

## ANNEX

Product name: Nomura Funds Ireland – Global Sustainable Equity Fund  
 Legal entity identifier: 213800J5LRHOLZRU5724

# 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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

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

●● <input checked="" type="checkbox"/> Yes	●○ <input type="checkbox"/> No
<input checked="" type="checkbox"/> It made <b>sustainable investments with an environmental objective: 50.5%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input type="checkbox"/> It <b>promoted Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul>
<input checked="" type="checkbox"/> It made <b>sustainable investments with a social objective: 48.6%</b>	<input type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b>



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

The sustainable investment objective of the Sub-Fund is to invest in companies with a high overall positive impact on society (meaning the environment, society, customers, suppliers, employees and investors). Based on the sustainable investment objective above, the Investment Manager sought to invest in companies with the greatest total positive impact on all stakeholders by mainly focusing on the following six UN Sustainable Development Goals (“SDGs”) aligned “Impact Goals”:

1. Mitigate Climate Change
2. Mitigate Natural Capital Depletion
3. Eliminate Communicable Disease
4. Mitigate the Obesity Epidemic
5. Global Access to Basic Financial Services
6. Global Access to Clean Drinking Water

The Investment Manager has sought to achieve the sustainable investment objective through investment in sustainable investments that are aligned with the Impact Goals or other environmental or social objectives. Each sustainable investment was assessed against the proprietary ESG ratings, exclusions, SDGs assessment, contribution assessment and proprietary total stakeholder impact 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.

As further described under the section “How did the sustainability indicators perform?”, the Investment Manager has measured the impact of the Sub-Fund’s investments through the metric of impact of the underlying holdings per USD 1 million invested in the Sub-Fund. The Investment Manager has observed positive contribution across all six Impact Goals particularly in the social Impact Goals of 3) Eliminate Communicable Disease and 4) Mitigate the Obesity Epidemic.

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 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 (impact of the underlying holdings per USD 1 million invested in the Sub-Fund):

- Tonnes of carbon avoided as a result of an investee company’s products and services: 157 tonnes relative to the MSCI All Country World Index (the “Index”)
- Number of low income patients reached with drugs and treatments through company’s access strategies: 24 patients
- Number of people reached with financial services that were previously unbanked: 114
- Litres of clean drinking water provided as a result of a company’s technology: 1532 litres

The following indicators were not included as the sustainability indicators indicated within Annex 1 attached to the Sub-Fund’s Supplement but have been added in this report to provide shareholders and potential investors with better understanding of the impact of the Sub-Fund’s investments during the reference period. Some or all of the following indicators may not be relevant for future reference periods because of the idiosyncratic nature of the indicators that reflect certain particular investments held by the Sub-Fund during the current reference period.

- Number of diabetes patients treated: 5 patients
- Amount of industrial and precious metal recycled: 722 tonnes
- Financial amount of mortgages provided to low income and economically deprived population: USD 976.

Please note that the sustainability indicator data 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, using the quarter-end average weights of holdings held in the Sub-Fund in 2022, market capitalisation data as of 2022 December-end and the fiscal year-end impact data for 2021. Sustainability indicators above do not take

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

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.

● **...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 the data available from a third-party data provider, MSCI which was based on the latest available impact data as well as in-house research and analysis provided by the Investment Manager.

— **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%)
- Violations of UN Global Compact principles (UNGCP) and Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises (OECD Guidelines) (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

**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.

- 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 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 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%)
- Violation of UNGC and 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	360.25	100.00	1,570.09	99.72
1.1.2	Scope 2 GHG emissions	129.43	100.00	325.22	99.72
1.1.3	Scope 3 GHG emissions	4,713.45	100.00	11,750.65	99.53
1.1.4	Total GHG emissions	5,203.12	100.00	13,644.94	99.52
1.2	Carbon Footprint	169.43	100.00	444.81	99.52
1.3	GHG Intensity of investee company	630.73	100.00	1,009.38	99.57
1.4	Exposure to companies active in the fossil fuel sector	7.62	100.00	11.95	99.82
1.5	Share of non-renewable energy consumption and production	71.06	93.12	73.63	85.70
1.6.1	NACE Code A (Agriculture, Forestry and Fishing)	N/A	98.02	N/A	89.91
1.6.2	NACE Code B (Mining and Quarrying)	N/A	98.02	10.94	89.91
1.6.3	NACE Code C (Manufacturing)	0.14	98.02	0.95	89.91
1.6.4	NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply)	6.64	98.02	8.58	89.91
1.6.5	NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities)	N/A	98.02	1.02	89.91
1.6.6	NACE Code F (Construction)	N/A	98.02	0.20	89.91
1.6.7	NACE Code G (Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles)	0.02	98.02	0.61	89.91
1.6.8	NACE Code H (Transportation and Storage)	N/A	98.02	2.02	89.91
1.6.9	NACE Code L (Real Estate Activities)	N/A	98.02	0.44	89.91
1.7	Activities negatively affecting biodiversity-sensitive areas	0.00	100.00	0.18	99.82
1.8	Emissions to water	0.08	8.65	2.57	11.27
1.9	Hazardous waste ratio	0.09	33.81	336.24	36.60
1.10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	0.00	100.00	0.73	99.82
1.11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	43.39	100.00	60.46	99.26
1.12	Unadjusted gender pay gap	10.58	28.74	11.62	24.38
1.13	Board gender diversity	33.56	100.00	32.02	99.80
1.14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	0.00	100.00	0.40	99.82

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.

- #1.1.1 to 1.3 (GHG emissions, Carbon footprint and GHG intensity): All of these PAIs were significantly lower than those of the Index due to the Sub-Fund's focus on the companies that have both lower operational GHG emissions and contribute to reducing emissions through their products and services. GHG scope 3 emissions may become higher once the estimates are replaced by investee companies' reported data.

- #1.4 (Exposure to companies active in the fossil fuel sector): The Sub-Fund reported 7.62% for this PAI which was lower than that of the Index. The exposure calculates the proportion of the Sub-Fund invested in companies that derive any revenue from fossil fuel-related activities. The Sub-Fund's holdings flagged for this PAI are companies heavily involved in the renewable energy transition.
- #1.7 (Activities negatively affecting biodiversity-sensitive areas): Based on the Data Provider's data, the PAI is reported as 0% or very minimum for 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.
- #1.11 (Lack of processes and compliance mechanisms to monitor compliance with UNGC and OECD Guidelines): While the Sub-Fund showed the favourable impact compared to the Index, the Investment Manager sees this as an area for improvement and will keep engaging with issuers without a process and compliance mechanisms.
- #1.12 & 1.13 (Unadjusted gender pay gap & Board gender diversity): While the Sub-Fund showed the favourable impacts compared to the Index, the Investment Manager sees these PAIs as areas for improvement. The Investment Manager will keep engaging with issuers to encourage further improvement.

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 impacts 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 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.



## 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
Thermo Fisher Scientific Inc.	Health Care	4.14	USA
NextEra Energy, Inc.	Utilities	3.94	USA
Johnson Controls International plc	Industrials	3.89	Ireland
Mastercard Incorporated Class A	Information Technology	3.85	USA
Novo Nordisk A/S Class B	Health Care	3.85	Denmark
Microsoft Corporation	Information Technology	3.83	USA
Alphabet Inc. Class A	Communication Services	3.40	USA
Becton, Dickinson and Company	Health Care	3.28	USA
Cisco Systems, Inc.	Information Technology	3.24	USA
AIA Group Limited	Financials	3.04	Hong Kong

Taiwan Semiconductor Manufacturing Co., Ltd.	Information Technology	3.04	Taiwan
AstraZeneca PLC	Health Care	2.85	UK
CVS Health Corporation	Health Care	2.68	USA
Medtronic Plc	Health Care	2.61	Ireland
Visa Inc. Class A	Information Technology	2.61	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.



## 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

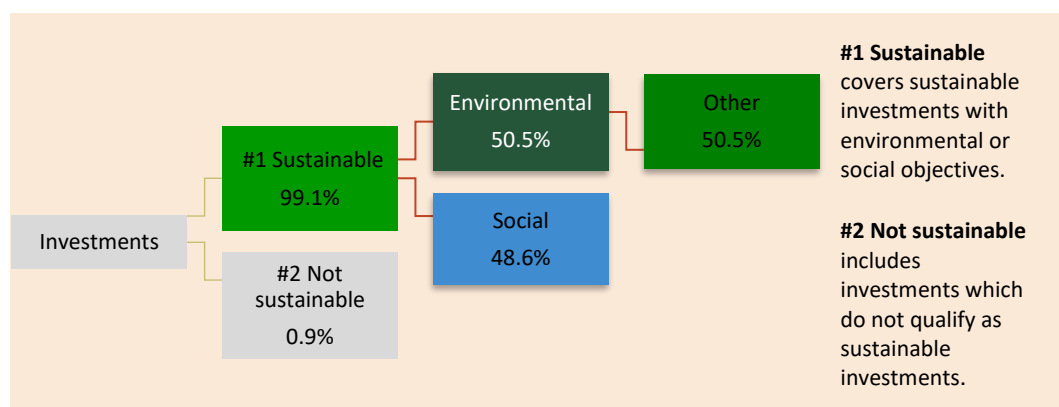
The Investment Manager has invested 99.1% of the Sub-Fund's assets in sustainable investments.

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

The remaining 0.9% of investments were 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.



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

Sector	Sub-Sector	% Assets
Communication Services	Media & Entertainment	3.40
Communication Services	Telecommunication Services	2.33
Consumer Discretionary	Automobiles & Components	0.73
Consumer Staples	Food, Beverage & Tobacco	2.21
Consumer Staples	Household & Personal Products	1.62
Financials	Banks	1.82
Financials	Diversified Financials	1.96

Financials	Insurance	7.77
Health Care	Health Care Equipment & Services	11.51
Health Care	Pharmaceuticals, Biotechnology	14.97
Industrials	Capital Goods	13.56
Information Technology	Semiconductors & Semiconductor Equipment	5.44
Information Technology	Software & Services	16.50
Information Technology	Technology Hardware & Equipment	3.99
Materials	Materials	3.72
Utilities	Utilities	7.54

\*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

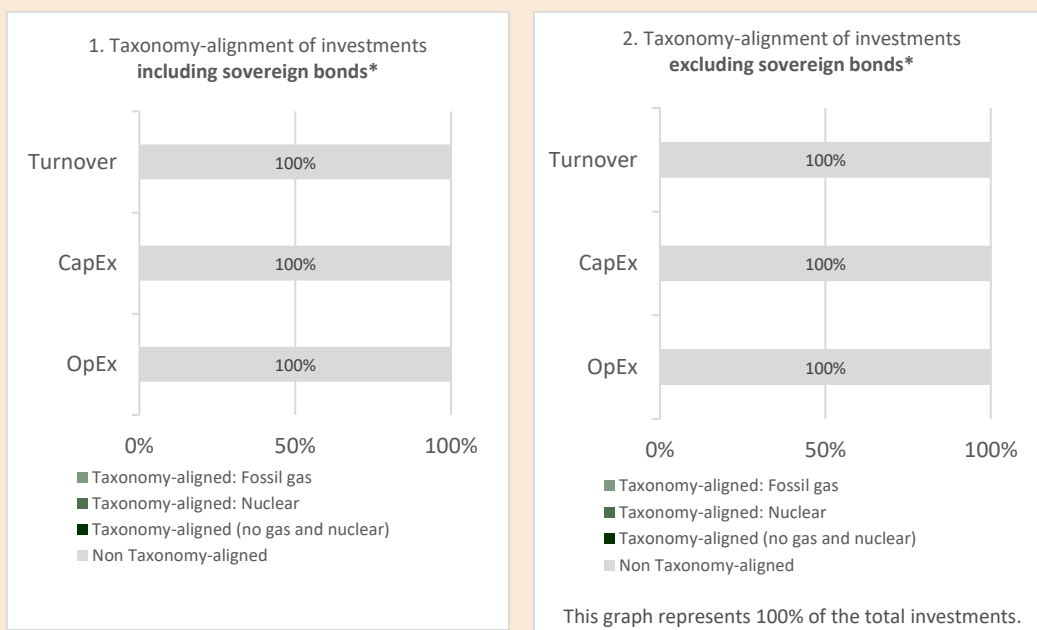
In nuclear energy

No

<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.



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.



**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 50.5%.



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

The share of sustainable investments with a social objective was 48.6%.



## **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 cash held as ancillary liquidity and 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 the nature of those instruments.



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

The Investment Manager has taken following actions in each quarter from Q1 to Q4:

1. The Investment Manager undertook 41 engagements for impact with portfolio companies over the period. Of these, breakdown of engagements and the targeted Impact Goals are following: 6 were focused on Mitigate Climate Change, 3 were on Eliminate Communicable Disease, and 32 were on other sustainability matters. Other sustainability matters were related almost exclusively to the ongoing diversity & inclusion project where the Investment Manager surveyed all the companies it invests in on a range of metrics identified as being important with regard to diversity and inclusion.
2. The Investment Manager undertook 15 engagements for impact with portfolio companies over the period. Of these, breakdown of engagements and the targeted Impact Goals are following: 6 were focused on Mitigate Climate Change, 2 were on Eliminate Communicable Disease, 2 were on Global Access to Clean Drinking Water, 2 were on Mitigate Natural Capital Depletion, 1 was on Global Access to Basic Financial Services and 2 were on other sustainability matters.
3. The Investment Manager undertook 15 engagements for impact with portfolio companies over the period. Of these, breakdown of engagements and the targeted Impact Goals are following: 5 were focused on Mitigate Climate Change, 1 was on Mitigate the Obesity Epidemic and 9 were on other sustainability matters.
4. The Investment Manager undertook 12 engagements for impact with portfolio companies over the period. Of these, breakdown of engagements and the targeted Impact Goals are following: 4 were focused on Eliminate Communicable Disease, 3 Mitigate Climate Change, 1 was on Global Access to Basic Financial Services and 4 were on other sustainability matters.

During the reference period, the Sub-Fund divested from one holding which was no longer deemed to meet the criteria with regards to being a sustainable investment. The Sub-Fund had held a material position in a US pharmaceutical since its inception. While the company has suffered controversies in the past in relation to legacy operations and its MedTech business, the Investment Manager had viewed the company as a sustainable investment in the context of total impact of the company given its size and commitment to corporate social responsibility and its efforts to develop and distribute a COVID vaccine. However, the Investment Manager has determined that the actions taken by the company in the ongoing litigation (ringfencing by transferring the tort liabilities to a newly created subsidiary and subsequently pursue bankruptcy for the subsidiary) resulted in the company no longer meeting the criteria set for the Investment Manager’s proprietary Total Stakeholder Impact Framework. Furthermore, the Investment Manager has confirmed its view of the company not meeting the criteria for the Total Stakeholder Impact Framework through engagements with the company’s management on both this matter and supporting access to its COVID vaccine.

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