

Nomura Asset Management U.K. Ltd.

**NOMURA ASSET MANAGEMENT U.K. LIMITED**

**Sustainability Risks Policy**

**10 March 2021**

**Introduction and Corporate Structure**

- 1.1 The EU Sustainable Finance Disclosure Regulation (“**SFDR**”) requires investment firms to formalise how sustainability is integrated into their business and processes, and to make new public and client-facing disclosures on sustainability matters.
- 1.2 **Nomura Asset Management Co., Ltd (‘NAM’)** is a leading global investment manager for some of the world’s largest institutional investors, and has its headquarters in Tokyo, with overseas subsidiaries in London, Singapore, Kuala Lumpur, Hong Kong, New York, Frankfurt, Shanghai and Taipei. NAM is 100% owned by Nomura Holdings Inc., which is the ultimate holding company of the Nomura Group.
- 1.3 NAM believes the essence of our business lies in fulfilling both our fiduciary and social responsibilities through the provision of high quality products and investment solutions that meet the performance and service expectations of its clients. At the same time, we seek to contribute to a sustainable and prosperous society by supporting asset formation and value creation for all our clients and stakeholders, including portfolio companies. In recent years, the global investment management industry has recognised the growing importance of non-financial measures of company performance, characterised as Environmental, Social and Governance (ESG), which are now widely accepted as material business challenges that companies must address.
- 1.4 **The NAM ESG Statement was formulated in March 2019.** It shares with our stakeholders the direction of our ESG-related activities and how NAM will respond to environmental and social risks, and strive to realise a sustainable environment and society. NAM recognises that efforts to solve ESG issues are important in order to support a virtuous circle in the investment chain. As a responsible investor, NAM encourages portfolio companies to operate with an emphasis on ESG practices, whilst conducting its own operations with a focus on ESG.
- 1.5 The NAM ESG Statement can be viewed [here](#):

**2. The following sections set out the policies of Nomura Asset Management U.K. Limited (the “Firm”) on the integration of sustainability in our investment decision-making process**

- 2.1 Nomura Asset Management U.K. Limited (‘NAM UK’) is one of the NAM subsidiaries. Based in London, our client base includes corporate and state pension schemes, sovereign wealth funds and financial institutions including insurance companies, mutual funds and private banks. We provide our clients with a wide range of innovative strategies including single country, regional and global equity products, fundamental index solutions and global fixed income strategies.
- 2.2 This document sets out the Firm’s policies in respect of the integration of sustainability risks in our investment decision-making process, as required by Article 3 of SFDR. The policy applies to the Firm, and applies in respect of all portfolio management services, investment advisory services, and pooled fund (including UCITS-compliant fund) management carried on by the Firm.
- 2.3 The Firm places its clients’ interests at the heart of all its activities and those clients are overwhelmingly long-term investors. As such, they are concerned with the long-term performance from the strategies and funds that we manage on their behalf. It is the Firm’s belief that investments in securities that exhibit sustainable earnings and / or cash flows are therefore most suited to our clients’ needs. More than this, the Firm recognises its role in ensuring that capital markets function for the benefit of society in general. The Firm therefore aims to operate in a sustainable way and to invest in the bonds and equities of sovereigns, companies and institutions that also operate in a sustainable way. The Firm’s research processes for both fixed income and equity strategies incorporate the explicit consideration of sustainability factors and, depending on the specific characteristics of each client’s account, these will be reflected to a greater or lesser degree.
- 2.4 NAM believes in the regional management of investment portfolios, which results in numerous cross-border delegation arrangements whereby the local office delegates the management of non-regional mandates to the relevant regional entity.
- 2.5 For some accounts, NAM UK delegates portfolio management services, investment advisory services and pooled fund (including UCITS compliant fund) management. For these accounts, NAM UK requires the entity to which these services have been delegated to comply with this policy, although its day to day approach to meeting the requirements of the policy may differ from those of NAM UK itself.
- 2.6 More details of these delegation arrangements are shown below.

Strategy/ies	Investment (sub) Manager/s	Description	More details on integration of sustainability into investment decision making for this strategy
	Nomura Asset Management Singapore ("NAM Singapore")  Nomura Asset	NAM Singapore is NAM's strategic hub for investment management of Pacific Basin ex Japan equity and fixed income portfolios.	

<p>Global Equities, including Pacific Basin ex Japan</p> <p>and</p> <p>Global Fixed Income</p>	<p>Management Malaysia Sdn. Bhd. ("NAM Malaysia")</p> <p>Nomura Asset Management Hong Kong ("NAM Hong Kong")?</p> <p>Nomura Asset Management Europe KVG mbH ("NAM EU") (Fixed income only)</p>	<p>NAM Malaysia started operations in 2006 with Malaysian equities and now offers global equities in addition to Malaysian fixed income.</p> <p>NAM Hong Kong is NAM's hub for investment management of Hong Kong and China portfolios.</p> <p>NAM EU has been managing individual mutual funds for institutional investors since 1988, offering a range of international investment strategies from the global NAM group.</p>	<p><a href="https://www.nomura-asset.co.uk/download/responsible-investment/Sustainability_Risks_Global_Equities.pdf">https://www.nomura-asset.co.uk/download/responsible-investment/Sustainability_Risks_Global_Equities.pdf</a></p> <p><a href="https://www.nomura-asset.co.uk/download/responsible-investment/Sustainability_Risks_Global_Fixed_Income.pdf">https://www.nomura-asset.co.uk/download/responsible-investment/Sustainability_Risks_Global_Fixed_Income.pdf</a></p>
<p>Japanese Equities</p>	<p>Nomura Asset Management Co., Ltd. ("NAM Tokyo")</p>	<p>NAM Tokyo provides high quality asset management services to public and private pension funds, governments and central banks, commercial banks and insurance companies, and business enterprises. It is also the leading company in the Japanese investment trust market.</p>	<p><a href="https://www.nomura-asset.co.uk/download/responsible-investment/Sustainability_Risks_Japanese_Equities.pdf">https://www.nomura-asset.co.uk/download/responsible-investment/Sustainability_Risks_Japanese_Equities.pdf</a></p>
<p>US, Euro and Global High Yield Bonds, Leveraged Loans and Emerging Market Bonds</p>	<p>Nomura Corporate Research and Asset Management Inc. ("NCRAM")</p>	<p>NCRAM is a boutique investment management firm that specialises in the below investment grade credit market, focusing on US and global high yield instruments and emerging market debt.</p> <p>NCRAM was founded in March 1991 as a subsidiary of Nomura Holdings America Inc. In June 1991, NCRAM was registered as an investment adviser with the US</p>	<p><a href="https://www.nomura-asset.co.uk/download/responsible-investment/Sustainability_Risks_US_Euro_and_Global_High_Yield_Bonds_Leveraged_Loans_and_Emerging_Market_Bonds.pdf">https://www.nomura-asset.co.uk/download/responsible-investment/Sustainability_Risks_US_Euro_and_Global_High_Yield_Bonds_Leveraged_Loans_and_Emerging_Market_Bonds.pdf</a></p>

		Securities and Exchange Commission ("SEC") and began managing total return high yield portfolios later that year.	
<p>Nomura Funds Ireland UCITS range:</p> <p>Advanced Medical Impact Fund</p> <p>Concentrated Global Growth Equity Fund</p> <p>Emerging Markets Debt Total Return Fund</p> <p>Emerging Markets Equity Fund</p> <p>Emerging Markets Sustainable Impact Equity Fund</p> <p>Global Growth Equity Fund</p> <p>Global Small Cap Equity Fund</p>	American Century Investments Inc. ("ACI")	<p>ACI was founded more than 50 years ago by Jim Stowers, Jr as a small asset management firm offering just two mutual funds. It is now one of the top money managers in the U.S., serving financial intermediaries, institutional clients and individual investors.</p> <p>Jim Stowers Jr., and his wife Virginia established and endowed the Stowers Institute for Medical Research, a world-class biomedical research organisation dedicated to uncovering the causes, treatments and prevention of genetically based diseases, like cancer. The Stowers Institute for Medical Research owns a controlling interest in American Century, and through this unique ownership structure, dividend payments ensure the ongoing support of important work that can improve human health and save lives.</p> <p>In May 2016, Nomura Holdings Inc. acquired a non-controlling 41% economic interest in American Century Investments. This expands the opportunities for both firms to reach new clients and provide a broader range of solutions to serve investors' strategic interests.</p>	<p><a href="https://www.nomura-asset.co.uk/download/responsible-investment/Sustainability_Risks_American_Centry_Investment-Management_Inc.pdf">https://www.nomura-asset.co.uk/download/responsible-investment/Sustainability_Risks_American_Centry_Investment-Management_Inc.pdf</a></p>

2.7 For reference, the Firm maintains other policies and documentation related to sustainability, including:

- NAM UK Responsible Investment website:
- <https://www.nomura-asset.co.uk/responsible-investment/>
- NAM's PRI Transparency Report
- [https://stpublic.blob.core.windows.net/pri-ra/2020/Investor/Public-TR/\(Merged\) Public Transparency Report Nomura%20Asset%20Management%20Co.,%20Ltd. 2020.pdf](https://stpublic.blob.core.windows.net/pri-ra/2020/Investor/Public-TR/(Merged) Public Transparency Report Nomura%20Asset%20Management%20Co.,%20Ltd. 2020.pdf)

These documents contain more detail with respect to the sustainability policies specific to the relevant strategies.

2.8 This policy applies as from 10 March 2021.

### 3. **Purpose of this policy**

- 3.1 Under SFDR, “**sustainability risk**” means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.
- 3.2 Whilst the Firm recognises the potential negative impacts of sustainability risk, our approach to sustainability goes beyond this definition. Our portfolio managers and analysts seek to understand the sustainability problems and / or merits of our investee sovereigns, companies and institutions so that they may actively identify opportunities to add value to client portfolios. For instance, where we identify equity issuers that operate sustainable, transparent business models that are of benefit to a wide group of stakeholders (shareholders, employees, customers and society at large), we can have greater confidence that these business models will continue to drive profits and cashflows into the future. Similarly, where we identify bond issuers whose business models imply lower risk of, say, negative regulatory action, we can have greater confidence that interest and principal repayments can be met.
- 3.3 The Firm recognises that the world faces growing environmental, social, and governance-related risks. A key part of our role as a fiduciary is to act in the best interests of our clients, and this includes appropriately taking account of how those ESG risks could impact on our clients’ investments. This policy therefore establishes our framework to identify, measure, manage and monitor ESG risks to our clients.
- 3.4 For the purposes of SFDR, sustainability risk is not concerned with the risk of harm that our investment decisions may do externally to sustainability factors. In other words, this policy covers “*value*” rather than “*values*”. The external harm of investments is covered by a separate regime under SFDR, which considers the principal adverse impacts of a firm’s investment decisions on sustainability factors. The Firm is entitled to make a decision whether or not to implement the

principal adverse impact arrangements under Article 4 of SFDR, and has elected not to comply for now. The Firm is separately publishing a public statement to explain our decision not to implement such arrangements.

3.5 In addition, SFDR is not specifically concerned with the risks that sustainability events may cause to the Firm's own balance sheet or prudential position. Such risks will be separately covered by the Firm's ICAAP process.

#### 4. **Governance and senior management responsibility**

4.1 The Firm's Board of Directors is ultimately responsible for the firm's policies and procedures in respect of sustainability risks.

4.2 The Firm's Board of Directors has approved this policy and the related procedures, including the Firm's sustainability risk appetite, and the Firm's integration of sustainability risks into investment decision making.

#### 5. **Sustainability risk management**

5.1 The Firm aims to identify sustainability issues as part of its broader analysis of securities and for the purposes of the paragraphs in this section, the terms "sustainability" and "Environmental, Social and Governance" or "ESG" will be used interchangeably.

5.2 Given the varied nature of the investment strategies managed by the Firm, ESG-based exclusion criteria are kept to a minimum at Firm level. However, the Firm will not invest in companies identified as cluster munitions manufacturers. Further ESG-based exclusion criteria can be (and are) applied more extensively to individual strategies.

5.3 The approaches to analysis of ESG issues vary amongst the investment teams, but the portfolio managers and analysts share a common goal to understand both threats and opportunities to the business models of potential investee sovereigns, companies and institutions from an ESG perspective, and thereby develop a fuller understanding of the downside risks, or potential valuation upside of the securities concerned.

5.4 The portfolio managers and analysts make extensive use of data from third party ESG specialists, including ISS and MSCI. This data can assist them to identify potential ESG concerns. However, it can only be a starting point. As a (potential) provider of either equity or debt capital, the Firm has the ability to engage with and understand companies' business models in depth, and the portfolio managers and analysts conduct fundamental analysis in order to reveal and evaluate potential ESG issues.

5.5 Analysis helps the Firm to understand the risks and opportunities. The issues are then debated more broadly amongst our investment professionals, and ESG ratings and risk assessments are ratified and officially recorded as part of the investment processes for both equity and fixed income strategies.

- 5.6 Where the investment professionals identify ESG issues which they believe can be improved or addressed, they engage directly with the relevant companies or issuers to make their views known. This part of the investment processes is not limited only to companies or issuers in which the Firm's strategies have invested.
- 5.7 The Firm maintains a comprehensive proxy voting policy that covers its approach. For the purposes of this document, it is simply noted that the analysts' ESG research may influence how such votes are cast.
- 5.8 ESG ratings and issues are kept under regular review, and updated whenever our research on a particular company or institution is updated. Reviews are subject to the formal ratings ratifications processes for the relevant strategies – these are detailed in the strategy-specific sections shown in section 2.6.

## 6. **Relevant sustainability risks**

6.1 As noted above at section 5 of this policy, the Firm has taken steps to identify key environmental, social and governance risks which could, if they occur, cause an actual or a potential material negative impact on the value of an investment. These are summarised in this section 6.

6.2 **Environmental** sustainability risks for the value of our clients' portfolios may include, but not be limited to:

- Climate change
- Carbon emissions
- Air pollution
- Water pollution
- Harm to biodiversity
- Deforestation
- Energy inefficiency
- Poor waste management practices
- Increased water scarcity
- Rising sea levels / coastal flooding

- Wildfires / bushfires

6.3 **Social** sustainability risks for the value of our clients' portfolios may include, but not be limited to:

- Human rights violations
- Human trafficking
- Modern slavery / forced labour
- Breaches of employee rights / labour rights
- Child labour
- Discrimination
- Restrictions on or abuse of the rights of consumers
- Restricted access to clean water, to a reliable food supply, and/or to a sanitary living environment
- Infringements of rights of local communities / indigenous populations
- Cluster Munitions

6.4 **Governance** sustainability risks for the value of our clients' portfolios may include, but not be limited to:

- Lack of diversity at Board or governing body level
- Inadequate external or internal audit
- Infringement or curtailment of rights of (minority) shareholders
- Bribery and corruption
- Lack of scrutiny of executive pay

- Poor safeguards on personal data / IT security (of employees and/or customers)
- Discriminatory employment practices
- Health and safety concerns for the workforce
- Poor sustainability practices in the supply chain
- Workplace harassment, discrimination and bullying
- Restrictions on rights of collective bargaining or trade unions
- Inadequate protection for whistleblowers
- Non-compliance with minimum wage or (where appropriate) living wage requirements

Where appropriate, more details of specific investment strategy approaches to these issues are contained in the links attached to the table in section 2.6.

## 7. **Disclosure of this policy**

- 7.1 SFDR requires that the Firm must publish on our website information about this policy. The Firm satisfies this requirement by disclosing this policy itself on our website.
- 7.2 SFDR also requires that the Firm must include, in the pre-contractual disclosures for our financial products, a description of the manner in which sustainability risks are integrated into our investment decisions. The Firm satisfies this requirement by disclosing a separate summary of this policy in pre-contractual disclosures.
- 7.3 For these purposes, “pre-contractual disclosures” means the prospectus or offering document for a fund, and the investment management agreement or other terms and conditions for a portfolio management service.