

Sustainability-related disclosures

Nomura Funds Ireland – Corporate Hybrid Bond Fund (the “Sub-Fund”)

Introduction

Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) requires that firms publish information on environmental or social characteristics that their products promote (for Article 8 products) and on sustainable investment objectives that their products pursue (for Article 9 products), together with information on the methodologies used to assess, measure and monitor them.

Nomura Asset Management U.K. Limited (“NAM UK”) is the investment manager of the Sub-Fund.

Summary

The Sub-Fund is an actively managed portfolio that will invest in debt and debt-related securities, comprising primarily of corporate hybrid bonds, both investment grade and sub-investment grade that have been rated by a recognised rating agency. The Sub-Fund promotes contribution to reduction of greenhouse gas (GHG) emissions by investing in issuers committed to decarbonisation as well as exhibiting declining GHG emissions as its environmental characteristics.

While the Sub-Fund promotes GHG emission reduction, investors should be aware that this product does not have reduction of carbon emissions as its objective within the meaning of Article 9(3) of SFDR.

NAM UK implements the strategies of i) proprietary credit ESG scores, ii) exclusions, and iii) GHG emission profile and engagement to promote environmental characteristics of the Sub-Fund.

- Proprietary credit ESG scores: NAM UK will assign a proprietary credit ESG score to each potential issuer by incorporating ESG factors into its sustainability analysis. Within this analysis, NAM UK will focus on ESG factors that are material to credit quality and financial risks of issuers through the evaluation of relevant factors. The credit ESG scores are comprised of individual environmental, social and governance data by issuers and individual environmental, social and governance weights by industry.

NAM UK will exclude from the investible universe of the Sub-Fund those corporate issuers that exhibit high sustainability risks which are reflected in low credit ESG scores.

- Exclusions in relation to the following areas:
 - Tobacco
 - Controversial weapons
 - UN Global Compact principles (UNGC) and Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises (OECD Guidelines)
- GHG emission profile and engagement: The Sub-Fund will aim to contribute to reduction of GHG emissions by investing in issuers committed to decarbonisation as well as exhibiting declining GHG emissions. In order to achieve this, NAM UK will seek to invest in issuers that have decarbonisation plans as well as exhibiting declining GHG emissions. NAM UK will also analyse mid to long term GHG emission trajectory of issuers in addition to the current level of emissions. Where an issuer’s GHG emissions (as measured in GHG emissions, carbon footprint and GHG intensity) are not declining on a year on year basis and/or NAM UK deems an issuer is failing to meet its decarbonisation plans based on the mid to long term trajectory, NAM UK will engage with the issuer to understand the reason of such divergence and request the issuer to ensure that the decarbonisation plans will be met. Engagement progress and

results are periodically assessed and unsuccessful engagement may lead investments to exclusion.

NAM UK assesses the governance practices of investee companies as part of the investment process in order to satisfy itself that the investee companies follow good governance practices, including sound management structures, employee relations, remuneration of staff, and tax compliance.

In addition to the elements outlined above, the Sub-Fund considers certain principal adverse impact (“PAI”) indicators within its investment process.

To monitor adherence to the environmental characteristics of the Sub-Fund, NAM UK monitors sustainability indicators. Compliance with the exclusions above is ensured through pre-trade monitoring and post-trade checks. NAM UK also uses an internal oversight platform to monitor alignment with the environmental characteristics of the Sub-Fund within its periodic review.

NAM UK utilises data and analysis from various sources including but not limited to investee companies, third-party data providers and industry reports. NAM UK seeks to use reliable and actual data but where availability of such data is limited, it will also utilise estimates provided by data providers and other sources.

NAM UK may engage proactively with issuers with weaker characteristics in topics such as, but not limited to, GHG emissions, GHG intensity and environmental impacts management. Such engagement activities may include direct dialogue with company management, such as through in-person meetings, phone calls, electronic communications /and letters or collaborative actions taken with external stakeholders. Should engagement be unsuccessful, NAM UK takes appropriate investment decisions dependent on the severity of the sustainability controversy or issue. NAM UK may also engage with investee companies to enhance its understanding on investee companies and encourage them to improve their disclosure on sustainability related information.

The Sub-Fund uses the ICE BofA Global Hybrid Non-Financial 5% Constrained Custom Index (the “Index”) for performance comparison purposes. The Index is not used to define the portfolio composition of the Sub-Fund and is not used for the purpose of determining the attainment of the environmental characteristics promoted by the Sub-Fund. The Index is a broad market index and not consistent with the environmental characteristics promoted by the Sub-Fund.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

The Sub-Fund does not commit to making sustainable investments.

Environmental or social characteristics of the financial product

The Sub-Fund promotes contribution to reduction of GHG emissions by investing in issuers committed to decarbonisation as well as exhibiting declining GHG emissions as its environmental characteristics.

Investment Strategy

What investment strategy does this financial product use to meet the environmental or social characteristics promoted by the financial product?

The Sub-Fund is an actively managed portfolio that will invest in debt and debt-related securities, comprising primarily of corporate hybrid bonds, both investment grade and sub-investment grade that have been rated by a recognised rating agency.

The Sub-Fund will seek to use fundamental bottom-up analysis principles in selecting securities with an emphasis on the strengths of individual securities. The focus will be on securities which are listed or traded on recognised exchange globally and not limited by industry or sector. In terms of security selection, NAM UK will use a research-based, qualitative and quantitative methodology approach. It will adopt a long term, fundamental, relative value based analysis, which is broken down into four main components (i) business and financial analysis (ii) downside analysis (iii) relative value analysis and (iv) ESG considerations (as outlined below). Liquidity considerations are also taken into account.

Further information on the investment objective, policy and investment strategy of the Sub-Fund, including the asset classes in which the Sub-Fund may invest, is detailed in the Supplement for this Sub-Fund and should be read in conjunction with and in the context of its Annex.

NAM UK integrates ESG considerations in the strategy in the following manner; i) proprietary credit ESG scores, ii) exclusions, and iii) GHG emission profile and engagement.

i) Proprietary credit ESG scores

NAM UK will assign a proprietary credit ESG score to each potential issuer by incorporating ESG factors into its sustainability analysis. Within its sustainability analysis, NAM UK will consider ESG factors that are material to credit quality and financial risks of issuers through the evaluation of relevant factors such as, but are not limited to, emissions, utilisation of renewable energy, human capital development, stakeholder relations, board independence, and transparency, depending on the nature of the issuer. The credit ESG scores are comprised of individual environmental, social and governance data by issuers and individual environmental, social and governance weights by industry. In assigning credit ESG scores, NAM UK will utilise data from external data providers ("Data Providers"), such as MSCI ESG, ISS ESG and Sustainalytics and various third party 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).

NAM UK will exclude from the investible universe of the Sub-Fund those corporate issuers that exhibit high sustainability risks which are reflected in low credit ESG scores.

ii) Exclusions

Exclusions are assessed at time of purchase. NAM UK will monitor the Sub-Fund's portfolio against these exclusions on an ongoing basis and take necessary actions where required.

- Tobacco: Exclusion of companies that produce tobacco, or companies whose core business is tobacco distribution (core definition = 50% or more of sales)
- Exclusion of companies involved with controversial weapons, including anti-personnel mines, cluster munitions, chemical weapons, and biological weapons.
- Exclusion of companies that NAM UK deems to be in violation of the UNGC and OECD Guidelines.

iii) GHG emission profile and engagement

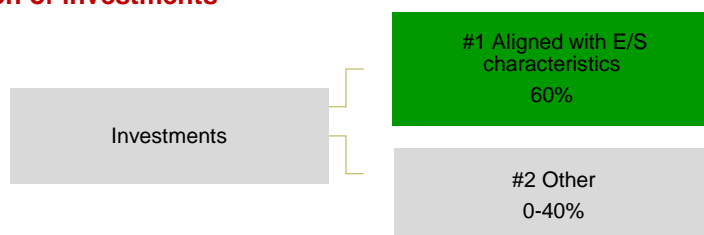
The Sub-Fund will aim to contribute to reduction of GHG emissions by investing in issuers committed to decarbonisation as well as exhibiting declining GHG emissions. In order to achieve this, NAM UK will seek to invest in issuers that have decarbonisation plans as well as exhibiting declining GHG emissions. Issuers' decarbonisation plans may vary and could take some time to materialise into declining GHG emissions and therefore NAM UK will analyse mid to long term GHG emission trajectory of issuers in addition to the current level of emissions. Where an issuer's GHG emissions (as measured in GHG emissions, carbon footprint and GHG intensity) are not declining on a year on year basis and/or NAM UK deems an issuer is failing to meet its decarbonisation plans based on the mid to long term trajectory, NAM UK will engage with the issuer to understand the reason of such divergence and request the issuer to ensure that the decarbonisation plans will be met. NAM UK will also engage with issuers to encourage more robust decarbonisation plans where appropriate. Engagement progress and results are periodically assessed and unsuccessful engagement may lead investments to exclusion.

What is the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance?

NAM UK assesses the governance practices of investee companies as part of the investment process in order to satisfy itself that the investee companies follow good governance practices, including sound management structures, employee relations, remuneration of staff, and tax compliance.

Within this assessment, NAM UK will utilise its aforementioned proprietary credit ESG scoring system which assesses ESG factors including governance practices of each potential investee companies alongside analysis by in-house analysts.

Proportion of investments



NAM UK commits to invest a minimum of 60% of the Sub-Fund's assets in investments which are aligned with the environmental characteristics being promoted, which will be obtained through direct exposure to investee companies.

Monitoring of environmental or social characteristics

How are the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product monitored throughout the lifecycle of the financial product and what are the related internal or external control mechanisms?

NAM UK will use sustainability indicators to measure the attainment of the environmental characteristics. The sustainability indicators will include but not limited to:

- GHG emissions
- Carbon footprint
- GHG intensity
- Proportion of the Sub-Fund that reduced GHG emissions on a year on year basis

To monitor adherence to the environmental characteristics of the Sub-Fund, NAM UK monitors the sustainability indicators, as above. Compliance with the exclusions above is ensured through pre-trade monitoring and post-trade checks. Engagement progress and results are periodically assessed and unsuccessful engagement may lead investments to exclusion.

NAM UK also uses an internal oversight platform which is independent from investment teams to monitor alignment with the environmental characteristics of the Sub-Fund within its periodic review.

Methodologies for environmental or social characteristics

What are the methodologies to measure how the social or environmental characteristics promoted by the financial product are met?

The methodologies to measure the attainment of the environmental characteristics of the Sub-Fund are set out under “Monitoring of environmental or social characteristics” above.

Data sources and processing

The Sub-Fund will utilise the following data sources:

- data provided by investee companies in annual sustainability reports and through engagement directly with the investee company.
- data and analysis from NAM UK’s team of investment professionals and credit analysts.
- data and analysis from external Data Providers, such as MSCI ESG, ISS ESG and Sustainalytics and various third party NGOs.
- data from other sources (such as industry reports and other third party research reports).

NAM UK scrutinises the data quality and coverage of Data Providers on an ongoing basis. This includes, but is not limited to, reviewing the data model, comparing data between providers and evaluating coverage.

Where data is sufficiently available, NAM UK prefers to use primary sources reported by investee companies. For calculation of PAI indicators, NAM UK will utilise data from Data Providers and monitor on an ongoing basis. NAM UK will also combine primary sources, data from Data Providers and other sources in the course of its ESG strategy.

NAM UK seeks to use reliable and actual data but where availability of such data is limited, it will also utilise estimates provided by Data Providers and other sources. In such cases, NAM UK aims to complement such estimates with internal analysis and/or engagement.

Limitations to methodologies and data

What are limitations to the methodologies or data sources and how do such limitations not affect how the environmental or social characteristics promoted by the financial product are met?

The primary limitation to the methodology or data source is the lack of corporate disclosure. As is the case with industry peers, NAM UK faces challenges in obtaining adequate and sufficient data on certain PAI and other sustainability related metrics. Where lack of data or data credibility may affect its ability to make informed decisions, NAM UK may resort to options such as using multiple data providers for certain data, having a direct dialogue with investee companies, setting a dedicated engagement plan or taking a decision against holding companies in order to ensure alignment of the Sub-Fund with its environmental characteristics.

Due diligence

What due diligence is carried out on the underlying assets of the financial product (including the internal and external controls)?

Portfolio managers and analysts are primarily responsible for conducting due diligence on investments on a continuous basis to ensure the attainment of the Sub-Fund's environmental characteristics through the binding requirements including i) proprietary credit ESG scores, ii) exclusions, and iii) GHG emission profile and engagement set out above under "Investment Strategy". Portfolio managers and analysts are also required to make a thorough assessment of the governance practices of investee companies (including sound management structures, employee relations, remuneration of staff and tax compliance). They are supported by NAM UK's aforementioned internal oversight platform where any new investments and material changes to the Sub-Fund's portfolio will be presented and scrutinised on a periodic basis.

Engagement policies

What is the engagement policy implemented, in the case that engagement is part of the environmental or social investment strategy (including any management procedures applicable to sustainability-related controversies in investee companies)?

NAM UK may engage proactively with issuers with weaker characteristics in topics such as, but not limited to, GHG emissions, GHG intensity and environmental impacts management. Such engagement activities may include direct dialogue with company management, such as through in-person meetings, phone calls, electronic communications /and letters or collaborative actions taken with external stakeholders. Should engagement be unsuccessful, NAM UK takes appropriate investment decisions dependent on the severity of the sustainability controversy or issue.

In addition, as mentioned above, the Sub-Fund may also engage with investee companies to enhance NAM UK's understanding on investee companies and encourage them to improve their disclosure on sustainability related information.

Designated reference benchmark

The Sub-Fund uses the Index for performance comparison purposes. The Index is not used to define the portfolio composition of the Sub-Fund and is not used for the purpose of determining the attainment of the environmental characteristics promoted by the Sub-Fund. The Index is a broad market index and not consistent with the environmental characteristics promoted by the Sub-Fund.