

**American Century Global Small Cap Equity Fund**

**Environmental, Social and Governance Factors**

**29 April 2022**

**Nomura Funds Ireland plc (the “Fund”)** is a UCITS umbrella investment company with variable capital incorporated with limited liability in Ireland.

**American Century Global Small Cap Equity Fund (the “Sub-Fund”)** is a sub-fund of the Fund.

**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.

*Environmental, Social and Governance Factors*

The Sub-Fund promotes environmental and social characteristics in a way that meets the criteria contained in Article 8 of SFDR. Further, the management of sustainability risk forms an important part of the due diligence process implemented by the Investment Manager. The manner in which sustainability Risk is integrated into the investment decisions of the Sub-Fund is disclosed in the Sustainability Risks Policy, in accordance with Article 6 of SFDR.

For purposes of the paragraphs in this section, the terms “sustainability” and “Environmental, Social and Governance” or “ESG” will be used interchangeably.

The Investment Manager aims to promote sustainable practices in the areas of environment and society by excluding companies that do not meet fundamental responsibilities in the areas of human rights, labour, environment, and anti-corruption as well as avoiding companies with exposure to controversial weapons. The Investment Manager also assesses sustainable practices through its ESG research and promotes such practices by investee companies by exercising its stewardship responsibilities which involves engaging with investee companies and voting proxy resolutions related to material ESG risks.

In order for the Sub-Fund to consistently promote the environmental and social characteristics described above, the Investment Manager will apply certain binding exclusions to its investment universe. The Investment Manager will exclude from its investable universe those companies that violate certain social norms and that are involved in businesses that are not consistent with the promotion of the environmental and/or social characteristics. The companies that will be excluded from the Sub-Fund’s universe are those in violation of the U.N. Global Compact principles, those on the exclusion list recommended by the Council on Ethics of the Norwegian Government Pension Fund Global, and those companies materially involved in cluster munitions and companies involving controversial weapons. The Sub-Fund additionally excludes companies domiciled in countries subject to OFAC sanctions.

To assess the alignment of investee companies with the environmental and social characteristics described above, the Investment Manager will also consider relevant factors such as those related to raw material sourcing, carbon/toxic emissions, renewable energy, stranded assets, data privacy and security, human rights, product safety and quality, and supply chain sourcing (dependent on the type of company under review).

The Investment Manager will consider data from company sourced data (such as financial reporting) and from third party data providers such as Bloomberg, MSCI, and Sustainalytics.

## Governance Practices

The Investment Manager assesses the governance practices of investee companies prior to making an investment, and periodically thereafter, in accordance with its proprietary ESG research framework in order to satisfy itself that the investee companies follow good governance practices, including sound management structures, employee relations, remuneration of staff and tax compliance.

The Investment Manager has a proprietary assessment process for the assessment of governance practices of investee companies. Within this assessment, the Investment Manager will utilise data from MSCI Governance Metrics and focuses on metrics as follows:

1. Independent Board Majority: While other metrics provide a more nuanced evaluation on specific aspects of the board's independence, this metric offers the most basic evaluation and is only flagged when less than 51% of the board is fully independent of management.
2. Majority Voting: This metric is triggered if a company has failed to use or adopt binding majority voting in the election of directors (with immediate resignation if a director does not receive a majority of the votes cast).
3. Entrenched Board: This metric is based on an assessment of multiple factors, including director age and tenure in the following combinations:
  - more than 35% of the board has a tenure of 15 years or greater;
  - more than 22% of the board has a tenure of 15 years or greater and more than 15% of the directors are aged 70 or over;
  - there are more than 4 directors who have a tenure of 15 years or greater; or
  - if there are more than 4 directors who are aged 70 or over.
4. Combined CEO/Chair: While the practice of combining the CEO and Chairman positions on the Board of Directors is common enough to minimise its significance as a standalone metric, when combined with other key indicators this practice may be an indicator of potential governance weakness.
5. Significant Votes Against Directors: This metric is triggered by a negative vote of over 10% against any director in the most recently reported election. A "negative vote" includes any of against, withhold or abstain votes.
6. Audit Board/Committee Independence: The metric indicates whether a company failed to establish an audit committee (or audit board) comprising only directors who are independent of management.
7. Pay Committee Independence: If metric is triggered if a company that has established a pay committee has appointed directors to that committee who are not independent of management.
8. Long Term Pay Performance: This is flagged if any vested stock and option gains reported for the company's CEO are greater than zero during a year when the company is showing negative three-year and five-year total shareholder returns (TSR).
9. Significant Vote Against Pay Practices: This metric is intended to measure shareholder dissatisfaction (e.g., negative votes in excess of 10%) with the company's executive pay practices. A "negative vote" includes any of against, withhold or abstain votes.
10. Golden Parachutes: The metric is triggered if a company's CEO's potential cash severance pay exceeds 5 times his or her annual pay, and it is not aligned with TSR.
11. Controlling Shareholder: This metric indicates whether any shareholder or shareholder block controls more than 30% of the voting shares, or is able to elect more than 50% of the company's board.

12. Poison Pill: The metric is flagged if there is verifiable existence of a formal shareholder's rights plan, poison pill, protective preference shares or equivalent provision.
13. Multiple Equity Classes with Different Voting Rights: The metric is triggered if there is inequality in a company's voting rights, which may be manifested via different votes per share, different votes per unit of nominal value or through the ability to vote only on certain matters, or on the election of certain directors, or grant special rights (such as the exclusive right of nomination of directors).

### Ongoing Monitoring

The Investment Manager has an active programme of corporate engagement and proxy voting whereby it will engage with investee companies to encourage positive progress in the areas of environmental and/or social matters or vote resolutions that pertain to material ESG matters. In addition, the Investment Manager monitors environmental and social characteristics of the investee companies as outlined above on a periodic basis by observing indicators such as the following sustainability indicators:

- 0% of holdings in companies that violate the UN Global Compact Principles which, at a minimum, promote fundamental responsibilities in human rights, labour, environment, and anti-corruption.
- Percentage of holdings in companies whose primary business activities involve the production of tobacco.
- Percentage in companies that base or derive 30% or more of their operations or income from thermal coal
- 0% of holdings in companies that are deemed to contribute to or is responsible for actions leading to systemic human rights violations, severe environmental damage, or other serious violations of ethical norms as recommended by the Council on Ethics of the Norwegian Government Pension Fund Global.
- 0% of holdings in companies involved in the production of controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons).

Ongoing monitoring of the Sub-Fund's exclusions lists is performed by the Investment Manager's Compliance group. The restricted lists are provided by third-party vendors and updated on a periodic basis. The Investment Manager will not invest in companies which fall onto these exclusion lists. However, in the event where an existing holding company is added to one of these lists, the Investment Manager will dispose of the security as soon as reasonably possible.

The Investment Manager additionally incorporates, into its fundamental research process, "ESG Risk Views" that take into account material ESG risks related to all holdings. Additional details on these ESG Risk Views are described under the section "Sustainability Risks".

The Sub-Fund has designated the MSCI ACWI Small Cap Index as the Index of the Sub-Fund. The Index is not aligned with all of the environmental or social characteristics promoted by the Sub-Fund, as it includes a broad variety of companies and does not take ESG into consideration when constituents are selected.

### EU Taxonomy Framework

While the Sub-Fund promotes environmental characteristics in the manner described above, it does not currently commit to investing in any "sustainable investments" within the meaning of the SFDR. Accordingly, it should be noted that the investments underlying this Sub-Fund do not take into account the EU criteria for environmentally sustainable economic activities.