

Nomura Funds Ireland – Global High Conviction 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.

Nomura Funds Ireland – Global High Conviction 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.

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.

The Investment Manager has a philosophy of considering the environmental, social and governance (“ESG”) impact of investment decisions on all the stakeholders of an investee company, including the environment, society, customers, suppliers, employees and investors. Within this philosophical framework, the Investment Manager has additionally identified six “Impact Goals,” which it aims to contribute to over the long term, as follows: 1) Mitigate Climate Change, 2) Mitigate Natural Capital Depletion, 3) Eliminate Communicable Disease, 4) Mitigate the Obesity Epidemic, 5) Global Access to Basic Financial Services and 6) Global Access to Clean Drinking Water. In order to contribute to the six Impact Goals, the Investment Manager will focus on the following environmental and social characteristics of the investee company (dependent on the type of company under review):

- The use of energy and/or greenhouse gas emissions, including any targets the company may have set and progress towards those targets.
- The sustainability of sourcing and consumption of raw materials, for example, deforestation issues and water consumption.
- The ethical pricing of medicines and the provision of medicines to low income countries at affordable prices.
- The treatment of employees, including diversity (e.g. gender), customers (e.g. fair pricing and treatment) and suppliers (e.g. avoiding coercive sourcing practices).
- The adherence to societal norms such as anti-bribery, anti-child or other forced labour and appropriate treatment of local communities, including within their supply chain.

Further details in relation to the Investment Manager’s Responsible Investment philosophy is available at:

<https://www.nomura-asset.co.uk/download/the-philosophical-thoughts-of-a-responsible-investment-team.pdf>.

In identifying investments which allow the Sub-Fund to contribute to the above environmental and social characteristics, the Investment Manager adopts certain binding investment strategies, comprising “ESG scoring/rating”, “best in class”, “exclusions” and “impact investment”, as further set out below:

ESG scoring/rating

The Investment Manager will assign a proprietary ESG rating in respect of each potential issuer. The ESG rating is dependent on a review of data from external data providers (“Data Providers”), such as MSCI ESG, ISS ESG and Sustainalytics and various third party Non-Governmental Organisations (NGOs) such as NGOs whose mission is relevant to the company in question, as well as data from other sources (such as company reports, industry reports and other third party research reports). Such data forms the basis for the Investment Manager’s opinion and subsequently its ESG rating. The potential ratings range from “No Issues” to “Uninvestible”. The Investment Manager will be precluded from investing in companies that are rated “Uninvestible”.

Best in class

When considering investment opportunities, the Investment Manager will consider certain ESG metrics. Depending on the nature of the company, these metrics will include but are not limited to energy use, greenhouse gas emissions, sustainable sourcing, human rights, labour relations and diversity (“ESG Metrics”) both in the relevant company’s own operations and those of the company’s supply chain. When comparing two otherwise similar investment opportunities (e.g. similar sector, product, service and valuation), the Investment Manager will be obliged to select the investee company that displays better ESG Metrics.

Exclusions

The Investment Manager will implement a proprietary assessment tool to determine the rating of companies as “Uninvestible”. These criteria take account of all the stakeholders to the investee company and allows for objective assessment by the Investment Manager of the ESG Metrics. Such proprietary assessment tool also forms the basis of the Investment Manager’s exclusion list.

To establish an exclusion list, the Investment Manager will utilise a combination of input data from Data Providers, third party NGOs and other sources mentioned above to assess companies against the aforementioned criteria. The initial exclusion list will be based on Data Provider data. The list is then further assessed by the Investment Manager to identify any inconsistency or anomalous inclusions, following which assessment the exclusion list is then finalised. The Investment Manager will then exclude approximately 100 worst performing companies in terms of ESG impact from the Sub-Fund’s investment universe (even though such companies may otherwise meet the size and liquidity criteria set down by the Investment Manager).

Impact Investment

As mentioned above, the Investment Manager has established a set of six Impact Goals, which it seeks to contribute to over the long term. The Investment Manager will use its research and analysis capabilities to consider the impact an investee company has or will have on the achievement of the Impact Goals by focusing on the ESG Metrics. In comparing two otherwise similar investments opportunities (e.g. similar sector, product, service and valuation), the Investment Manager will be obliged to select the investment that has a greater positive impact on the six Impact Goals. Therefore,

the Investment Manager will favour companies whose business models have a positive effect on environmental and/or social goals.

Governance Practices

The Investment Manager has set a binding obligation to make a thorough assessment of the governance practices of the investee companies (including sound management structures, employee relations, remuneration of staff and tax compliance) and votes any proxies issued by such investee companies taking into account their governance practices. 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 Data Providers as well as other sources (such as company publications) which focuses on four primary areas as follows:

1. **Environmental, Social and Governance attitude:** The Investment Manager will assess the culture and attitude of the board and management of the investee company towards fair treatment of all stakeholders of the investee company, to include the avoidance of environmental damage and conduct breaches (e.g. bribery). The Investment Manager also assesses effective governance reaction and remediation steps taken by the investee company in the face of any issues concerning such stakeholders. This assessment may include the use of data from Data Providers, in particular, to identify issues that have occurred in the past or are ongoing.
2. **Skill in capital allocation:** The Investment Manager will assess the track record of the management and the board of investee companies in allocating capital to high return investments that will benefit shareholders and other stakeholders in the long term. The Investment Manager believes that inappropriate capital allocation is indicative of poor corporate governance.
3. **Skill in operational management:** The Investment Manager will assess the track record and likely capability of the management and the board of investee companies in optimising the operations of an investee company.
4. **Remuneration policy:** The Investment Manager believes that the nature of the management reward policy, set by the investee company board, is likely to drive behaviour. As such, the Investment Manager will evaluate the acceptability of the remuneration structure in detail.

The Investment Manager is a signatory to the UK Stewardship Code (the “Code”), which sets out principles of effective stewardship. The Investment Manager is also a signatory to the UN Principles for Responsible Investment (the “UNPRI”), since 2011.

The Investment Manager’s Code compliance statement is available at https://www.nomura-asset.co.uk/download/corporate_policies/nam-uk-stewardship-code.pdf.

Ongoing Monitoring

The Investment Manager monitors contribution of the investee companies to the social and/or environmental characteristics outlined above on a periodic basis by focusing on sustainability indicators such as greenhouse gas emissions per unit revenue, management remuneration, percent women on the corporate board, compliance with UN norms and exposure to controversial weapons. The Investment Manager will use data from Data Providers as well as data provided by the investee companies in annual sustainability reports and through engagement directly with the investee company. The Investment Manager will issue reports in relation to their engagement activity and progress against the Impact Goals on a quarterly basis and an annual basis respectively. These reports will be published on the Investment Manager’s website: <https://www.nomura-asset.co.uk/responsible-investment/>

The Investment Manager has an active programme of corporate engagement whereby it will engage with investee and other companies to encourage positive change as pertains to ESG matters. The Investment Manager will publicly report such activity to allow for outside scrutiny of the efforts made.

The Sub-Fund has designated the MSCI All Country World 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.