

## American Century Global Small Cap Equity Fund

### Sustainability Risks Policy

4 November 2021

#### **Introduction**

The EU Sustainable Finance Disclosure Regulation (“**SFDR**”) lays down harmonised rules for financial market participants and financial advisers on transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability-related information with respect to financial products.

**Nomura Funds Ireland plc (the “Fund”)** is a UCITS umbrella investment company with variable capital incorporated with limited liability in Ireland. The Fund has segregated liability between each of its sub-funds (**the “Sub-Funds”**).

**Nomura Asset Management U.K. Limited (the “Investment Manager”)** has been appointed to act as an investment manager of the Fund. The Investment Manager may delegate the discretionary investment management of the Sub-Funds to one or more sub-investment managers.

#### ***Sustainability Risks***

The following sets out the sustainability risks policy in respect of the American Century Global Small Cap Equity Fund (the “Sub-Fund”). Potential investors and shareholders are advised to read this policy in conjunction with the sustainability risks policy for the Fund.

#### *Philosophy*

The Investment Manager views environmental, social and governance (“ESG”) issues as important inputs into fundamental analysis that can help mitigate downside risk or increase upside potential associated with ESG factors otherwise not captured by traditional financial analysis. The Investment Manager believes that it is its duty to integrate all material risks and opportunities, including ESG / sustainability risks, into fundamental analysis. The Investment Manager also believes the integration of ESG / sustainability risks will consequently contribute to better investment decisions.

#### *Sustainability Risks Policy*

The management of sustainability risk forms an important part of the due diligence process implemented by the Investment Manager. When assessing the sustainability risk associated with underlying investments, the Investment Manager is assessing the risk that the value of such underlying investments could be materially negatively impacted by an ESG event or condition.

The type of sustainability risks, which are considered by the Investment Manager to be particularly relevant to the Sub-Fund are summarised below:

Environmental sustainability risks may include, but are not limited to:

- Climate change
- Water stress

Social sustainability risks may include, but are not limited to:

- Product safety and quality (supply chain and manufacturing)

- Cybersecurity and data privacy
- Human capital management

Governance sustainability risks may include, but are not limited to:

- Business (mis)conduct
- Board composition, independence and entrenchment
- Accounting practices
- Ownership structure
- Executive pay-for-sustainability performance alignment.

The Investment Manager aims to identify sustainability risks as part of its broader analysis of securities. For purposes of the paragraphs in this section, the terms “sustainability” and “Environmental, Social and Governance” or “ESG” will be used interchangeably.

As part of its broader risk management processes when investing, the Investment Manager has implemented the following steps to (i) Identify and assess, (ii) decide, and (iii) monitor sustainability risks.

#### (i) Identify and Assess

When a new idea is generated and the initial research begins, the Investment Manager’s investment team filters each potential new security using a proprietary ESG screening tool. Updated monthly, this ESG screening tool utilises MSCI data and screens for B and below ESG ratings, severe business ethics and corruption controversies, UN Global Compact compliance and governance relative industry peer rankings. All screening factors are equally weighted. The tool assigns a proprietary risk signal of Low, Moderate or High Risk, based on the Investment Manager’s dedicated ESG team’s interpretation of various risk signals flowing from MSCI data. The Investment Manager’s investment team reviews the data and risk signals and when additional information or analysis is required may reach out to the ESG team for further analysis.

For top holdings and securities that are rated High Risk, an “ESG Risk View” is generated by the ESG team and shared with the investment team. The “ESG Risk View” is guided by a proprietary research framework. The framework centres on material ESG risks and seeks to 1) identify macro-level ESG risks impacting market dynamics, 2) determine which of these risks are relevant at the sector level, and 3) evaluate ESG materiality at the issuer level. The Investment Manager’s ESG team utilises a proprietary ESG scorecard application to help identify and assess whether ESG risks could potentially affect the security’s underlying fundamental profile. Scores are generated based on quantitative and qualitative environmental and social indicators that are sector-specific and derived from reported data. Governance risk analysis, on the other hand, is based on benchmarking companies against quantitative governance indicators based on company-reported and third party data, regardless of sector. A final ESG quality rating is assigned, comprised of an ESG signal (Overweight, Market-weight, or Underweight) and trend signal (Positive, Stable, or Negative). The ESG team then submits the overall “ESG Risk View” to the Investment Manager’s investment analysts.

The Investment Manager’s investment analysts are responsible for incorporating the results from the “ESG Risk View” into the bottom-up investment thesis for each company, and making an assessment on the financial materiality of those ESG risks. Financial materiality is determined in the context of the Sub-Fund’s investment philosophy, approach and objectives.

While the ESG team considers third party ESG ratings and quantitative ESG datasets, all of the Investment Manager's ESG research tools are developed in house. The ESG data inputs which feed the ESG research tools are updated regularly.

As part of the Investment Manager's formal ESG engagement protocol, the investment team, in collaboration with the ESG team, addresses with investee company management ESG risks and controversies identified by the ESG team deemed material to an issuer's long-term financial condition.

#### (ii) Decide

The Investment Manager's portfolio managers are ultimately responsible for the investment decisions of the Sub-Fund. Their decisions, in part, will be determined by the financial materiality of the ESG risks and opportunities as identified by the Investment Manager's investment analysts based on its ESG integration framework and ESG key risk map. The financial materiality of such risks and opportunities will be based on many factors including, but not limited to, total return expectation and investment time horizon. Depending on the assessment, this may result in a company's exclusion or reduced exposure in the portfolio to reflect the risks. Thus, the final investment decision, as it pertains to ESG matters, is at the discretion of the Investment Manager's portfolio managers.

The Investment Manager also applies exclusionary screening in respect of the Sub-Fund, as further set out under "Environmental, Social and Governance Factors" above.

The Investment Manager does not subscribe to any generalised industry approach as pertains to ESG decision making, rather decisions are taken on a case by case basis, based on the in house analysis and rating, the Investment Manager's ESG approach and the investment objective of the Sub-Fund.

#### (iii) Monitoring

It is the responsibility of the Investment Manager's investment analysts and portfolio managers to monitor the investments within the Sub-Fund. This includes financial issues as well as ESG risks. The investment professionals of the Investment Manager maintain dialogue with investee companies on multiple matters, including those related to ESG. The Investment Manager's ESG team also monitors existing portfolio holdings for potentially material ESG risks as well as controversies on an ongoing basis. Changes in third party ESG ratings, particularly downgrades, are reviewed, and new information is shared with the investment team.

In addition to engaging with investee companies, the Investment Manager actively exercises the proxy votes for all matters, including those related to ESG.

Should some new piece of ESG / sustainability information come to light, the Investment Manager's investment team will assess the impact of the new information in the context of fundamental research.

#### *Assessment*

The likely impacts of sustainability risks are difficult to quantify. Although the ESG practices of a company may influence its long-term value, there can be no guarantee regarding the performance of individual investments, nor on the returns of the Sub-Fund's portfolio as a whole despite the integration of sustainable risks.