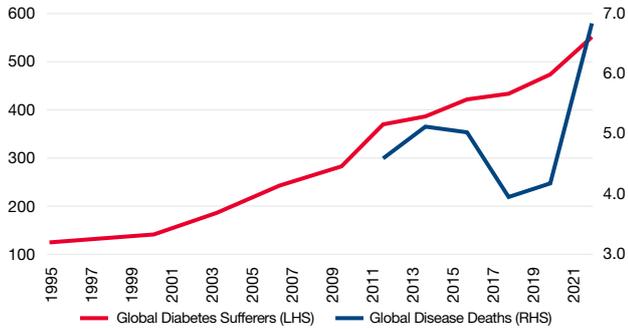
Engaged both directly and collaboratively with Access to Medicine peers to put pressure on companies to take a responsible approach to vaccines. Have further worked with the media and NGOs to amplify our voice and raise awareness.



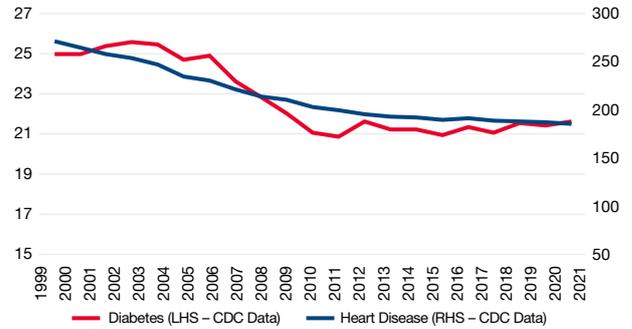
# Tracking Progress Towards Our Environmental and Social Goals

## Mitigate The Obesity Epidemic

**Global Number of People with Diabetes and Annual Deaths (IDF, mm)**



**US Obesity Related Death Rates (Deaths per 100,000)**



### Progression towards our Goal and KPIs

**Obesity Related Death Rate:** Globally deaths from diabetes jumped substantially in 2020 and 2021 as a result of the COVID-19 pandemic and the increased threat to those with comorbidities.

**Number of Individuals with Diabetes Globally:** Has accelerated, growing at 8% pa between 2019 and 2021. The impact of the COVID-19 pandemic has highlighted the need to tackle obesity and reduce the acceleration of diabetes prevalence globally.

### Examples of our Investments for Impact

**Novo Nordisk:** Leading diabetes and obesity treatment manufacturer.

**Becton Dickinson:** Medical equipment applications across diabetes and cardiovascular disease.

**Medtronic:** MedTech company with large cardiovascular and diabetes businesses.

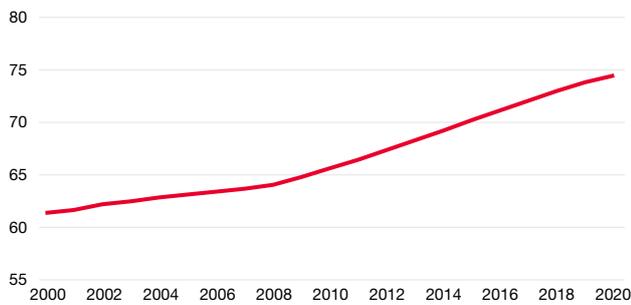
### Examples of our Engagement for Impact

In 2021 Nomura Asset Management became a signatory to Access to Nutrition. The primary focus has been on using our presence in Japan to drive a significant improvement in engagement from Japanese companies which have previously lagged. Have joined collaborations with **Nestlé** and **Unilever** and engagements with the UK government (Defra).

# Tracking Progress Towards Our Environmental and Social Goals

## Global Access to Clean Drinking Water

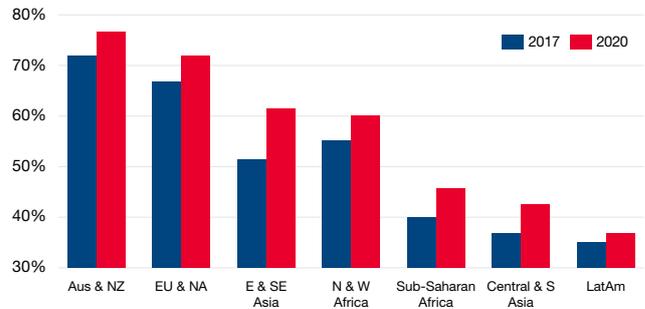
**Percentage of Global Population with Access to Safe Drinking Water (World Bank)**



**Progression towards our Goal and KPIs**

**Percentage of Global Population with Access to Safe Drinking Water:** The WHO/ UNICEF Joint Monitoring Programme (JPM) most recent update indicates that today around 25.7% of the world's population still do not have access to safe drinking water. Although we are observing a slight slowdown in the growth rate, there is clear progress year over year with regards to water resource management globally, particularly across Asia and Africa.

**Degree of Integrated Water Resource Management (UNEP)**

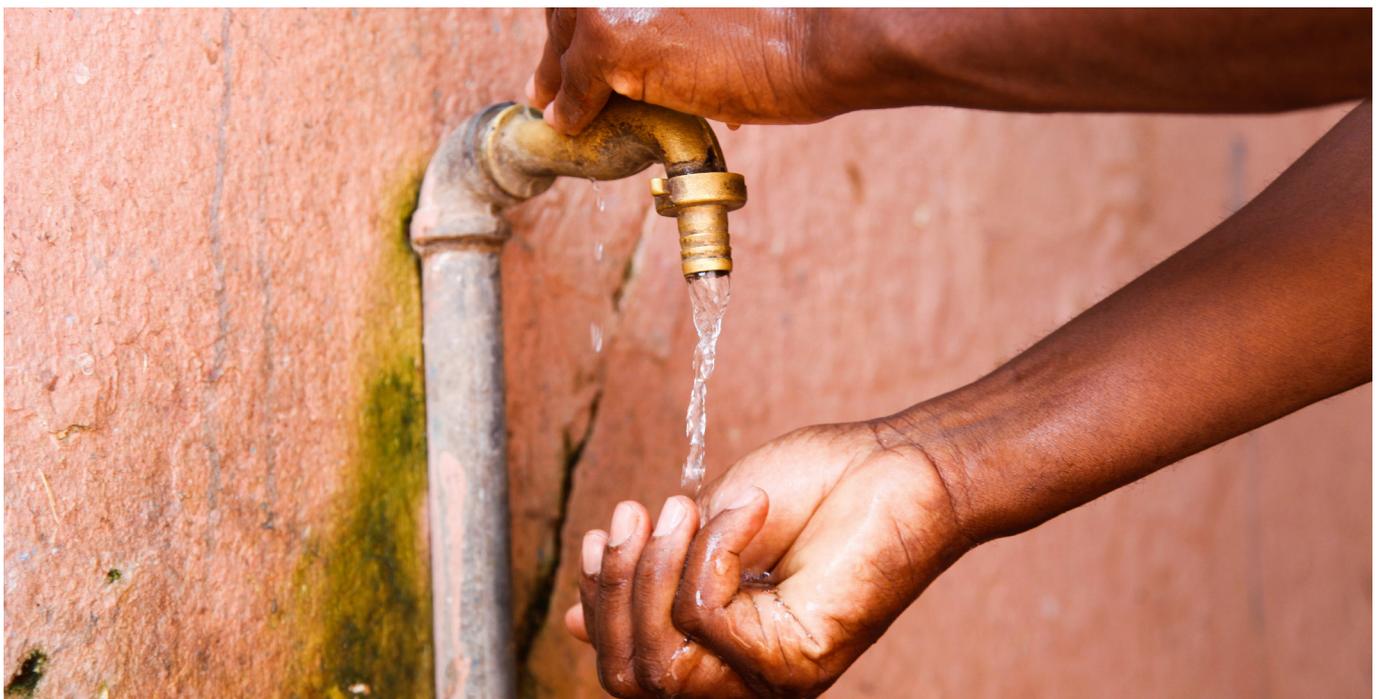


**Examples of our Investments for Impact**

- Unilever:** Very strong water filtration business and commitment to supporting global access.
- Pentair:** Water filtration business with strong presence in Asia. '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**

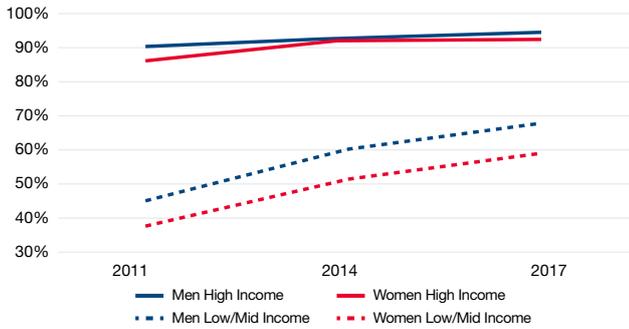
Primary engagements have focused on driving companies to report better impact data that will help investors to understand the impact they are having on supporting access to clean drinking water.



# Tracking Progress Towards Our Environmental and Social Goals

## Global Access to Basic Financial Services

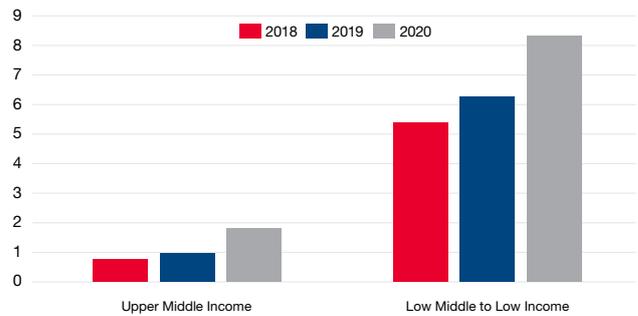
### World Bank – Account Ownership



### Progression towards our Goal and KPIs

**Percentage of Population who are Unbanked:** The World Bank have not updated data on the proportion of the population that is unbanked since 2017, at which time there were still 1.7bn people globally who did not have access to a bank account (down 15% since 2014). More frequently published data from the IMF on the growth in mobile money accounts across emerging economies shows the impact that mobile payment technology is having in accelerating financial inclusion. Since 2018 mobile money transactions have increased by 50% as a percentage of GDP in Low Middle to Low Income countries.

### Mobile Money Transactions (% GDP) IMF Financial Access Survey



### Examples of our Investments for Impact

**Safaricom:** Mobile payments business with in excess of 28mm active users in Kenya (population of 54mm) many of whom would not have access to financial services otherwise.  
**HDFC:** Has financed 8.4mm homes in India, a significant portion of which have been in the low income and economically weak sectors.  
**Bank Rakyat:** Indonesian bank with a focus on micro loans via its large network of agents that allows branchless contact across the large Indonesian archipelago.

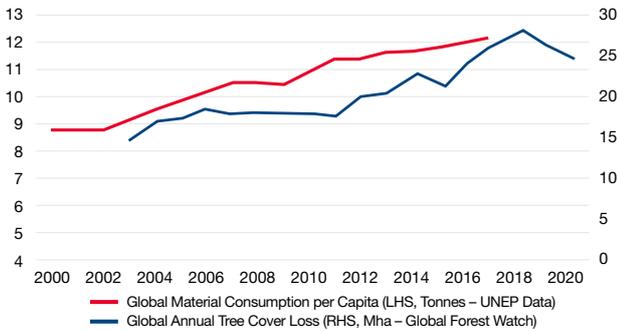
### Examples of our Engagement for Impact

Engaged with **HDFC** in relation to the continued provision of financial services in a COVID-19 environment where branches/agents may have to reduce customer contact due to safety reasons.

# Tracking Progress Towards Our Environmental and Social Goals

## Mitigate Natural Capital Depletion

### Global Material Consumption Per Capita & Global Annual Tree Cover Loss



### Progression towards our Goal and KPIs

**Global Annual Tree Cover Loss:** Rolling three year average deforestation levels continue to moderate since peaking in 2018.

**Material Consumption per Capita:** Has grown at just over 1% pa since 2014 through 2019. United Nations Environment Programme (UNEP) have not yet published data on consumption in 2020 however more frequently published data on global individual natural resource consumption does suggest a moderation in 2020 driven by the COVID-19 pandemic most notably in coal and oil (declined -10% and -5% respectively), however it is expected that this will rebound as economies fully reopen.

### Global Resource Consumption

Year	Oil Consumed (mm bbl. a day)	Coal Consumed (mm tonnes)	Apparent Steel Use (mm tonnes)	Aluminium production (mm tonnes)	Copper production (mm tonnes)
2015	92.6	5385.6	1626.1	58.5	19.3
2016	94.4	5305.9	1640.4	59.9	20.4
2017	96.0	5326.1	1759.9	63.4	20.0
2018	97.3	5418.2	1835.8	64.2	20.6
2019	97.6	5386.2	1888.9	63.7	20.4
2020	88.7	5166.5	1951.9	65.3	20.0

### Global Resource Consumption Per Capita

Year	Oil Consumption (barrels)	Coal Consumption (kg)	Steel Apparent Use (kg)	Aluminium production (kg)	Copper production (kg)
2015	4.6	729.8	220.4	7.9	2.6
2016	4.6	710.9	219.8	8.0	2.7
2017	4.6	705.6	233.2	8.4	2.7
2018	4.7	710.0	240.6	8.4	2.7
2019	4.6	698.3	244.9	8.3	2.6
2020	4.2	662.8	250.4	8.4	2.6

### Examples of our Investments for Impact

**Umicore:** Company operates world leading industrial and precious metal recycling operations that support a reduction in extraction requirements.

### Examples of our Engagement for Impact

NAM UK is leading the engagement with both **Nestlé** and **Unilever** as members of a collaborative engagement initiative that is using satellite imaging and artificial intelligence (AI) to support us in holding holding companies accountable for deforestation in supply chains.



## 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':

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

As we progress from Inputs through to Impact the metrics become harder to measure, more reliant on company reporting, and harder to attribute. Taking for example a HIV treatment company's inputs 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 Outputs 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 and the quality of its reporting, and nature of operation we may have inputs, activities, outputs. 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.

# The Global 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.

## Mitigate Natural Capital Depletion



Recovered **603 kgs** of high value industrial and precious metals through recycling  
**2055** single use plastic water bottles displaced by filtration products

## Mitigate Climate Change:



**139 tonnes** lower CO<sub>2</sub> emissions (scope 1+2+3) relative to MSCI ACWI  
*Equivalent to taking 30 cars off the road and 58 tonnes of reported emissions avoided from products (Scope 4)*



**4.79 kW** of renewable energy  
Connected and **\$2,701** of investment into Electric Networks



**78 kWh** of cathode material produced for electric vehicles  
*Enough to power 2 EVs*

## Global Access to Clean Drinking Water



**1449 litres** of safe and clean drinking water



**110 people** reached through hygiene outreach and water access programmes

## Eliminate Communicable Disease



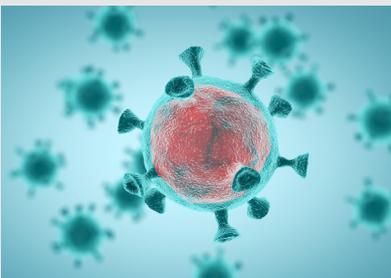
**22 low income patients** reached with treatments through access strategies – of which 7 represents HIV treatment



**451 vaccines** delivered last year (124 excluding COVID-19 vaccines)

per **US\$1mm** invested

## COVID-19 (Eliminate Communicable Disease):



**326** COVID-19 vaccines manufactured in 2021  
**97** COVID-19 PCR Diagnostic tests produced  
**1012** medical delivery devices committed for COVID-19 vaccines

Source: Company Reports, Nomura Asset Management Research.  
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 NAM UK 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\$1 mm 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 15.2mm people with HIV treatment through its access strategies, and considering the strategy holds 2% of its AUM in this company, US\$1 mm 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: (\$20k/\$market cap) x 15.2mm. The end result represents the estimated number of people reached with HIV treatment by the underlying companies within the portfolio per US\$1 mm invested.

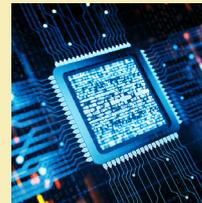
## Global Access to Basic Financial Services:



Supports **53** otherwise highly underserved individuals across Kenya having access to mobile payments



Provided **\$586 of mortgage financing** to the economically weak sector in India and **\$5,463 of loans** to micro, small and medium enterprises in Indonesia finance

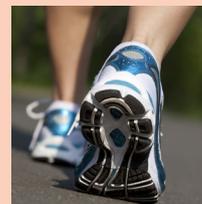


Have reached **80 previously unbanked** individuals through financial access strategies since 2015



Provided insurance solutions in emerging economies for **23 individuals**

## Mitigate the Obesity Epidemic:



Provided treatment for **5 diabetes sufferers**

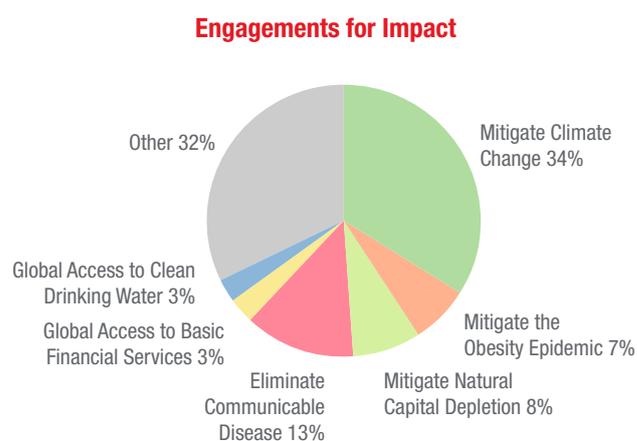


**10 members** covered with medical insurance

## Engaging for Impact

At Nomura Asset Management (NAM) we strongly believe the investment management industry has a huge opportunity to have a more 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 responsible investment peers, supporting intercompany collaboration or working together with NGOs and the media, how we behave as professionals or supporting the next generation of impact investors. Engaging for impact is one very important avenue through which we can support better outcomes and over the year we undertook 60 engagements with portfolio companies.

Impact Goal	Count
Mitigate Climate Change	20
Mitigate the Obesity Epidemic	4
Mitigate Natural Capital Depletion	5
Eliminate Communicable Disease	8
Global Access to Basic Financial Services	2
Global Access to Clean Drinking Water	2
Other	19
<b>Total</b>	<b>60</b>



## Case Studies

### Case Study One: Mitigate Climate Change / SBTi Initiative

In the fourth quarter of the year the team began a project to engage with those companies held in the strategy that do not yet have GHG emission reduction targets that have been approved by the Science Based Targets Initiative (SBTi), or committed to the initiative that they will set targets. Such targets align a company's objectives for the pathway of their emissions with what is required to meet the Paris Agreement – limiting global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels. The SBTi validation of GHG emission reduction targets is considered the 'gold standard' within the investment community and provides investors with an opportunity for a more direct comparison between peers and across sectors. The initial stage of the project was focused on analysing the GHG emission reduction targets of portfolio holdings and determining which companies either have not set targets at all or have not yet had them approved by the SBTi. The next stage involved engaging with all of those companies to understand their reasons for not having such targets, the challenges they are facing and whether they are considering or currently working towards SBTi validated targets. In November, NAM announced its own commitment to the Net Zero Asset Managers initiative and core to the impact we believe we can have as a firm will be engaging with companies and using our influence to push them towards committing and then in due course having their targets validated by the SBTi.

### Case Study Two A: Other (Human Rights within Xinjiang, China – DNA Sequencing)

Historically this has been a difficult area for investors to approach given the conflicting reports from the region. The international community has increasingly condemned the alleged mass detention of the Uyghur population. Mike Pompeo, the former US Secretary of State, called the treatment of this minority a genocide as one of his last acts in office and a diplomatic boycott of the 2022 Winter Olympics was announced by the UK, US and Canada to protest these issues. Meanwhile, the Chinese government continues to deny any human rights abuses and accuses Western countries of propagating untruths about the government's activity in the region. It will always be difficult to have clear line of sight on this issue but as responsible investors, we take a cautious view and take all human rights allegations seriously. Consequently, we seek to engage with companies accused of being complicit with any human rights abuse in the region.

Several US companies have sold complex DNA sequencing machines into the region over previous years. These devices have been allegedly used to track the Uyghur population and help enable mass detention. Although, these US companies have now stopped direct selling of DNA sequencing machines into the region, according to the New York Times, use of these machines is still commonplace in the province through secondary channels. We have engaged with the relevant companies, including strategy holding Thermo Fisher, to understand what these machines were being used for and what steps have been taken to stop the availability of these machines in Xinjiang. Over time, we will encourage the companies to introduce greater due diligence on where these machines are sold globally to reduce the likelihood that they might be used in a way that could violate human rights.

### Case Study Two B: Other (Human Rights within Xinjiang, China – Polysilicon)

We initiated several engagements with investee companies on the topic of potential polysilicon supply chain links to forced labour. Overall, the production of around 75-80% of the total global supply of polysilicon belongs to China, and in particular the Xinjiang Uyghur area, which produces around half of the global supply used in the production of solar panels. We witnessed the irony of ESG "good" in the face of renewable energy and the crucial role it plays in the energy transition towards Net Zero and ESG "bad" in the face of potential links to forced labour and other human rights violations. We identified two major issues that companies were facing. On one side, intensified social risks and human rights violations and on the other side the potential threat of future import restrictions on polysilicon produced in the Xinjiang area, similar to restrictions imposed on cotton and tomatoes by the US last year, which could potentially create disruptions in the solar generation supply chain and shortages in the future.

Although, we realise the complexity of the solar panel supply chain and the extreme difficulty to perform efficient traceability efforts and supply chain due diligence, we assessed that some of the largest producers and consumers of solar energy in the world could leverage off their economies of scale and supplier relationships in order to play their part in influencing change. What we found as a result from our direct engagements with companies was that although aware of the issues presented to them, companies were reluctant to do everything in their power to influence change in the supply chain. We believe that regardless of where exactly they sit in the intricate supply chain system, big corporations can leverage off their position and purchasing power to create pressure and drive change. Among the recommendations we gave to

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companies were to increase their supply chain traceability efforts and to review and enhance due diligence processes, where possible, send on field inspections, and last but not least base solar panel or solar energy purchases on a list of criteria broader than simply price. We are planning to follow up on those engagements and continue to monitor closely the development of this topic in the future.

### Case Study Three: Eliminate Communicable Disease

NAM co-signed an Access to Medicine statement supporting a fair and equitable response to the COVID-19 pandemic. Following on from the statement individual company specific letters were drafted and distributed by the investor collaboration that addressed the specific roles we expect the companies to play. In total we engaged with 8 companies of which 4 are held within the Sustainable Equity strategy. AstraZeneca has been one of the most responsible pharmaceutical companies with regards to its COVID-19 vaccine, which has to date been priced at cost in developed markets and will be produced on a not for profit basis in lower income countries indefinitely. The company has also performed far better than peers with regards to supporting access to its vaccine in lower income countries. We engaged with the company to better understand both limitations on supporting even greater access and internal perceptions with regards to expectations of their investors. The company has faced very loud shorter term investors who are upset that 'their capital' should be used without their permission to provide vaccines on one side, and responsible investors, such as ourselves who believe this is the most sustainable approach with regards to tackling COVID-19 and minimising risk for the sector. We strongly reiterated to AstraZeneca that we believe its approach to not making a profit on vaccines and supporting access is the right thing to do and increases our view of the long term sustainability of the business. We also continue to engage with Access to Medicine, other NGOs, and peer responsible investors to share ideas on how the industry can play a positive role in supporting greater access to vaccines in lower income countries.

### Case Study Four: Mitigate Climate Change (Reporting Impact Data)

We continued to focus on pushing companies to report higher quality impact data given the importance of better data in supporting the investment community in doing a more valuable job in supporting the climate transition. Johnson Controls has been a core holding since the inception of the strategy aligned with our Mitigate Climate Change goal; buildings account for between 30 to 40% of emission globally, varying by country, and as such reducing these emissions will play a very important role if global targets for limiting climate change are to be met. Johnson Controls is a leader within commercial HVAC and integrated building management systems, and the emission reductions that its technology and services can facilitate mean that the company is very well positioned to benefit from a growing focus on building emissions. The most relevant impact metric for the company is therefore the tonnes of carbon emissions that have been avoided as a result of its products and services, however the company only reports this metric for a portion of its total operations. We have been engaging extensively with the company to broaden its reporting on this crucial metric; the response that we get is that this metric is available internally however it is somewhat subjective with regards to how it is calculated and there is hesitation around publishing this externally. We do understand the company's reservations, and this response is very common, however we strongly believe that companies must start to shift towards a more 'impact aware' mind-set and start reporting these metrics despite their limitations, which can be offset by being highly transparent about calculation methodologies.

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### Case Study Five: Mitigate Natural Capital Depletion (Satellite-based engagement towards zero deforestation 2021)

This year marked the first full year of continuous collaboration with investee companies towards achieving zero deforestation. Throughout this period, we have seen the engagement activity and the number of productive discussions picking up significantly, with the addition of new companies and investors to the project. In phase two of this initiative the investor group, with the help of our satellite monitoring partner – Satelligence – expanded the reach of the project to cover palm oil plantations and mills in Indonesia. The conversations we are having with companies has also started to include other key soft commodities depending on the relevance of those for different companies. As part of that expansion, a further 21 companies were identified to engage with on the topic of achieving zero deforestation. From the list of companies added, 3 belong to Group A, which are companies that at present show a lack of traceability efforts and/or do not disclose their supplier lists and 18 in Group B, which are companies that provide disclosures of existing supply chains already, however have been connected to cases of deforestation in the recent year based on satellite imagery and artificial intelligence data. NAM committed to take the lead on two of those supplementary companies (Global Sustainable Equity holdings Nestlé and Unilever). The first engagement we led took place at the end of 3Q21 and resulted in a constructive initial engagement with the company. All flagged deforestation cases are currently being investigated on the ground by an NGO the company is partnering with and the investor group is awaiting an update in due course. The second engagement NAM is co-leading with another asset manager has been scheduled for early 1Q22.

We are proud to announce that the project was shortlisted for a PRI award. Looking ahead, the investor group is planning to further expand the list of companies, in addition to carrying out follow ups on some of the initial conversations we had with participating companies. Furthermore a number of the investors involved in this engagement project towards no deforestation, including NAM, are currently exploring opportunities to use other innovative technologies in our collaboration with investee companies to address the growing importance of biodiversity loss.



Source: Satelligence risk report.

### Case Study Six: Intercompany Collaboration

The team has continued to support intercompany collaboration between those companies where we believe there is both scope and willingness to work together to drive for better outcomes. One example of this activity over the period involved connecting portfolio holding DSM, a company that we believe to be highly advanced with regards to climate impact, with a Malaysian company that is not held within the portfolio but is keen to learn and improve on its total impact. The feedback from this connection has been excellent.



## Appendix: Individual Company Contributions

Company	Alignment with NAM Impact Goal	Direct Intentionality	Measurement	Company CPI 1		
				Value 2021	Value 2020	Value 2019
JOHNSON CONTROLS INTERNATIONAL	Mitigate Climate Change	Yes	Carbon saved as a result of performance contracting (tonnes pa and total since 2000)	4.1mm (31.9mm total)	1.1mm (27.8mm total)	1.4mm (26.7mm total)
MICROSOFT CORP	Mitigate Climate Change	No	Renewable energy credits and power purchase agreements (GWh)	12,969	10,244	8,744
NOVO NORDISK A/S-B	Mitigate the Obesity Epidemic	Yes	Number of patients that received Novo Nordisk treatment for diabetes (pa)	34.6mm	32.8mm	30mm
CISCO SYSTEMS INC	Mitigate Climate Change	No	GHG emissions reduced in supply chain (cumulative tonnes since 2016)	-	Reduced supply chain emissions 23% vs. 2019	1.15mm tonnes
ALPHABET INC-CL A	Mitigate Climate Change	No	Renewable energy secured under PPA's (cumulative GW)	7.2GW	5.7GW	5.4GW
APPLE INC	Mitigate Climate Change	No	Renewable energy capacity committed at suppliers' facilities (GW)	15.9GW	7.9GW	5.1GW
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\$1.35bn	US\$1.1bn	US\$1.1bn
AXA SA	Mitigate Climate Change, Global Access to Basic Financial Services	No	Divestment of Coal, Oil, Sands, Tobacco, Controversial Weapons (cumulative since 2007)	7.5bn	7.5bn	7.5bn
DAVITA INC	Mitigate the Obesity Epidemic, Eliminate Communicable Disease	Yes	Total US Dialysis treatments given in the year	29.6mm	30.3mm	30.2mm
NATIONAL GRID PLC	Mitigate Climate Change	Yes	GW of Renewables connected	8.25GW	5.75GW	4.8GW
PAYPAL HOLDINGS INC	Global Access to Basic Financial Services	No	Small-medium business working capital loans (USD, total since 2013)	US\$24.2bn	US\$20.7bn	US\$16.0bn
MASTERCARD INC - A	Global Access to Basic Financial Services	Yes	Number of people reached previously excluded from financial services (target 1bn by 2025)	675mm	500mm	500mm
CIGNA CORP	Mitigate the Obesity Epidemic	No	Number of plan members	17mm	17mm	17mm
TAIWAN SEMICONDUCTOR MANUFAC	Mitigate Climate Change, Global Access to Clean Drinking Water	No	Total Water Saving (million metric tons)	186.3	173.0	133.6
SCHNEIDER ELECTRIC SE	Mitigate Climate Change	Yes	Tonnes of CO <sub>2</sub> saved by customers as a result of offering (since 2018 cumulative)	347mm	263mm	109mm
THERMO FISHER SCIENTIFIC INC	Eliminate Communicable Disease	Yes	COVID-19 PCR diagnostic testing (cumulative in million)	1,000	650	
SAFARICOM PLC	Global Access to Basic Financial Services	Yes	Number of active customers (M-Pesa)	28.3mm	24.9mm	22.6mm
PENTAIR PLC	Global Access to Clean Drinking Water	No	Number of people providing clean drinking water to in developing economies under Project Safewater	>3mm	3mm	
NEXTERA ENERGY INC	Mitigate Climate Change	Yes	Avoided CO <sub>2</sub> emissions from renewables portfolio and transitioning generation assets (million tonnes)	57.15mm	51.71mm	25.4mm
AIA GROUP LTD	Global Access to Basic Financial Services	Yes	Number of individual life insurance policies	39mm	38mm	36mm
ASTRAZENECA PLC	Eliminate Communicable Disease	Yes	Number of COVID-19 vaccine doses supplied	2.5bn		
KONINKLUJKE DSM NV	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	64%	63%	63%

Measurement	Company CPI 2			Measurement	Company CPI 3		
	Value 2021	Value 2020	Value 2019		Value 2021	Value 2020	Value 2019
Airband Initiative to close the broadband gap (cumulative number of people in millions)	33mm	17.2mm					
Diabetes sufferers treated with human insulin (at a cost <US\$4/ vial) through access programme	1.7mm (lowered to US\$3), 5mm total through access strategies	3.2mm	2.9mm	R&D expense (of which the majority is in obesity and related diseases)	DKK 17.77bn	DKK 15.5bn	DKK 14.2bn
People impacted through social impact grants and signature programs (cumulative, target 1bn by 2025)	716mm	527mm					
Household energy saved by Nest thermostat customers (cumulative GWh)	86,711	65,153	47,020	Population of Android smartphone users worldwide (billions)	4.59bn	4.42bn	4.26bn
Scope 2 Emissions avoided as a result of renewable energy sourcing (metric tonnes CO <sub>2</sub> e)	1,063,720	948,000	899,000	Population of IOS smartphone users worldwide (billions)	1.25bn	1.16bn	0.97bn
Number of devices committed for COVID-19 vaccines (needles, syringes)	2bn	1bn		Production run rate of Antigen tests for COVID-19 (per month, FY21 estimate)	8mm		
Total 'Green investments'	22.6bn	16.0bn	11.8bn	Emerging markets customers insured by AXA (mm)	Changed to 'Inclusive Coverage' 10.6mm	22mm	19mm
Additional patient days at home through avoiding hospitalisations	Did not report – Engaged	30700	Numbers available from 2020	Hospitalisation rate (% lower than the industry average)	Did not report – Engaged	25%	25%
Capital expenditure within transmission is one proxy for network role in supporting energy transition	£1,072mm	£1,043mm	£925mm	Average carbon intensity of British electricity (gCO <sub>2</sub> /kWh)	211	181	210
Energy conserved based on company estimate "each 1 kWh devoted to production conserves 4 kWh for the world"	64.2GWh						
Tonnes of avoided primary resource consumption from recycling and take back programs (since 2018)	185k	157k	120k				
Research and development (R&D) spend (US\$bn, pa)	1.4	1.2	1	Number of clinical trials (pa)	7100.0		
Volume of payments processed by M-Pesa (million Kenyan Shillings)	22,040	13,900	11,720				
Metrics tonnes of carbon saved from efficient pumps (total, since 2005)	15.4mm	19.1mm	17.1mm				
GW of Renewable Energy capacity (including contracted under construction)	44.8	35.5	29.8	TWh of carbon free energy generated (pa)	108.5	101.0	97.8
Estimated lives saved from COVID-19 vaccine (company estimate)	>1mm			Number of people reached through Healthy Heart Africa, Young Health and Healthy Lung Programme (cum)	31mm	25mm	19.8mm
Reduction in Scope 3 Emissions Intensity from 2016 base level	8%	5%					

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Company	Alignment with NAM Impact Goal	Direct Intentionality	Measurement	Company CPI 1		
				Value 2021	Value 2020	Value 2019
SMITH (A.O.) CORP	Mitigate Climate Change, Global Access to Clean Drinking Water	Yes	Tonnes carbon saved from AOS' efficient technology (pa)	495k	474k	487k
INTEL CORP	Mitigate Climate Change	No	Energy savings from conservation projects (pa since 2020, target 4bn kWh)	125mm	161mm	
NESTLÉ SA-REG	Global Access to Clean Drinking Water	No	Absolute water savings through projects (m3, pa)	2.3mm		
SAP SE	Mitigate Climate Change	No	Total GHG Emissions offset and avoided from renewables investments (metric tonnes per annum)	213,189	250,383	448,150
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.)	72mm	72mm	75mm
GILEAD SCIENCES INC	Eliminate Communicable Disease	Yes	HIV sufferers that have received GILD drugs in low/ mid income countries through access strategies	16.5mm	17.6mm	15.2mm
UNILEVER PLC	Global Access to Clean Drinking Water	Yes	Estimated litres of safe drinking water provided from Pureit devices (total and annual)	Stopped reporting	121bn (7bn in 2020)	114bn (8bn in 2019)
JOHNSON & JOHNSON	Eliminate Communicable Disease	Yes	Number of patients benefitting from JNJ solutions that prevent, control and eliminate global diseases (16-20 total)	Did not report – Engaged	520mm	417mm
GLAXOSMITHKLINE PLC	Eliminate Communicable Disease	Yes	Patients reached through access strategies (since 2018)	323mm	267mm	193mm
VISA INC-CLASS A SHARES	Global Access to Basic Financial Services	Yes	Number of previously unbanked customers who received a first-time account from Visa (annual)	Stopped reporting	604mm	604mm
EVERSOURCE ENERGY	Mitigate Climate Change	Yes	Annual CO <sub>2</sub> reduced (metric tonnes)	241,623	245,462	247,288
CVS HEALTH CORP	Mitigate the Obesity Epidemic, Eliminate Communicable Disease	No	COVID-19 vaccine doses administered	59mm	N/A pre 2021	
DAIKIN INDUSTRIES LTD	Mitigate Climate Change	Yes	Tonnes of carbon saved as a result of company's environmentally conscious products	64mm	62mm	61mm
FIDELITY NATIONAL INFO SERV	Global Access to Basic Financial Services	No	FIS Working Capital solution funding to small and medium-sized businesses (SMBs) in the US and the UK (cumulative, mm, since Mar 2019)	285mm	-	20mm
ALLIANZ SE-REG	Mitigate Climate Change, Global Access to Basic Financial Services	No	Revenue from insuring 'sustainable solutions' (pa)	€1.485bn	€1.879bn	€1.333bn
HOUSING DEVELOPMENT FINANCE	Global Access to Basic Financial Services	Yes	Number of loans to 'economically weak' and 'Low Income Group' in India	119k	114k	115k
UMICORE	Mitigate Climate Change	Yes	GWh of capacity - battery cathode material for electric vehicles	65GWh	45GWh	30GWh
BANK RAKYAT INDONESIA PERSER	Global Access to Basic Financial Services	Yes	Total micro, small and medium enterprises (MSMEs) loans (IDR, trillions)	771.3	712.2	668.4

Measurement	Company CPI 2			Measurement	Company CPI 3		
	Value 2021	Value 2020	Value 2019		Value 2021	Value 2020	Value 2019
Displacement of single use plastic bottles by water filtration systems	1.3bn	1.4bn	1.2bn	Gallons of drinking water filtered by AOS water treatment systems	167mm gallons	180mm gallons	154mm gallons
Total renewable energy purchased (TWh, pa)	8.7	6.8	5.9				
GHG emission reductions + removals (millions tonnes CO <sub>2</sub> e, pa)	13.7			Beneficiaries receiving direct access to water through WASH programme (cumulative in millions)	Not reported	1.407mm	0.896mm
R&D expenditure (proxy for investment into technology supporting mitigate the obesity epidemic - we estimate ca. 60% of business)	\$2.5bn	\$2.3bn	\$2.3bn				
R&D expense	\$5.4bn	\$5.0bn	\$4.1bn				
Number of people reached through health and hygiene push - note a large portion of this is through TV (Total, but 2020 methodology imputed by COVID-19)	686mm in 2021 (previously total)	1.30bn	1.30bn				
Total R&D expense	14.7bn	12.2bn	11.4bn	COVID-19 vaccine doses delivered (external estimates company will not disclose)	400mm		
Vaccines distributed on a daily basis globally	2mm/ day	2mm/ day	1.9mm/ day	Company estimate of lives saved through vaccinations	2-3mm		
Capital expenditure on electric transmission and distribution (US\$m)	2339	2153	2251.00	Total emissions (metric tonnes CO <sub>2</sub> e)	709,877	677,435	700,221
COVID-19 tests delivered	32mm	N/A pre 2021		Medical Benefit Members	23.0mm	23.0mm	22.1mm
Loans distributed to SMBs as part of the US Paycheck Protection Program (PPP) (pa)	15.5bn	13.9bn					
Total investment in 'sustainable investments'	€123.1bn (Definition changed under SFDR)	€39.3bn	€29.5bn	Affordable and effective insurance solutions to customers in the emerging consumers segment (mm)	62.0mm	46.1mm	55.4mm
Value of loans to 'economically weak' and 'Low Income Group' in India (INR bn)	216.21	207.87	168.72	Housing units financed	Data not yet released	8.4mm	7.7mm
Tonnes of carbon avoided as a result of products and services (2016-2020)		35mm	Started reporting 2021	Tonnes of industrial and precious metals recycled (capacity is used as a proxy)	500kt	500kt	500kt
Financing for Sustainable Business Activities (IDR, trillions)	614.2	550.4					



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US\$ **429** bn

assets under  
management globally

**1,410**

staff employed  
across **14** offices

**226**

portfolio managers located  
strategically around the world

**119**

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 30th September 2022

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