

ANNEX 1

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

Environmental and/or social characteristics

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.

Does this financial product have a sustainable investment objective?



Yes



No



It will make a minimum of **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 will make a minimum of **sustainable investments with a social objective**: ____%



It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum 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 promotes E/S characteristics, but **will not make any sustainable investments**

What environmental and/or social characteristics are promoted by this financial product?

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

In order to promote environmental and/or social characteristics described above, the Investment Manager will focus on the environmental and social characteristics of the investee company (dependent on the type of company under review), including but not limited to the following:

- Whether products and/or services support the reduction of emissions (e.g. renewable energy technology or electric vehicles) or not.
- The use of energy and/or greenhouse gas emissions, including any targets the company may have set and progress towards those targets.



- The sustainability of sourcing and consumption of raw materials, for example, deforestation issues and water consumption.
- Whether products and/or services contribute to improving living standards and livelihood (e.g. diapers, feeding bottles, and foods to improve hygiene and nutrition).
- Whether products and/or services contribute to improve industrial productivity (e.g. IT equipment and components, factory automation equipment, research and development products).
- The treatment of employees, including diversity (e.g. gender), customers (e.g. fair pricing and treatment) and suppliers (e.g. avoiding coercive sourcing practices).
- The adherence to societal norms such as anti-bribery, anti-child or other forced labour and appropriate treatment of local communities, including within their supply chain.

The Sub-Fund uses the TOPIX index (the “Index”) in the way that the principal adverse impacts (“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 sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

Contribution to reduction of greenhouse gas emissions:

- Greenhouse gas emissions per unit revenue

Sustainable, fair and inclusive business practices:

- Management remuneration
- Percent women on the corporate board
- Compliance with UN Global Compact
- Exposure to controversial weapons

The Investment Manager will use the analysis conducted by its in-house analysts and ESG specialists, data from data providers as well as data provided by the investee companies in annual sustainability reports and through engagement directly with the investee company.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

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

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

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

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

How have the indicators for adverse impacts on sustainability factors been taken into account?

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

How are the 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 does not commit to making 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 EU criteria.

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

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



Does this financial product consider principal adverse impacts on sustainability factors?

X Yes, _____

The Sub-Fund considers the PAIs of its investment decisions on sustainability factors by evaluating such decisions against the following indicators and thresholds:

- 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 considers the PAIs of its investment decisions on sustainability factors by evaluating such decisions against the following 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

The Sub-Fund will in principle seek to limit its portfolio average adverse impact (weighted average adverse impact of the companies held by the Sub-Fund) as measured in each of the indicators above to be lower than that of the Index. For those companies with relatively high adverse impact on an individual company level, the Investment Manager will engage with those companies to encourage improvement. The Investment Manager has an active programme of corporate engagement whereby it will engage with investee and other companies by having direct dialogue with them to encourage positive change as pertains to ESG matters. The engagement process focuses not only on seeking improvements from companies but also communicating the Investment Manager's support and approval as an investor to companies that operate in desirable ways.

The impact of the Sub-Fund's investment on the above indicators will be monitored on a periodic basis. Investors should note that some of the indicators may have limited data availability.

The annual reports of the Fund will disclose how principal adverse impacts as measured in the indicators above have been considered on sustainability factors.

 No



What investment strategy does this financial product follow?

The Sub-Fund is an actively managed portfolio that will invest primarily in Equity and Equity-Related Securities listed or traded on a Recognised Exchange in Japan. The Investment Manager integrates ESG considerations in the strategy in the following manner; i) proprietary ESG ratings, ii) exclusions and iii) ESG Metrics.

i) Proprietary ESG ratings

The Investment Manager will assign a proprietary ESG rating in respect of each potential issuer. The ESG rating is based on its assessment on risks with regard to various ESG factors. In assessing ESG ratings, the Investment Manager will utilise data and analysis

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

from the Investment Manager's in-house team of ESG specialists and sector analysts, external data providers ("Data Providers"), such as MSCI ESG, ISS ESG and Sustainalytics and various third party Non-Governmental Organisations (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).

The potential ESG ratings are "No Issues", "Investible with Engagement" and "Uninvestible". The Investment Manager will be precluded from investing in companies that are rated "Uninvestible" and only allowed to invest in companies that are rated "Investible with Engagement" if the Investment Manager will actively engage with the company to address issues that attributed to the rating.

ii) Exclusions

- Alcohol: Exclusion of companies for which alcohol represents more than 10% of the company's revenue.
- Adult Entertainment: Exclusion of companies for which adult entertainment represents more than 10% of the company's revenue.
- Gambling: Exclusion of companies for which gambling represents more than 10% of the company's revenue.
- Nuclear weapons: Exclusion of companies for which nuclear weapons represents more than 10% of the company's revenue.
- Thermal coal: Exclusion of companies for which thermal coal represents more than 10% of the company's revenue.
- Tobacco: Exclusion of companies that produce tobacco, or companies whose core business is tobacco distribution (core definition = 50% or more of sales).
- Controversial weapons: Exclusion of companies involved with controversial weapons, including anti-personnel mines, cluster munitions, chemical weapons, and biological weapons.
- Exclusion of companies that the Investment Manager deems to be in violation of the UNGC and OECD Guidelines.

iii) ESG Metrics

When considering investment opportunities, the Investment Manager will consider certain ESG metrics. Depending on the nature of the company, these metrics will include but are not limited to energy use, greenhouse gas emissions, sustainable sourcing, human rights, labour relations and diversity ("ESG Metrics") both in the relevant company's own operations and those of the company's supply chain. When comparing two otherwise similar investment opportunities (e.g. similar sector, product, service and ability to sustain a high return on equity (ROE)), the Investment Manager will be obliged to select the investee company that displays better ESG Metrics.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding elements of the investment strategy are set out above under "What investment strategy does this financial product follow?"

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Sub-Fund pursues an investment strategy that includes proprietary ESG ratings, exclusions and ESG Metrics as set out above for the purposes of attaining the environmental and social characteristics. However, the Sub-Fund does not set a committed minimum rate to reduce the scope of investments based on that strategy.

● ***What is the policy to assess good governance practices of the investee companies?***

The Investment Manager has set a binding obligation to make a thorough assessment of the governance practices of the investee companies (including sound management structures, employee relations, remuneration of staff and tax compliance) and votes any proxies issued by such investee companies taking into account their governance practices.

The Investment Manager has a proprietary assessment process for the assessment of governance practices of investee companies. Within this assessment, the Investment Manager will utilise data from Data Providers as well as other sources (such as company publications) which focuses on four primary areas as follows:

1. Environmental, Social and Governance attitude: The Investment Manager will assess the culture and attitude of the board and management of the investee company towards fair treatment of all stakeholders of the investee company, to include the avoidance of environmental damage and conduct breaches (e.g. bribery). The Investment Manager also assesses effective governance reaction and remediation steps taken by the investee company in the face of any issues concerning such stakeholders. This assessment may include the use of data from Data Providers, in particular, to identify issues that have occurred in the past or are ongoing.
2. Skill in capital allocation: The Investment Manager will assess the track record of the management and the board of investee companies in allocating capital to high return investments that will benefit shareholders in the long term. The Investment Manager believes that inappropriate capital allocation is indicative of poor corporate governance.
3. Skill in operational management: The Investment Manager will assess the track record and likely capability of the management and the board of investee companies in optimising the operations of an investee company.
4. Remuneration policy: The Investment Manager believes that the nature of the management reward policy, set by the investee company board, is likely to drive behaviour. As such, the Investment Manager will evaluate the acceptability of the remuneration structure in detail.

If the assessment results of a company are unsatisfactory, the Investment Manager will encourage improvement through engagement and the company will either be put on a watch list or removed from consideration depending on whether the company shows intent to solve the issue.

The Investment Manager is a signatory to the Japan Stewardship Code, which sets out principles of effective stewardship. The Investment Manager is also a signatory to the UN Principles for Responsible Investment (the “UNPRI”), since 2011.

Good governance
practices include
sound management
structures,
employee relations,
remuneration of
staff and tax
compliance.



What is the asset allocation planned for this financial product?

The Sub-Fund will invest primarily in Equity and Equity-Related Securities listed or traded on a Recognised Exchange in Japan.

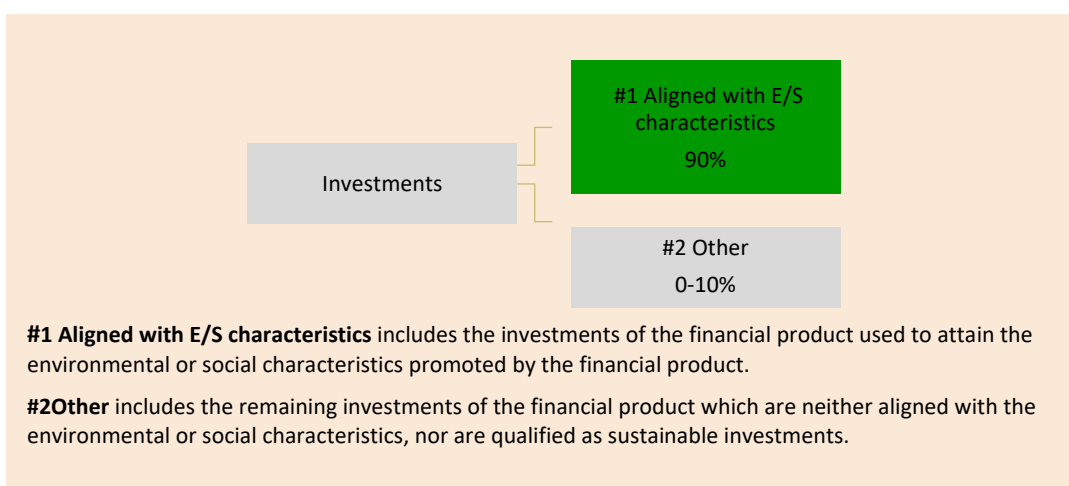
#1 Aligned with E/S characteristics

The Investment Manager intends to invest a minimum of 90% of the Sub-Fund's assets in investments which are aligned with the environmental and social characteristics promoted by the Sub-Fund. The proportion is calculated as the minimum proportion of the portfolio which is subject to the binding criteria as set out above which are used to attain the Sub-Fund's environmental and social characteristics. The proportion of the portfolio which has positively contributed to the environmental and/or social characteristics will be disclosed in the Fund's annual reports.

The Sub-Fund does not commit to making any sustainable investments at this time.

#2 Other

The remaining 0% to 10% of investments will include instruments which are used for the purposes of hedging and cash held as ancillary liquidity and they do not follow any minimum environmental or social safeguards.



● *How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?*

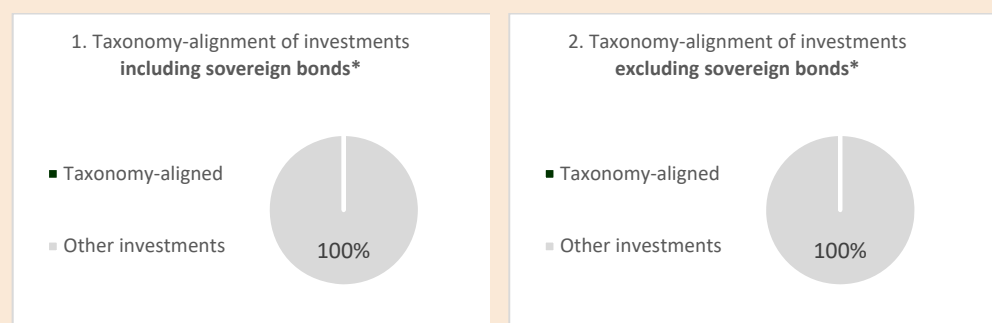
Whilst the Sub-Fund may use derivatives as part of its investment strategy for efficient portfolio management and/or hedging purposes, the use of derivatives is not with a view to attaining the environmental or social characteristics promoted by the Sub-Fund.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

As at the date hereof, it is expected that the minimum proportion of investments of the Sub-Fund in environmentally sustainable economic activities aligned with the EU Taxonomy shall be 0%.

The two graphs below show in green the minimum percentage of investments that are 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 is the minimum share of investments in transitional and enabling activities?**

The minimum share of investments in transitional and enabling activities is 0%.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

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



What is the minimum share of socially sustainable investments?

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



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The “#2 Other” investments made by the Sub-Fund include instruments which are used for the purposes of hedging and cash held as ancillary liquidity and they do not follow any minimum environmental or social safeguards.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No.

● **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

Not applicable.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.



Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://www.nomura-asset.co.uk/fund-documents/>