

**Nomura Funds Ireland – Global Sustainable 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.

**Nomura Funds Ireland – Global Sustainable 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.

*Environmental, Social and Governance Factors*

The Sub-Fund has sustainable investment as its objective in a way that meets the criteria contained in Article 9 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.

As set out above, the investment objective of the Sub-Fund is to achieve long-term capital growth through investment in a relatively concentrated, actively managed portfolio of global equity securities issued by companies with a high overall positive impact on society.

The Investment Manager has a Responsible Investment philosophy of considering the environmental, social and governance (“ESG”) impact of investment decisions on all the stakeholders of the issuing company, including the environment, society, customers, suppliers, employees and investors. Within this philosophical framework, the Investment Manager has identified six SDGs aligned “Impact Goals,” reflecting its sustainable investment objective, to pursue over the long term. The “Impact Goals” are 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 achieve its sustainable investment objective of investing in companies with a high overall positive impact on society, the Sub-Fund will principally invest in “sustainable investments”, which are defined under SFDR as those investments which contribute to an environmental objective or a social objective, provided that such investments do not significantly harm any of those objectives and that investee companies follow good governance practices. As a result, the Investment Manager seeks to invest in companies which have a commercial purpose of solving social or environmental problems. Therefore, the Investment Manager will focus on maximising total stakeholder impact when making investment decisions. A corporation’s total impact spans across a broad range of stakeholders (the environment, customers, suppliers, employees, society, and investors) and is both non-monetary and monetary in nature. The Investment Manager will select “sustainable investments” which contribute directly or indirectly to achieving the “Impact Goals”. The strategy seeks to identify those companies that have the greatest positive total impact on all stakeholders of the company.

## Identification and Selection of Sustainable Investments

In order to identify sustainable investments and as part of its Responsible Investment, the Investment Manager will assign a proprietary ESG rating for each potential issuer. In this process, the Investment Manager will utilise 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). The potential ratings range from “No Issues” to “Uninvestible”. The Investment Manager will be precluded from investing in companies that are rated “Uninvestible” under any circumstances.

In order to identify sustainable investments, the Investment Manager will also focus on the following characteristics of the investee company (dependent on the type of company under review) and will only invest where there is evidence that the company’s activities are aligned with both the achievement of the “Impact Goals” and the sustainable investment objective of the Sub-Fund.

- Whether products and services support the reduction of emissions (e.g. renewable energy technology or electric vehicles) or not.
- Whether products of service support lower natural capital depletion (e.g. industrial recycling operations) or not.
- 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.
- Whether products and services support a reduction in communicable disease mortality or support a mitigation of the obesity epidemic (e.g. R&D expenditure within infectious diseases, number of patients receiving diabetes treatment) or not.
- The efforts taken by companies to ensure access to drugs and treatments, and the broader approach to pricing treatments fairly.
- The fair treatment of employees, including diversity (e.g. gender), customers (e.g. fair pricing and treatment) and suppliers (e.g. avoiding coercive sourcing practices).
- Whether products and services support providing solutions towards global access to basic financial services or not.
- Whether products and service support providing solutions towards ensuring global access to clean drinking water.
- 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.

In order to assess the above characteristics, the Investment Manager relies predominantly on company-reported data such as annual sustainability reports, and information obtained through engagement directly with the company. The Investment Manager will also use data from Data Providers as well as various third party NGOs and idiosyncratic data sources including but not limited to consumer satisfaction websites and employee review data sets.

The Investment Manager will also screen the investment universe using a proprietary SDGs aligned screening tool, to help identify investment ideas that may contribute to the achievement of the sustainable investment objective and the “Impact Goals”. The proprietary SDG assessment is the primary component of the screen and has a 50% weighting. Using data from Data Providers, the SDGs assessment is combined with an E score and S score and a controversy score derived from a third party research provider. A company must be in the top 40% of this screen as well as not having

a materially negative impact on any of the SDGs and ultimately the investment objective to be deemed investible for the Sub-Fund. In addition, the Investment Manager uses a proprietary “Total Stakeholder Impact Framework” as a comprehensive tool to make a holistic assessment of the total impact on all stakeholders. This framework will be applied during the course of the Investment Manager’s security selection process and help the Investment Manager to identify those companies that can have the greatest positive impact on its six “Impact 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](https://www.nomura-asset.co.uk/download/corporate_policies/nam-uk-stewardship-code.pdf) .

#### Ongoing Monitoring

The Investment Manager implements the above strategy on a continuous basis and will monitor and assess the progress of investee companies in their environmental and social objective on a periodic basis. In order to carry out such assessment, the Investment Manager will use data from Data Providers as well as data provided by the companies in annual sustainability reports, and information obtained through engagement directly with the investee company.

The Investment Manager has also identified sustainability 'impact' indicators for all investments made by the Sub-Fund. These indicators are tracked on an ongoing basis by the Investment Manager and reported annually within its impact report providing full disclosure across all holdings. The Investment Manager will select the most appropriate metric for measuring an investee company's core impact which could be relatively standardised or necessarily idiosyncratic in nature. Examples include but are not limited to:

- Tonnes of carbon avoided as a result of an investee company's products and services;
- Number of low income patients reached with drugs and treatments through company's access strategies;
- Number of people reached with financial services that were previously unbanked;
- Litres of clean drinking water provided as a result of a company's technology.

The Investment Manager also publishes a quarterly Climate Impact Report which discloses greenhouse gas emissions, carbon footprint, greenhouse gas intensity, exposure to fossil fuels, the share of renewable energy production applicable to the Sub-Fund's investments and the alignment of the Sub-Fund's portfolio with a range of climate warming scenarios.

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 publishes a quarterly Responsible Investment Report detailing all ESG research and engagement activity carried over the period. These reports will be published on the Investment Manager's website: <https://www.nomura-asset.co.uk/responsible-investment/>.

#### EU Taxonomy Framework

In implementing the investment strategy of the Sub-Fund, the Investment Manager selects investments which it believes contribute to the environmental objectives of climate change mitigation and/or climate change adaptation.

In assessing whether an investment is considered to be in environmentally sustainable economic activities, the Investment Manager must be satisfied that the relevant economic activity (i) contributes substantially to the environmental objective of climate change mitigation or climate change adaptation, (ii) does not significantly harm any of the environmental objectives outlined in the Taxonomy Regulation; (iii) is carried out in compliance with the minimum safeguards laid down in the Taxonomy Regulation and (iv) complies, as of the date of this Supplement, with the latest versions of technical screening criteria that have been published by the European Commission in respect of climate change mitigation and climate change adaptation (as applicable).

Due to lack of reliable, timely and verifiable data which is publicly reported by issuers or investee companies as well as the delay in the publication of Commission Delegated Regulation 2021/2139 which sets applicable technical screening criteria as at the date of this Supplement, both of which are required in order to assess the extent to which the Sub-Fund is invested in environmentally sustainable economic activities under the EU Taxonomy framework, the Investment Manager has been unable to assess with certainty whether or not the investments underlying the Sub-Fund are in environmentally sustainable economic activities. Because of this, the Investment Manager cannot currently provide an accurate commitment as to the proportion of investments of the Sub-Fund in environmentally sustainable economic activities. Accordingly, it is expected that the minimum proportion of investments of the Sub-Fund in environmentally sustainable economic activities aligned with the EU Taxonomy (including in transitional and enabling activities) shall be 0% of the net assets of the Sub-Fund.

This will be kept under active review and once sufficient, reliable, timely and verifiable data from issuers or investee companies becomes available and can be assessed against the applicable technical screening criteria set down in Commission Delegated Regulation 2021/2139, this Supplement shall be revised to provide an indication of the proportion of investments of the Sub-Fund which are in environmentally sustainable economic activities under the EU Taxonomy framework.