

## ANNEX

Product name: Nomura Funds Ireland – Global Sustainable High Yield Bond Fund  
Legal entity identifier: 549300BLIU8FQVR1RG50

# Sustainable investment objective

## Did this financial product have a sustainable investment objective?



**Yes**



It made **sustainable investments with an environmental objective**: 80.7%



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It made **sustainable investments with a social objective**: 11.9%



**No**



It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of \_\_\_% of sustainable investments



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promoted E/S characteristics, but **did not make any sustainable investments**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852 establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



## To what extent was the sustainable investment objective of this financial product met?

The Sub-Fund has sustainable investment as its investment objective. In order to achieve its sustainable investment objective, the Sub-Fund invested in securities of issuers that the Investment Manager viewed as contributing to environmental and/or social objectives. The environmental and social objectives of the Sub-Fund are to contribute to:

Environmental objectives:

- Climate Mitigation - Own Operations
- Climate Mitigation - Enabling Activities
- Climate Adaptation
- Efficient use of raw materials
- Sustainable use of water and land
- Minimizing waste production
- Mitigating impact on biodiversity
- Support the circular economy

#### Social objectives:

- Tackling inequality
- Fosters social cohesion
- Encourages social integration
- Investment in human capital
- Investment in economically or socially disadvantaged communities

The Investment Manager has sought to achieve the sustainable investment objective through investment in sustainable investments that are aligned with the above environmental or social objectives. Each sustainable investment was assessed against the proprietary ESG scores, exclusions and contribution assessment, and categorised into the appropriate contribution category of “direct contribution”, “indirect contribution” or “transition”. The details of the contribution categories and the binding strategies are further described under “What investment strategy does this financial product follow?” in Annex 1 attached to the Sub-Fund’s Supplement.

The summary of the sustainable investments made by the Sub-Fund aligned with the above environmental and/or social objectives is below:

#### Environmental objectives:

- Climate Mitigation - Own Operations
  - Sustainable investments in this objective have made commitments to reduce GHG emissions, which in most cases are either SBTi approved or in line with the commitments of the Paris Agreement. Companies invested have made medium and long term commitments to GHG reductions, track their GHG emissions on a yearly basis and have concrete plans towards their planned targets.
- Climate Mitigation - Enabling Activities
  - Sustainable investments in this objective have offered as their economic activity products or services that helped their customers reduce their GHG emission profile. The largest exposure in this objective was in renewable power companies that generate a majority of their electricity through wind or solar generating capacity.
- Efficient use of raw materials
  - Sustainable investments in this objective have industry leading processes to reduce raw materials used in their production process.
- Sustainable use of water and land
  - Sustainable investments in this objective manufacture products that help consumers reduce water usage, such as the installation of water saving fixtures in the home.
- Minimizing waste production
  - Sustainable investments in this objective reduced [significant amount of] waste production in their own operations. For example, reducing food waste in a food service distribution.
- Support the circular economy
  - Sustainable investments in this objective are committing to increasing the amount of recycled or recyclable materials in their products.

#### Social objectives:

- Tackling inequality
  - Sustainable investments in this objective have had strong commitments and measurable targets to equality, diversity and inclusion within their employee base.
- Fosters social cohesion
  - Sustainable investments in this objective have provided services such as basic internet access in underserved areas.

- Encourages social integration
  - Sustainable investments in this objective provided services to inform and engage minority populations where their native language services were not otherwise available.
- Investment in human capital
  - Sustainable investments in this objective contributed to the development, training and education of society.
- Investment in economically or socially disadvantaged communities
  - Sustainable investments in this objective provided services such as financing, healthcare, internet service to economic or socially disadvantaged communities.

The extent of the Sub-Fund's sustainability outcome and/or contribution is further described in the section "How did the sustainability indicators perform" and "How did this financial product consider principal adverse impacts on sustainability factors?" below. The proportion of the Sub-Fund that was invested in sustainable investments is disclosed under the section "What was the proportion of sustainability-related investments?" below.

### ● ***How did the sustainability indicators perform?***

The Sub-Fund's sustainability indicators performed as below:

- Greenhouse gas (GHG) emissions: The weighted average scope 1 and 2 GHG emissions was 2,346,761 tonnes.
- GHG intensity: The weighted average scope 1 & 2 GHG intensity (scope 1 and 2 GHG emissions per USD1 million of revenue) was 359.6 tonnes.
- Uncompensated health care provided to low income communities\*: The uncompensated health care per USD1 million revenue was USD36,957. Uncompensated health care are health care services provided for free to those who cannot afford these services otherwise. The calculation uses aggregate uncompensated health care for 2022 and revenue figures as of the end of December 2022. The Investment Manager calculated the weighted average of the uncompensated health care for the three issuers that align with this objective as of the end of December 2022.

\*Although the Sub-Fund has described to use "discounted health care provided to low income communities" as one of the sustainability indicators in Annex 1 attached to the Sub-Fund's Supplement, what is reported by investee companies is the amount of uncompensated health care provided to low income communities. Therefore, the Investment Manager is using uncompensated health care provided instead of discounted health care provided in this report.

Please note that the sustainability indicator data generally becomes available on an annual basis in the following months post the end of the year. Therefore, the sustainability indicators provided above have been calculated based on the data available at the time of this periodic report. Unless otherwise stated, the data has been calculated using the quarter-end average weights of holdings held in the Sub-Fund in 2022, and the latest available impact data. Sustainability indicators above do not take into account companies without relevant data and/or companies whose activities are not relevant to the particular sustainability indicator(s).

For the sustainability indicators above, the Investment Manager has used data provided by companies in annual sustainability reports as well as data provided by a third-party data provider, Sustainalytics.

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

● **...and compared to previous periods?**

Not applicable.

● **How did the sustainable investments not cause significant harm to any sustainable investment objective?**

In order to ensure that the sustainable investments of the Sub-Fund do not cause significant harm to any environmental or social sustainable investment objective, the Sub-Fund has taken into account certain indicators for adverse impacts on sustainability factors. Details on how the indicators have been considered is described below.

Within this assessment, the Investment Manager used in-house research and analysis taking into account reported data and data provided by a third party data provider, Sustainalytics, where available.

— **How were the indicators for adverse impacts on sustainability factors taken into account?**

The following principal adverse impact (PAI) indicators were taken into account as part of the exclusions and the Sub-Fund complied with these exclusions based on the assessment of the Investment Manager:

- Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (threshold 0%)
- Exposure to those companies deemed in violation of UN Global Compact principles (UNGC) and Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises (OECD Guidelines) as assessed by the Investment Manager using inputs from third-party providers (threshold 0%)

For the following PAI indicators, the Investment Manager has assessed and monitored the impact of each sustainable investment on sustainability factors to ensure that sustainable investments did not cause significant harm to any environmental or social objectives. Within this assessment, the Investment Manager used thresholds appropriate to business activities, sectors and countries.

- GHG emissions (Scope 1 GHG emissions, Scope 2 GHG emissions, Scope 3 GHG emissions and Total GHG emissions)
- Carbon footprint
- GHG intensity of investee companies
- Exposure to companies active in the fossil fuel sector
- Share of non-renewable energy consumption and production
- Energy consumption intensity per high impact climate sector
- Activities negatively affecting biodiversity-sensitive areas
- Emissions to water
- Hazardous waste and radioactive waste ratio
- Lack of process and compliance mechanisms to monitor compliance with UNGC and OECD Guidelines
- Unadjusted gender pay gap

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- Board gender diversity

The Investment Manager has also taken into account other relevant indicators depending on the business activities and behaviours of a company. The Investment Manager has monitored the availability of data to identify companies the Investment Manager would engage with. These engagements include requesting disclosure and robust procedures to mitigate PAIs and take place on an ongoing basis.

Please note that data from the third party data provider may be incomplete, inaccurate or unavailable. As a result, there is a risk that the Investment Manager may incorrectly assess the PAIs of a security or issuer in the Sub-Fund.

*Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Sustainable investments have aligned with the OECD Guidelines and the UN Guiding Principles on Business and Human Rights by excluding companies that the Investment Manager deemed in violation of UNGC and OECD Guidelines.



## **How did this financial product consider principal adverse impacts on sustainability factors?**

The Sub-Fund considered the following PAI indicators as part of its broader exclusions which include other exclusion criteria as further described in Annex 1 to the Sub-Fund's Supplement. The Sub-Fund complied with these exclusions based on the assessment of the Investment Manager.

- Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (threshold 0%)
- Exposure to companies deemed to be in violation of UNGC and OECD Guidelines as assessed by the Investment Manager using inputs from third-party data providers (threshold 0%)

For the following PAI indicators, the Investment Manager's analysts consider the PAI for each investment of the Sub-Fund to understand and mitigate the impacts. Where quantitative data was available, the Investment Manager sought to invest in companies with lower negative impacts when other characteristics (such as contribution to environmental or social objectives) were similar. However, data continues to be limited for PAIs, particularly for US based investee companies. In these situations, the Investment Manager analysed the company's goals, policies and activities to judge the company's impact on PAIs qualitatively. Where there are concerns, the Investment Manager's analysts document how the company plans on mitigating or the company's initiatives to confirm if the investments still qualify as sustainable investments. The Investment Manager used sources such as company sustainability reports and filing, as well as a third party provider, Sustainalytics, to perform this analysis.

- GHG emissions (Scope 1 GHG emissions, and Scope 2 GHG emissions, Scope 1&2 GHG emissions)
- Scope 1&2 Carbon footprint
- Scope 1&2 GHG intensity of investee companies

- Exposure to companies active in the fossil fuel sector
- Board gender diversity
- Share of securities not issued under Union legislation on environmentally sustainable bonds
- Number of days lost to injuries, accidents, fatalities or illness

Please note that data from the third party provider may be incomplete, inaccurate or unavailable. As a result, there is a risk that the Investment Manager may incorrectly assess the PAIs of a security or issuer in the Sub-Fund.



## What were the top investments of this financial product?

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is:

1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2022.

Largest investments	Sector	% Assets	Country
Cash	N/A	7.01	N/A
CLEARWAY ENERGY 4.75% 03/15/28	Utility	1.68	USA
NEXTERA ENERGY 3.875% 10/15/26	Utility	1.66	USA
PATTERN ENERGY O 4.5% 08/15/28	Utility	1.54	USA
ATLANTICA SUST 4.125% 06/15/28	Utility	1.51	USA
TERRAFORM POWER 4.75% 01/15/30	Utility	1.45	USA
BIG RIVER STEE 6.625% 01/31/29	Basic Industry	1.44	USA
SUNNOVA ENERGY 5.875% 09/01/26	Utility	1.43	USA
LEEWARD RENEWAB 4.25% 07/01/29	Utility	1.26	USA
HCA INC 5.375% 09/01/26	Healthcare	1.25	USA
DCP MIDSTREAM 5.125% 05/15/29	Energy	0.94	USA
CCO HLDGS LLC/CA 4.5% 08/15/30	Media	0.94	USA
CONSTELLIUM SE 3.75% 04/15/29	Basic Industry	0.90	USA
SPRINT CAPITAL 8.75% 03/15/32	Telecommunications	0.84	USA
TENET HEALTHCA 5.125% 11/01/27	Healthcare	0.83	USA

\*Top investments above were calculated based on the average of quarter-end weights of holdings in the Sub-Fund during the reference period. The denominator includes cash held as ancillary liquidity. The Sub-Fund had a large inflow during a period of high market volatility in Q1 of the reference period, which resulted in a high cash position on a quarter-end average basis, as set out in the table above.



## What was the proportion of sustainability-related investments?

Information on the proportion of the Sub-Fund which was invested in sustainable investments during the reference period is provided below.

### ● **What was the asset allocation?**

#### #1 Sustainable

The Investment Manager has invested 92.6% of the Sub-Fund's assets in sustainable investments.

Further details on how the Investment Manager identifies sustainable investments are described under "What investment strategy does this financial product follow?" in Annex 1 attached to the Sub-Fund's Supplement.

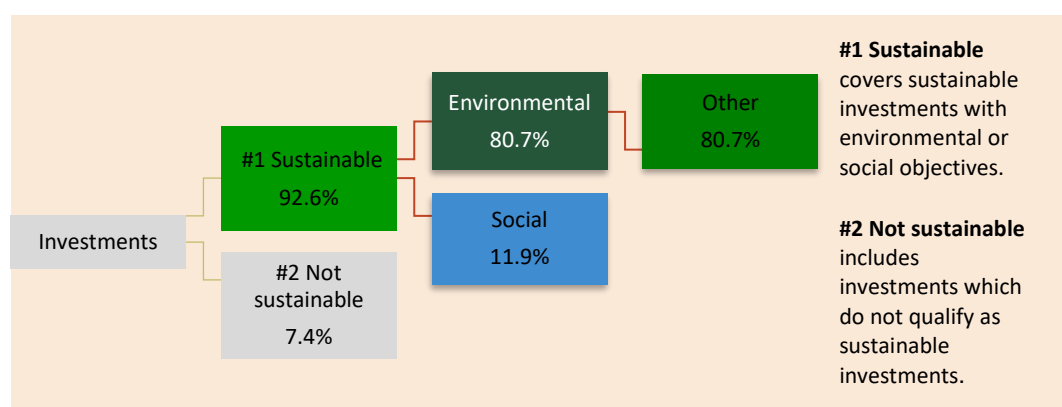
#### #2 Not sustainable

**Asset allocation** describes the share of investments in specific assets.

The remaining 7.4% of investments were primarily cash held as ancillary liquidity.

The Investment Manager used the quarter-end average weights of holdings held in the Sub-Fund during the reference period to calculate the allocations above.

Within this 7.4%, a small proportion constitutes certain legacy debt instruments held by the Sub-Fund from the time prior to the recategorisation of the Sub-Fund as an Article 9 fund within the meaning of SFDR in November, 2021. The Investment Manager continues to seek to divest such legacy debt instruments and has not written off such holdings taking into account the best interest of shareholders and potential future increase in liquidity. The proportion of legacy debt instruments account for 0.40% of the Sub-Fund using the quarter-end average weights of Sub-Fund holdings, however, as at the end of December 2022, the proportion of such legacy debt instruments amounted to 0.24% of the Sub-Fund. These holdings did not affect the delivery of the sustainable investment objective in the reference period due to the limited proportion.



## ● In which economic sectors were the investments made?

Sector	Sub-Sector	% Assets
Automotive	Auto Loans	1.72
Automotive	Auto Parts & Equipment	3.13
Automotive	Automakers	1.01
Banking	Banking	2.02
Basic Industry	Building & Construction	2.89
Basic Industry	Building Materials	0.81
Basic Industry	Chemicals	0.22
Basic Industry	Forestry/Paper	0.27
Basic Industry	Metals/Mining Excluding Steel	1.18
Basic Industry	Steel Producers/Products	1.44
Capital Goods	Aerospace/Defense	1.75
Capital Goods	Diversified Capital Goods	0.10
Capital Goods	Machinery	0.98
Capital Goods	Packaging	3.86
Consumer Goods	Beverage	0.15
Consumer Goods	Food - Wholesale	0.29
Consumer Goods	Personal & Household Products	1.19
Energy	Energy - Exploration & Production	0.19
Energy	Gas Distribution	5.21

Energy	Oil Field Equipment & Services	0.56
Energy	Oil Refining & Marketing	0.27
Financial Services	Cons/Comm/Lease Financing	2.51
Financial Services	Investments & Misc Financial Services	1.71
Healthcare	Health Facilities	5.49
Healthcare	Managed Care	1.66
Healthcare	Medical Products	2.00
Healthcare	Pharmaceuticals	2.03
Insurance	Insurance Brokerage	0.01
Insurance	Monoline Insurance	1.37
Leisure	Gaming	1.73
Leisure	Hotels	0.71
Leisure	Recreation & Travel	3.93
Leisure	Theaters & Entertainment	0.21
Media	Advertising	0.78
Media	Cable & Satellite TV	1.73
Media	Media - Diversified	0.59
Media	Media Content	0.71
Media	Printing & Publishing	0.57
Real Estate	RealEstate Dev & Mgt	1.07
Real Estate	REITs	2.75
Retail	Food & Drug Retailers	0.58
Retail	Restaurants	0.29
Retail	Specialty Retail	1.26
Services	Environmental	0.51
Services	Support-Services	3.92
Technology & Electronics	Electronics	0.28
Technology & Electronics	Software/Services	2.77
Technology & Electronics	Tech Hardware & Equipment	0.93
Telecommunications	Telecom - Satellite	3.82
Telecommunications	Telecom - Wireline Integrated & Services	3.44
Transportation	Air Transportation	2.18
Transportation	Rail	0.08
Transportation	Transport Infrastructure/Services	0.42
Utility	Electric-Generation	11.52
Utility	Non-Electric Utilities	0.18

\*The proportion above was calculated based on the average of quarter-end weights of holdings in the Sub-Fund during the reference period. The denominator includes cash held as ancillary liquidity.



### **To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?**

For the reference period, the proportion of investments of the Sub-Fund in environmentally sustainable economic activities aligned with the EU Taxonomy (including in transitional and enabling activities) was 0% of the net assets of the Sub-Fund.



- Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy<sup>1</sup>?



Yes:



In fossil gas

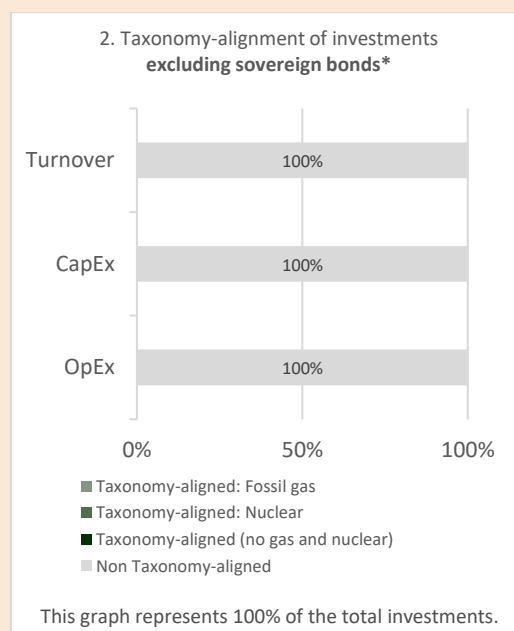
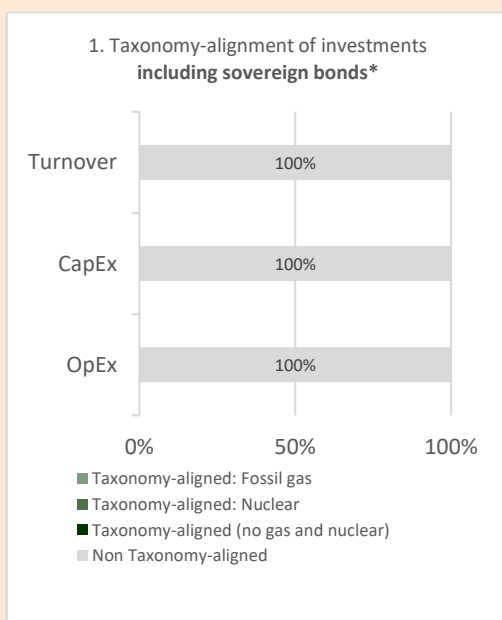


In nuclear energy



No

*The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

- What was the share of investments made in transitional and enabling activities?

The share of investments in transitional and enabling activities was 0% respectively.

- How did the percentage of investments aligned with the EU Taxonomy compare with previous reference periods?

Not applicable.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### **What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?**

The share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy was 80.7%.



### **What was the share of socially sustainable investments?**

The share of sustainable investments with a social objective was 11.9%.



### **What investments were included under “not sustainable”, what was their purpose and were there any minimum environmental or social safeguards?**

The “#2 Not sustainable” investments made by the Sub-Fund were primarily cash held as ancillary liquidity, along with a small proportion of certain legacy debt instruments as further detailed under the section “What was the proportion of sustainability-related investments?”. They did not follow any minimum environmental or social safeguards. The proportion and use of such “#2 Not sustainable” investments did not affect the delivery of the sustainable investment objective in the reference period due to the limited use and/or the nature of those instruments.



### **What actions have been taken to attain the sustainable investment objective during the reference period?**

The Investment Manager conducts deep dive engagements to address particular sustainability-related issues. For example, initiatives and timelines for climate change mitigation plans were discussed to ascertain how committed companies were to their GHG emission reduction goals and their ability to achieve those goals. The Investment Manager conducted 12 engagements in the first half of the year and 13 in the second half of the year.

In Q4 2022, the Sub-Fund started investing in a company that is a provider of food, facilities and other services. As a food services provider, food waste is one of the key issues for the company, and the Investment Manager assessed that the company was making significant progress in contributing to the objective of minimizing waste production, which is one of the environmental objectives of the Sub-Fund. Reducing food waste contributes to the goal of responsible consumption and production, and consequently reduces GHG emissions from the production of food. The company has set a goal of reducing food loss and waste in its US operations by 50% by 2030 from its 2015 baseline (approximately 48 million pounds). In 2021, the company’s measured food waste in the US was 15.5 million pounds. Although the Investment Manager expects that a significant portion of this improvement was due to the reduction in business activity due to the COVID-19 pandemic, the company was already ahead of its goal prior to the pandemic. The Investment Manager expects the company to make continued progress and contribution in this area.

The Sub-Fund has reduced and eventually eliminated its position in a gaming and hospitality company in 2022. The Investment Manager had initially assessed the

company as a sustainable investment contributing to climate change mitigation by reducing GHG emissions through its business operations. However, through further engagement with the company, the Investment Manager has determined that there was limited improvement in sustainability-related disclosures and a lack of process to track the progress of its GHG emission reduction, which were unlikely to improve in the near future given the level of the company's commitment on ESG issues. The Investment Manager has determined that the company is no longer meeting the sustainable investment criteria based on its contribution assessment. As a result, the Investment Manager has divested its position in the issuer.