

Nomura Funds Ireland –US High Yield Bond 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 –US High Yield Bond Fund (the “Sub-Fund”). Potential investors and shareholders are advised to read this policy in conjunction with the sustainability risks policy for the Fund.

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 as below:

Environmental sustainability risks may include:

- Climate change
- Air and water pollution
- Biodiversity
- Deforestation
- Energy efficiency
- Waste management
- Water scarcity

Social sustainability risks may include:

- Human rights and labour standards
- Customer satisfaction
- Diversity
- Employee engagement
- Community relations
- Conflict zones

Governance sustainability risks may include:

- Tax avoidance
- Executive compensation
- Bribery and Corruption
- Board composition
- Audit committee structure
- Lobbying
- Political contributions

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’s aim is to identify sustainability risks that may impact the ability of an issuer to meet its financial obligations. By doing so, the Investment Manager seeks to add to its understanding of the issuers and improve its ability to make attractive risk-adjusted investments.

The Investment Manager has established an ESG Committee to interface with industry groups and other Nomura Asset Management companies regarding ESG and sustainability issues, frameworks, standards and implementation. Members of the ESG Committee provide ESG training to the investment team based on material from both industry groups and internal sources.

The Investment Manager will use primarily qualitative fundamental analysis within the research process to identify and understand ESG influences and sustainability risks on the securities held within the Sub-Fund. The Investment Manager’s analysts perform the vast majority of the research utilised in the management of the portfolios. Analysis of ESG factors and sustainability risks is based on both direct communication with the issuers as well as secondary sources. The Investment Manager will also engage third party ESG specialists such as Sustainalytics to provide external research on ESG factors to supplement internal research.

In undertaking ESG research, the Investment Manager will generally consider whether an issuer acts in a sustainable way with regard to the environment and with regard to their employees and other constituents. The Investment Manager also generally considers how the issuer treats the communities in which they operate and the issuer’s impact on their customers. Climate change and carbon emissions are also generally considered as part of an environmental risk analysis, where possible, incorporating a company’s environmental record into an assessment of the issuer. The Investment Manager also generally weighs an issuer’s governance with regard to how they treat bondholders, their corporate structure and other factors.

The Investment Manager believes that engagement helps its professionals understand how companies are committed to incorporating ESG issues and integrating sustainability risks into their ownership and management, and their plans to address those ESG / sustainability risks that may have a material financial impact in the future. The Investment Manager’s analysts engage with companies on ESG / sustainability issues in various settings, including new issue meetings, regular company calls, and group meetings. In those interactions, the analysts encourage investee companies to engage in proactive dialogue with their investors and encourage companies to increase their disclosure of ESG related activities and sustainability risks. Through disclosure and dialogue, the Investment Manager seeks to understand ESG issues / sustainability risks and solutions for the companies invested into or under consideration for investment. The Investment Manager’s analysts incorporate their ESG engagement activities in their regular investment updates and recommendations for portfolio managers.

The analysts will synthesise an issuer's strengths and risks with regard to ESG factors in communication with portfolio managers, and will rank most issuers in a system that incorporates ESG / sustainability risk, ESG disclosure, and plans to mitigate such risk. The analysts and portfolio managers consider ESG factors as a component of their holistic credit analysis. They will assess whether ESG / sustainability strengths and risks, along with other aspects of an issuer's credit attributes, are priced into market yields and spreads. Generally, as ESG / sustainability risk is considered alongside other factors, it is not the only factor in an investment decision.

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 / sustainability risks.

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.