

## **Nomura Funds Ireland – Global Sustainable Equity Fund**

### **Sustainability Risks Policy**

**4 November 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 – Global Sustainable Equity Fund (the “Sub-Fund”). Potential investors and shareholders are advised to read this policy in conjunction with the sustainability risks policy for the Fund.

#### ***Philosophy***

The Investment Manager believes that non-economic sustainability factors such as environmental, social and corporate governance tend to have positive correlation with more typical economic factors such as profitability and return on investment in the long term. In this way, the Investment Manager places sustainability factors / risks as part of its core investment approach.

The Investment Manager defines “Responsible Investing” as the process of giving consideration to the total impact of investee entities on all stakeholders, including customers, suppliers, broader society, employees, the environment as well as investors. To put the philosophy into practice, the Investment Manager will look into the total utility or “total value” created by the investee or potential investee entity. The “total value” created could be measured as the overall benefit delivered to all stakeholders such as the happiness brought to customers, the employment and growth opportunities brought to employees, the impact on the environment, and not limited to financial value. In addition, the Investment Manager will put emphasis on the fair sharing of the total value among the various stakeholders.

#### ***Relevant Sustainability Risks***

The Investment Manager 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 risks are summarised in the section headed “Sustainability Risks” contained under “Risk Factors” as set out in the Prospectus.

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

In order to evaluate sustainability risks and the total value created by the investee / potential investee entity and its fair sharing among the various stakeholders, the Investment Manager has implemented the following steps to (i) identify and assess, (ii) decide, and (iii) monitor sustainability risks.

#### (i) Identify and Assess

The Investment Manager will produce its own ESG ratings based on its broader analysis and assessment that are consistent with its Responsible Investment philosophy. In this process, the Investment Manager will make use of data from third party ESG specialists such as ISS, Sustainalytics and MSCI (“Data Providers”). Although this data will assist the Investment Manager in identifying and assessing sustainability risks, the Investment Manager does not rely on ESG scores or ratings produced by third parties. The focus of an analysis will vary depending on the security in question, as some are more prone to environmental, and others are to social risks, however, the Investment Manager will always incorporate a detailed review of the governance practices of the security’s underlying entity.

The evaluation of sustainability risks will be conducted from both implicit and explicit perspectives. The implicit perspective will involve factors that are not readily visible such as the effectiveness of the management team or alignment of the management of a company with its shareholders. The explicit perspective will assess more visible potential downside risks for its investment, for example, the impact on the investment due to a natural disaster. The conclusion of the assessment is a rating of the security on ESG risks as “Uninvestible”, “Issues – Improving”, “Issues – Not Improving” or “No Issues”.

In most cases, the Investment Manager will have some interaction with its investee companies and will take that opportunity to raise ESG/sustainability risks. After rating a company, the Investment Manager will aim to provide the entity with its feedback which involves raising any ESG / sustainability issues identified and encouraging improvement.

#### (ii) Decide

Although the final investment decision in relation to ESG risks and the evaluation of sustainability risk is at the Investment Manager’s discretion, if a security is rated “Uninvestible”, it is not available for investment under any circumstances. The Investment Manager will focus on certain characteristics of the investee company such as the use of energy, fair treatment of employees and adherence to societal norms (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 investment objective of the Sub-Fund. 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 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”.

The Investment Manager will apply an exclusionary screening to eliminate entities with notably weak governance, high greenhouse gas emissions and negative social or environmental impact. The Investment Manager has a well-developed and consistent framework for continuously assessing whether a security should be rated “Uninvestible”.

### (iii) Monitor

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 reassess the security’s rating. The Investment Manager has developed a consistent framework for determining whether a security be deemed “Uninvestible” as a consequence of some event or new information. Should a security be newly rated “Uninvestible”, the Investment Manager will aim to sell its holding as soon as reasonably practicable, taking into account the best interests of the Shareholders of the Sub-Fund.

The Investment Manager will maintain dialogue with investee entities on multiple matters, and as mentioned above, should a security be rated as having ESG / sustainability issues, the dialogue will often focus on encouraging improvement.

In addition to the active engagement, the Investment Manager will actively exercise the proxy votes for all matters, including sustainability, based primarily on a bespoke in-house policy based on the Investment Manager’s Responsible Investment philosophy.

ESG information from third-party Data Providers may be incomplete, inaccurate or unavailable. As a result, there is a risk that the Investment Manager may incorrectly assess a security or issuer, resulting in the incorrect inclusion or exclusion of a security in the portfolio of the Sub-Fund.

### *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.