

ANNEX

Product name: Nomura Funds Ireland – Japan High Conviction Fund
Legal entity identifier: 549300J9GYEF5XW0TG70

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

☒ ☐ Yes

☐ It made **sustainable investments with an environmental objective**: ____%

☐ 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**: ____%

☒ ☐ 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 were the environmental and/or social characteristics promoted by this financial product met

The Sub-Fund promoted contribution to reduction of greenhouse gas (GHG) emissions and sustainable, fair and inclusive business practices as its environmental and social characteristics.

The environmental characteristic was pursued through focusing on issuers working towards achieving net zero GHG emissions by 2050 or sooner. Within its investment process, the Investment Manager has monitored and taken into account companies' current and future emissions in comparison to the carbon budgets for the International Energy Agency (IEA) Sustainable Development Scenario (SDS).

The social characteristic was pursued mainly through the exclusions applied for the Sub-Fund which limited the Sub-Fund's exposure in certain businesses and sectors such as alcohol, adult entertainment, gambling, nuclear weapons, thermal coal, tobacco and controversial weapons as well as compliance with the UN Global Compact principles.

The extent of the Sub-Fund's impact 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 aligned with the environmental and social characteristics is disclosed under the section "What was the proportion of sustainability-related investments?" below.

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

Contribution to reduction of greenhouse gas emissions:

- GHG emissions per unit revenue: The weighted average scope 1 and 2 GHG intensity (scope 1 & 2 emissions per USD1 million of revenue) was 45.3 tonnes, whereas that of the TOPIX index (the "Index") was 91.82 tonnes.

Sustainable, fair and inclusive business practices:

- Management remuneration: 58.5% of the investee companies have disclosed their remuneration policies with emphasis on the relationship between remuneration and the effectiveness of management as opposed to 29.6% of the companies in the Index.
- Percent women on the corporate board: The percentage of female directors was 16.21% as opposed to 16.76% of the companies in the Index.
- Compliance with UN Global Compact: No holdings fell outside compliance with UN Global Compact through the year.
- Exposure to controversial weapons: No holdings had exposure to controversial weapons through the year.

Please note that the sustainability indicator data becomes available on an annual basis in the following months post the end of the fiscal year (the end of March for most of Japanese companies). Therefore, the sustainability indicators provided above have been calculated based on the data available at the time of this periodic report, 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 the data provided by third-party data providers, ISS-ESG and MSCI, as well as research conducted by in-house analysts.

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

Not applicable.

● ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

Not applicable - The Sub-Fund did not make any sustainable investments.

● ***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable - The Sub-Fund did not make any sustainable investments.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

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.

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

Not applicable - The Sub-Fund did not make any sustainable investments.

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

Not applicable - The Sub-Fund did not make any sustainable investments.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



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

The Sub-Fund considered the following principal adverse impact (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%)
- Violation of UN Global Compact principles (UNGC) and Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises (OECD Guidelines) (threshold 0%)

The Sub-Fund also considered following PAI indicators:

- 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
- Board gender diversity

	Impact	Portfolio	Data coverage (%)	Index	Data coverage (%)
1.1.1	Scope 1 GHG emissions	1,827.64	100.00	27,907.02	99.35
1.1.2	Scope 2 GHG emissions	4,317.01	100.00	11,168.48	99.35
1.1.3	Scope 3 GHG emissions	91,940.58	100.00	315,607.34	98.41
1.1.4	Total GHG emissions	98,085.23	100.00	354,656.56	98.41
1.2	Carbon Footprint	202.08	100.00	730.69	98.41
1.3	GHG Intensity of investee company	616.88	100.00	894.83	98.42
1.4	Exposure to companies active in the fossil fuel sector	0.00	100.00	7.92	99.02
1.5	Share of non-renewable energy consumption and production	72.40	57.90	91.34	86.65
1.6.1	NACE Code A (Agriculture, Forestry and Fishing)	N/A	75.53	N/A	89.94
1.6.2	NACE Code B (Mining and Quarrying)	N/A	75.53	0.17	89.94
1.6.3	NACE Code C (Manufacturing)	0.34	75.53	1.76	89.94
1.6.4	NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply)	N/A	75.53	10.78	89.94
1.6.5	NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities)	N/A	75.53	0.13	89.94
1.6.6	NACE Code F (Construction)	N/A	75.53	0.13	89.94
1.6.7	NACE Code G (Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles)	0.01	75.53	0.14	89.94
1.6.8	NACE Code H (Transportation and Storage)	N/A	75.53	5.08	89.94
1.6.9	NACE Code L (Real Estate Activities)	N/A	75.53	0.14	89.94
1.7	Activities negatively affecting biodiversity-sensitive areas	0.00	100.00	0.00	99.02
1.8	Emissions to water	7.31	22.13	5.16	32.57
1.9	Hazardous waste ratio	0.00	10.79	10.17	28.05
1.10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	0.00	100.00	0.15	98.96
1.11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	66.27	100.00	47.17	97.65
1.12	Unadjusted gender pay gap	19.20	5.32	24.41	3.64
1.13	Board gender diversity	16.82	100.00	16.76	98.96
1.14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	0.00	100.00	0.00	99.02

The Sub-Fund reported the PAI data above using the quarter-end average weights of holdings held in the Sub-Fund in 2022, the Sub-Fund's net assets as of the end of December, and enterprise values and the latest available impact data as of the end of December 2022 obtained from MSCI (the "Data Provider") at the time of this periodic report.

- #1.7 (Activities negatively affecting biodiversity-sensitive areas): Based on the Data Provider's data, the PAI is reported as 0% for both the Sub-Fund and the Index with the data coverage being approximately 100%. Within the Data Provider's methodology, the data coverage is based on whether the Data Provider has sought to find companies' disclosures on biodiversity impact or not and if there is no disclosure relating to biodiversity impact, the impact has been calculated as 0. However, the Investment Manager sees that no disclosure does not mean no impact. The Investment Manager will keep monitoring the development on corporate sustainability disclosures and seek to mitigate the impact when the investee companies' reported data becomes available.
- #1.8 (Emissions to water): Based on the Data Provider's data, the Sub-Fund's weighed average emissions to water per EUR1 million invested were 7.31 tonnes and higher than those of the Index, 5.16 tonnes. The data coverage of this particular indicator for both the Sub-Fund and the Index is currently limited. The major contributor to the higher emissions of the Sub-Fund was a chemical company and there was a discrepancy between the company reported emission figure and the data used by the Data Provider for this calculation. The Investment Manager will engage with both the company and the Data Provider to understand the appropriate impact of the Sub-Fund's emissions to water.
- #1.11 (Lack of processes and compliance mechanisms to monitor compliance with UNGC and OECD Guidelines): The Investment Manager will engage with those companies that lack in processes and compliance mechanisms to monitor compliance with UNGC and OECD Guidelines.
- #1.13 (Board gender diversity): The Investment Manager has amended its proxy voting standards whereby the Investment Manager will in principle vote against the re-election of the director who has been in the position of chairperson and president, etc., if there is no female director in board members.

Please note that data from the 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 or the Index.

The Sub-Fund uses the Index in the way that the PAIs of the Sub-Fund are compared against the PAIs of the Index, with the aim being to limit such portfolio average adverse impacts (weighted average adverse impact of the companies held by the Sub-Fund) to be lower than that of the Index. However, 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 and social characteristics promoted by the Sub-Fund. The Index is a broad market index and not consistent with the environmental and social characteristics promoted by 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: **1st January 2022 to 31st December 2022.**

Largest investments	Sector	% Assets	Country
M3, Inc.	Health Care	5.75	Japan
Unicharm Corporation	Consumer Staples	5.33	Japan
DAIKIN INDUSTRIES, LTD.	Industrials	5.15	Japan
Chugai Pharmaceutical Co., Ltd.	Health Care	5.12	Japan
FAST RETAILING CO., LTD.	Consumer Discretionary	4.89	Japan
Keyence Corporation	Information Technology	4.84	Japan
Shin-Etsu Chemical Co Ltd	Materials	4.81	Japan
OBIC Co., Ltd.	Information Technology	4.33	Japan
GMO Payment Gateway, Inc.	Information Technology	4.04	Japan
Nidec Corporation	Industrials	3.73	Japan
Nihon M&A Center Holdings Inc.	Industrials	3.62	Japan
MonotaRO Co., Ltd.	Industrials	3.61	Japan
SMC Corporation	Industrials	3.53	Japan
Sysmex Corporation	Health Care	3.47	Japan
Recruit Holdings Co., Ltd.	Industrials	3.27	Japan

*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.



What was the proportion of sustainability-related investments?

Information on the proportion of the Sub-Fund which promoted environmental and social characteristics during the reference period is provided below.

● **What was the asset allocation?**

#1 Aligned with E/S characteristics

The Sub-Fund invested 96.9% of the Sub-Fund's assets in investments which are aligned with the environmental and social characteristics promoted by the Sub-Fund. The proportion was calculated as the proportion of the portfolio which was subject to the binding criteria which were used to attain the Sub-Fund's environmental and social characteristics as set out in Annex 1 attached to the Sub-Fund's Supplement.

In addition, 62.7% of the Sub-Fund's assets have positively contributed to the reduction of GHG emissions, which was calculated as the aggregate weight of the companies whose projected GHG emissions in 2050 were lower in comparison to the carbon budgets for the IEA (International Energy Agency) SDS (Sustainable Development Scenario) by using data from a third party data provider, ISS-ESG.

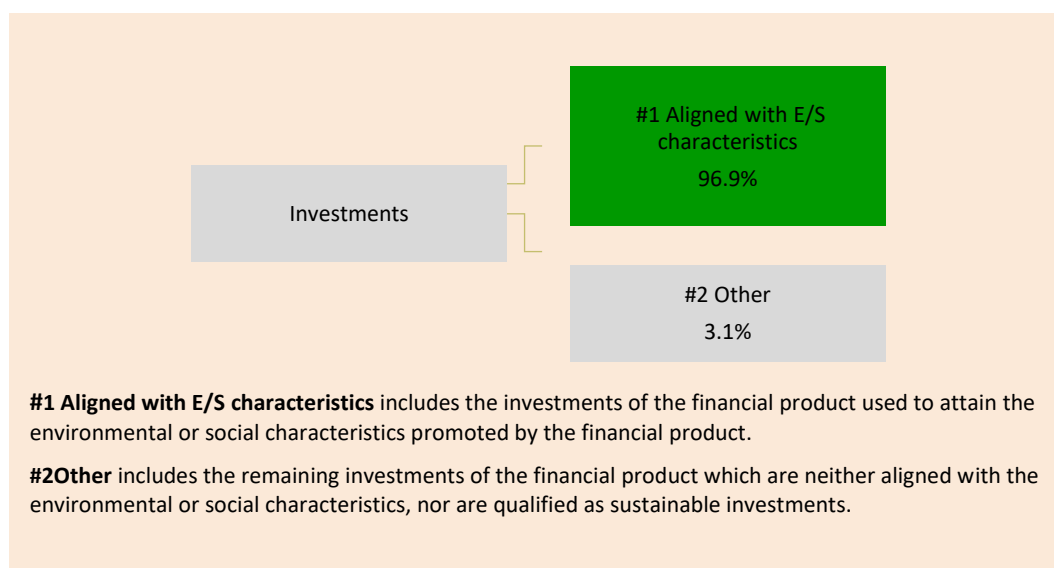
The Sub-Fund did not make any sustainable investments at this time.

#2 Other

The remaining 3.1% of investments were cash held as ancillary liquidity and they did not follow any minimum environmental or social safeguards.

Asset allocation describes the share of investments in specific assets.

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.



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

Sector	Sub-Sector	% Assets
Communication Services	Media & Entertainment	0.26
Communication Services	Telecommunication Services	0.64
Consumer Discretionary	Automobiles & Components	3.03
Consumer Discretionary	Consumer Durables & Apparel	2.90
Consumer Discretionary	Retailing	4.89
Consumer Staples	Food & Staples Retailing	1.45
Consumer Staples	Household & Personal Products	9.42
Financials	Diversified Financials	0.98
Health Care	Health Care Equipment & Services	14.27
Health Care	Pharmaceuticals, Biotechnology	5.12
Industrials	Capital Goods	18.33
Industrials	Commercial & Professional Services	9.38
Information Technology	Semiconductors & Semiconductor Equipment	1.95
Information Technology	Software & Services	8.61
Information Technology	Technology Hardware & Equipment	7.82
Materials	Materials	5.84
Real Estate	Real Estate	1.97

*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 the 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 Taxonomy¹?



Yes:



In fossil gas

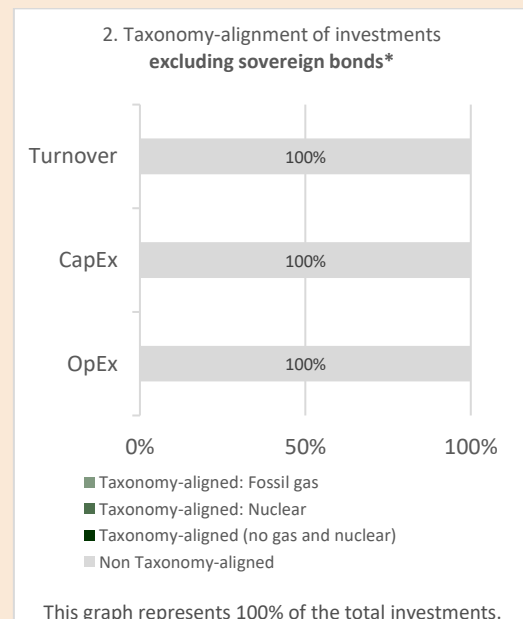
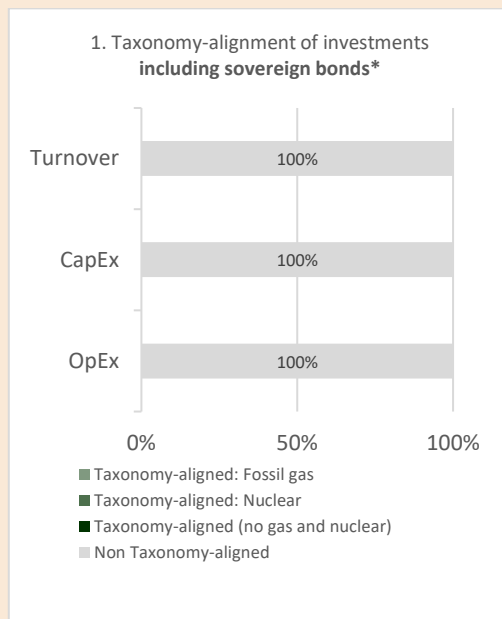


In nuclear energy



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

¹ 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 not significantly harm 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 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 that were aligned with the EU Taxonomy compare with previous reference periods?**

Not applicable.



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

Not applicable - The Sub-Fund did not make any sustainable investments.



What was the share of socially sustainable investments?

Not applicable - The Sub-Fund did not make any sustainable investments.



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

The “#2 Other” investments made by the Sub-Fund were cash held as ancillary liquidity and they did not follow any minimum environmental or social safeguards.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

To achieve the target of carbon neutral in 2050 worldwide, the Investment Manager believes that it is important to further accelerate the reduction of GHG emissions among companies that are already deemed to be contributing to the environmental characteristics. Based on this belief, the Investment Manager seeks to understand each company's carbon neutral targets and engage with them to encourage Science Based Targets (SBT) accreditation. One of the Sub-Fund's holdings is a medical device manufacturer and previously it had only set a target of reducing its GHG emissions by 50% by 2025 without a carbon-neutral target or target aligned with SBT. Through the engagement with the company since 2021, the Investment Manager had asked the company to demonstrate its commitment to become carbon neutral. In 2022, the Investment Manager has confirmed that the company has disclosed its target to become carbon neutral by 2040 in its latest annual report, and also that a commitment to SBT certification has been submitted and a review application would be filed in March 2024.

The Investment Manager believes that diversity is key to create a welcoming and efficient working environment for everyone and to make effective decisions to meet diverse customer needs and expand demand over the medium to long term. During the reference period, the Investment Manager has introduced a new standard in its proxy voting standards to vote against a proposal for re-electing the director who has been in the position of chairperson and president, etc., if there is no female director in board members. One of the Sub-Fund's holdings is an outdoor and sports equipment manufacturer. The Investment Manager has engaged with the company on multiple ESG topics but has particularly focused on the board diversity, which has been one of the main reasons for its rating of "Investible with Engagement", within its engagement since 2022. Although there are currently no women on the company's board of directors, the Investment Manager has confirmed through its dialogue with the company that the company is in the process of electing a female director.

One of the Sub-Fund's holdings is a world-leading manufacturer of electric motors used in hard-disk drives, electric appliances, automobiles and commercial and manufacturing equipment. Due to the nature of the company as a family business, its governance structure has been less effective. Although the company's board has a relatively high female ratio, none of its independent directors has experience of managing a company and the Investment Manager has questioned the board's ability to effectively navigate the company. The company has also struggled to develop successors after its founder. The Investment Manager has engaged with the company to address the issues above. Through engagements, the Investment Manager had previously assessed that the company was making appropriate efforts to solve these issues but the speed and the extent of the progress have not been favourable and, therefore, the Investment Manager will keep monitoring the developments closely.

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