

Nomura Funds Ireland – Japan 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 – Japan 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. 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.

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. In putting this philosophy into practice, the Sub-Fund will promote environmental and/or social characteristics such as, but not limited to, energy saving technologies to reduce carbon footprints, improving living standards in emerging countries, and increasing industrial productivity and efficiency to foster sustainable industrialisation.

In order to promote environmental and/or social characteristics described above, the Investment Manager will focus on the environmental and social characteristics of the investee company (dependent on the type of company under review), including but not limited to the following:

- Whether products and services support the reduction of emissions (e.g. renewable energy technology or electric vehicles) 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 contribute to improving living standards and livelihood (e.g. diapers, feeding bottles, and foods to improve hygiene and nutrition).
- Whether products and services contribute to improve industrial productivity (e.g. IT equipment and components, factory automation equipment, research and development products).
- 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/responsible-investment/>.

In identifying investments which allow the Sub-Fund to promote the above characteristics, the Investment Manager adopts certain binding investment strategies, comprising "ESG rating", "best in class" and "exclusions", as further set out below:

ESG rating

The Investment Manager will assign a proprietary ESG rating in respect of each potential issuer. The ESG rating is dependent on input data from the Investment Manager's in-house team of ESG specialists and sector analysts, 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 data from these sources forms the basis for the Investment Manager's opinion and subsequently its 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 ability to sustain a high return on equity (ROE)), 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 its in-house ESG specialists and sector analysts, 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/anomalous inclusions to finalise the exclusion list. The Investment Manager will assign the rating of "Uninvestible" and exclude potential investee companies deemed to have material ESG issues that will negatively impact the company's ability to contribute to the environmental and/or social characteristics promoted by the Fund. These companies would otherwise meet its size and liquidity criteria.

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 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.

If the assessment results of a company were unsatisfactory, the Investment Manager will encourage improvement and the company will either be put on a watch list or removed from consideration depending on whether the company shows intent to solve the issue.

The Investment Manager is a signatory to the Japan 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: <http://global.nomura-am.co.jp/responsibility-investment/investors/>.

Ongoing Monitoring

The Investment Manager monitors the 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 the analysis conducted by its in-house analysts and ESG specialists, 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 has an active programme of corporate engagement whereby it will engage with investee and other companies by having direct dialogue with them to encourage positive change as pertains to ESG matters such as nomination and compensation of directors, board independence and environmental issues. The engagement process focuses not only on seeking improvements from

companies but also communicating the Investment Manager's support and approval as an investor to companies that operate in desirable ways.

The Sub-Fund has designated the TOPIX 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.