ANNEX 1

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

Sustainable investment objective

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 include 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:** <u>0</u> %* ☐ 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 **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 will make a minimum of **sustainable investments with a social objective:** <u>0</u> %*	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

*While the sum of sustainable investments with an environmental objective invested and sustainable investments with a social objective invested will add up to the Sub-Fund's minimum share of 90% sustainable investments, the Sub-Fund does not commit to a certain allocation between environmental and social objectives individually. Accordingly, the Sub-Fund does not commit to any minimum share of investments with an environmental objective or any minimum share of investments with a social objective.

What is the sustainable investment objective of this financial product?

The Sub-Fund has Sustainable Investment as its investment objective. In order to achieve its Sustainable Investment objective, the Sub-Fund shall invest in securities of issuers that the Investment Manager views 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 cicular economy

Social objectves:

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

The Sub-Fund uses the ICE BofA Developed Markets High Yield Constrained Index (the "Index") for the basis of regional allocation and performance comparison purposes. 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 sustainable investment objective of the Sub-Fund. The Index is a broad market index and not consistent with the sustainable investment objective of the Sub-Fund.

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

What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?

The Investment Manager will select the most appropriate metric for measuring issuers' contribution. Sustainability indicators will include but are not limited to:

- Greenhouse gas emissions
- Greenhouse gas emissions intensity
- Discounted health care provided to low income communities

The Investment Manager will monitor these sustainability indicators on an ongoing basis to confirm that the investment continues to satisfy the requirements of contributing to the Sub-Fund's environmental and/or social objective. In order to carry out such assessment, the Investment Manager will utilise analysis provided by its in-house analysts, company reports and/or engagement with companies, data and analysis from Data Providers, information from various third party NGOs, whose mission is relevant to the company in question, and/or data from other sources such as industry reports and other third party research reports.

How do sustainable investments not cause significant harm to any environmental or social 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 takes into account certain indicators for adverse impacts on sustainability factors. Details on how the indicators have been considered is described below.

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

The following principal adverse impacts ("PAIs") indicators are taken into account as part of the exclusions:

- Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (threshold 0%)

- Violations of UN Global Compact principles (UNGC) and Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises (OECD Guidelines) (threshold 0%)

For the following PAIs indicators, the Investment Manager will assess and monitor the impact of each sustainable investment on sustainability factors to ensure that sustainable investments do not cause significant harm to any environmental or social objectives. Within this assessment, the Investment Manager will use 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
- Board gender diversity

The Investment Manager will also take into account other relevant indicators depending on the business activities and behaviours of a company. Where there is no sufficient data to make credible assessment, the Investment Manager will engage with companies to request disclosure and robust procedures to mitigate PAIs.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

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

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

✖ 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 UNGC and 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, 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

The Investment Manager will monitor the above indicators on an on-going basis for each holding where data is available to limit its adverse impacts to certain levels according to business activities, sectors and countries and actively engage with companies where adverse impacts are relatively high.

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.

What investment strategy does this financial product follow?

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

The Sub-Fund is an actively managed portfolio that will invest primarily in high yielding Debt and Debt-Related Securities, issued in developed markets principally by companies which are listed or traded on a Recognised Exchange. The Investment Manager has a proprietary framework to identify Sustainable Investments. Within its framework, the Investment Manager categorises contribution to environmental or social objective in the following categories; i) "direct contribution", ii) "indirect contribution" and iii) "transition".

i) Direct contribution

Products and/or services offered by a company inherently contribute to one or more environmental or social objectives or a company is in the process of developing products and/or services that will contribute to one or more environmental or social objectives. In each case, contribution or potential contribution needs to be measured by quantitative or qualitative indicators.

ii) Indirect contribution

A company that does not necessarily have products or services which contribute to environmental or social objectives but is operating its business in a way that is aligned with one or more environmental or social objective. In each case, contribution needs to be measured by quantitative or qualitative indicators.

iii) Transition

A company has a credible climate transition plan which is in line with available and/or relevant sectoral pathways, technology roadmaps and/or local taxonomies. For investing in such companies, the Investment Manager will be required to assess the risk of carbon lock-in (the risk of an investment delaying or preventing the company's transition to near-zero or net-zero alternatives) and whether such company supports a "just transition" (a transition to a more sustainable economy where the benefits are shared widely and fairly, and those who get negatively affected by such transition will be supported).

In order to identify Sustainable Investments that meet one or more of the categories above, the Investment Manager will implement the following strategies; 1) proprietary ESG scores, 2) exclusions, and 3) contribution assessment.

1) Proprietary ESG scores

The Investment Manager will assign a proprietary ESG score to each potential issuer by incorporating environmental, social, and governance factors into its sustainability analysis. The Investment Manager's sustainability analysis will aim to understand issuers' sustainability strengths and risks 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. In this process, the Investment Manager's research analysts will analyse and assess an issuer from the following perspectives; 1) the level of expected financial impact of ESG risks on the company, and 2) the level of issuer's disclosure and/or transparency regarding significant ESG factors, as well as articulated plans to address or mitigate ESG risks.

The outcome of the analyses and assessments will be 1 to 8 scale ESG scores on an absolute basis (with 1 being the best). An ESG score is a composite score incorporating environmental, social and governance factors as indicated above. The Investment Manager's research analysts will utilise both direct communication with an issuer as well as secondary sources of information, including public filings, financial news, and third party research. Although information from third party vendors will be taken into account as an input, the Investment Manager's analysts will make the final determination on ESG scores.

2) Exclusions

- Thermal coal: Exclusion of companies for which production of thermal coal represents more than 5% of the company's revenue.
- Tobacco: Exclusion of companies that produce tobacco, or companies for which tobacco distribution represents more than 25% of the company's revenue.
- 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.

3) Contribution assessment

In order to identify Sustainable Investments, the Investment Manager will focus on characteristics such as products, services, business activities and/or behaviours of investee companies (dependent on the type of company under review) and will only invest where there is measurable and quantitative evidence that the company fits into one or more of the contribution categories above and is aligned with the achievement of the Sustainable

Investment objective of the Sub-Fund. Examples of characteristics are:

- the issuer's use of energy or other resources,
- the issuer's management of waste or greenhouse gas emissions
- the issuer's impact on its customers, employees, community, or society at large

In the 1) proprietary ESG scoring and 3) contribution assessment process, the Investment Manager will utilise analysis provided by its in-house analysts, company reports and/or engagement with companies, data and analysis from recognised third party ESG data providers ("Data Providers"), information from various third party Non-Governmental Organisations (NGOs) whose mission is relevant to the issuer in question, and/or data from other sources such as industry reports and other third party research reports. The Investment Manager's assessment and proprietary ESG scores may differ from those of the Data Providers.

What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

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

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

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 issuers under consideration for investment (including sound management structures, employee relations, remuneration of staff and tax compliance). The Investment Manager has a proprietary assessment process for the evaluation of governance practices of issuers. Within this assessment, the Investment Manager will utilise analysis provided by its in-house analysts, company reports or engagement with companies, and/or data and analysis from Data Providers where appropriate. The assessment will seek the following attributes in the issuers: 1) the issuer discloses environmental, social and/or governance information and shows understanding of the related risks; 2) the issuer has an appropriate remuneration policy for executives with regard to incentives; 3) the issuer has a track record of treating bondholders and other investors fairly; 4) the issuer has a history of tax compliance.

The Investment Manager is a signatory to the UN Principles for Responsible Investment (the "UNPRI") since 2013.

What is the asset allocation and the minimum share of sustainable investments?

The Sub-Fund is an actively managed portfolio that will invest primarily in high yielding Debt and Debt-Related Securities, issued in developed markets principally by companies which are listed or traded on a Recognised Exchange.

Asset allocation describes the share of investments in specific assets.

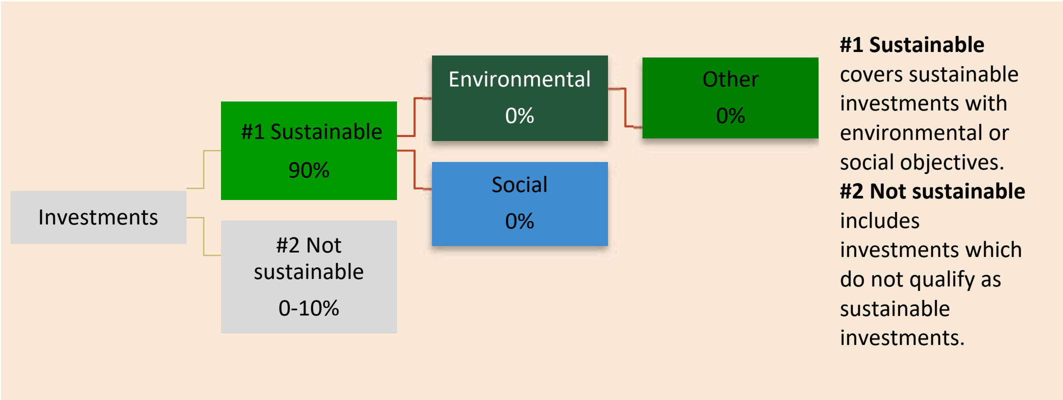
#1 Sustainable

The Investment Manager commits to invest a minimum of 90% 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?"

While the sum of sustainable investments with an environmental objective invested and sustainable investments with a social objective invested will add up to the Sub-Fund's minimum share of 90% sustainable investments, the Sub-Fund does not commit to a certain allocation between environmental and social objectives individually. Accordingly, the Sub-Fund does not commit to any minimum share of investments with an environmental objective or any minimum share of investments with a social objective.

#2 Not sustainable

The remaining 0% to 10% of investments will be in investments which are used for the purposes of hedging and cash or cash equivalents held as ancillary liquidity.



- ***How does the use of derivatives attain the sustainable investment objective?***

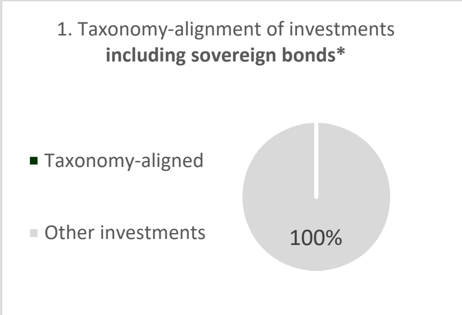
  Whilst the Sub-Fund may use derivatives as part of its investment strategy for hedging purposes, the use of derivatives is not with a view to attaining the sustainable investment objective of the Sub-Fund.

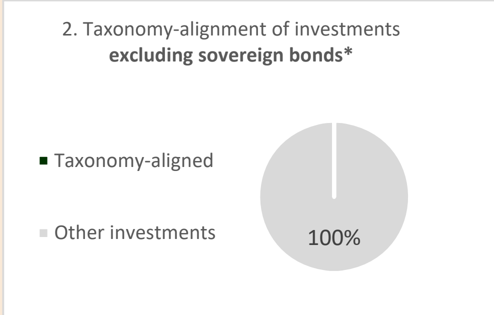
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

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 (including in transitional and enabling activities) shall be 0% of the net assets of the Sub-Fund. This is because the Sub-Fund currently does not use the EU Taxonomy classification system in determining whether economic activities contribute to an environmental objective or not.

The Sub-Fund will invest in economic activities that do not qualify as environmentally sustainable economic activities within the meaning of the EU Taxonomy. Further rationale for such investment is set out below.

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?

While the sum of sustainable investments with an environmental objective invested and sustainable investments with a social objective invested will add up to the Sub-Fund's minimum share of 90% sustainable investments, the Sub-Fund does not commit to any minimum share of sustainable investments with an environmental objective. Accordingly, the minimum share of sustainable investments with an environmental objective is 0%. In addition, the Sub-Fund currently does not use the EU Taxonomy classification system in determining whether economic activities contribute to an environmental objective or not. Therefore, the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 0%.

The Sub-Fund does not commit to a certain allocation between environmental and social objectives individually, and instead seeks to invest in sustainable investments that contribute to environmental and social objectives based on investment and/or contribution opportunities.

What is the minimum share of sustainable investments with a social objective?

While the sum of sustainable investments with an environmental objective invested and sustainable investments with a social objective invested will add up to the Sub-Fund's minimum share of 90% sustainable investments, the Sub-Fund does not commit to any minimum share of sustainable investments with a social objective. Accordingly, the minimum share of sustainable investments with a social objective is 0%.

The Sub-Fund does not commit to a certain allocation between environmental and social objectives individually, and instead seeks to invest in sustainable investments that contribute to environmental and social objectives based on investment and/or contribution opportunities.

What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards?

The "#2 Not sustainable" investments made by the Sub-Fund include instruments which are used for the purposes of hedging and cash or cash equivalents held as ancillary liquidity and they do not follow any minimum environmental or social safeguards. The proportion and use of such "#2 Not sustainable" investments does not affect the delivery of the sustainable investment objective on a continous basis due to the limited use and the nature of those instruments.

Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

No.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.

- ***How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?***

  Not applicable.

- ***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/