Nomura Funds Ireland – Emerging Market Local Currency Debt Fund

Sustainability Risks Policy

10 March 2021

Introduction

The EU Sustainable Finance Disclosure Regulation ("**SFDR**") lays down harmonised rules for financial market participants and financial advisers on transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability-related information with respect to financial products.

Nomura Funds Ireland plc (the "Fund") is a UCITS umbrella investment company with variable capital incorporated with limited liability in Ireland. The Fund has segregated liability between each of its sub-funds (**the "Sub-Funds"**).

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.

Sustainability Risks

The following sets out the sustainability risks policy in respect of the Nomura Funds Ireland – Emerging Market Local Currency Debt Fund (the "Sub-Fund"). Potential investors and shareholders are advised to read this policy in conjunction with the sustainability risks policy for the Fund.

Sustainability Risks Policy

The management of sustainability risk forms an important part of the due diligence process implemented by the Investment Manager. When assessing the sustainability risk associated with underlying investments, the Investment Manager is assessing the risk that the value of such underlying investments could be materially negatively impacted by an environmental, social or governance ("ESG") event or condition.

The type of sustainability risks, which are considered by the Investment Manager to be particularly relevant to the Sub-Fund are summarised below:

Environmental sustainability risks:

- Energy and Climate Change
- Energy Security
- Resource Use
- Environmental Vulnerability

Social sustainability risks:

- Basic Needs
- Health and Well-being
- Gender Inequality
- Equity and Opportunity
- Human Development
- Human and Civil Rights
- Social Cohesion

- Socio-Economic Inequality
- Demographic Pressure

Governance sustainability risks:
- Government Effectiveness
- Corruption
- Investor Protection
- Regulatory Environment
- Economic Competitiveness
- Rights and Freedoms
- Internal Stability
- Geo-Political Risks
- Market Development
- Innovation

The Investment Manager aims to identify sustainability risks as part of its broader analysis of securities. For the purposes of the paragraphs in this section, the terms “sustainability” and “Environmental, Social and Governance” or “ESG” will be used interchangeably.

The Investment Manager will use a combination of quantitative and qualitative analyses within the research process to identify and understand ESG influences on the securities held within the Sub-Fund. The Investment Manager aims to identify sustainability issues that may impact the ability of a fixed income security issuer to meet its financial obligations, and consequently seek to lower the potential volatility of the investments held within the Sub-Fund due to future credit events, with a particular focus on avoiding downside [ESG and sustainability risks.] The Investment Manager’s ESG research and assessment processes apply for sovereign issuers of fixed income securities within the Sub-Fund.

The Investment Manager uses a diverse set of non-financial data deemed material and relevant to assessing sustainability risks for investors at the macro-economic level (i.e. sovereign ESG risks). Using its proprietary method in parallel with external information, the Investment Manager will systematically aggregate the data into relative scores (Sovereign ESG Scores), with weights based on a combination of the expected probability for each sovereign ESG risk factor to affect a country’s potential growth rate, and the relative time required for such impact to occur. The Investment Managers recognises sovereign ESG risk factors as potential indicators of growth risk, and therefore they tend to correlate with traditional credit ratings. The ESG ratings assigned are, therefore, relative and this process enables the Investment Manager to achieve more comprehensive assessment than with traditional economic and financial analysis alone and potentially improves its investment research and ability to take appropriate risks.

In addition, the Investment Manager will conduct broad-ranging qualitative research into the sovereigns in its coverage. Although the quantitative scores derived by the aforementioned process may influence its analysis to probe areas of perceived strength or weakness with respect to ESG criteria, the Investment Manager will question and examine any element of sovereign’s macroeconomic performance, policy and institutional stability/strength and financial flexibility if it is necessary to understand the relative value characteristics of that sovereign’s bonds. This research can also lead to the discovery of ESG issues not identified by the quantitative analysis.

The Investment Manager will continuously question the scores generated by its quantitative model, and may adjust the overall ESG assessment based on its own expertise and bottom up research. These adjustments can be incorporated into future updates as feedbacks and may contribute to the improvements of the proprietary Sovereign ESG model, subject to its internal agreement.

Where the Investment Manager identifies issuer-level ESG concerns which it believes can be improved or should be addressed, it will engage with the issuer and, where relevant, other stakeholders.

Within its internal thorough review process, the Investment Manager will review ESG scores on a regular basis and update whenever its research on a particular country is updated.

During the life of the investment, sustainability risk is monitored through review of ESG data published by data providers to determine whether the level of sustainability risk has changed since the initial assessment has been conducted. This review is conducted on a periodic basis, not less than annually. Should some new piece of ESG/sustainability information come to light regarding a security, the Investment Manager will assess the impact of the new information with a view to reassessing the security's ESG-scores.

ESG and sustainability risks are integrated in a manner that are tailored to each relevant market and asset class. For example, Sovereign ESG scores can be applied directly to the assessment of relative credit risk for Emerging Market sovereigns, whereas for currency-focused and developed market rate investments, the focus is on considering certain long-term ESG trends such as structural decarbonisation and how these may affect specific economic variables including growth and inflation in specific countries.

For the avoidance of doubt, the Investment Manager is not obliged to align its decisions to ESG scores. The scores serve as indicators of potential issues and causes of potential sustainability-related volatility. Therefore, securities with undesirable ESG scores may be selected for the Sub-Fund if the Investment Manager believes that their valuations are sufficiently attractive on a risk-adjusted basis. Furthermore, given the breadth of the investment universe of the Sub-Fund, the Investment Manager gives no undertaking that all the holdings contained within the Sub-Fund will have been subjected to the ESG-specific rating process described above.

Assessment

The likely impacts of sustainability risks are difficult to quantify. Although the ESG practices of a company may influence its long-term value, there can be no guarantee regarding the performance of individual investments, nor on the returns of the Sub-Fund's portfolio as a whole despite the integration of sustainable risks.