

## **Informations en matière de durabilité**

Nomura Funds Ireland – Japan Strategic Value Fund (le « Compartiment »)

### **Introduction**

Le règlement (UE) 2019/2088 sur la publication d'informations en matière de durabilité dans le secteur des services financiers (SFDR) impose aux entreprises de publier des informations sur les caractéristiques environnementales ou sociales que leurs produits promeuvent (pour les produits relevant de l'article 8) et sur les objectifs d'investissement durable que leurs produits poursuivent (pour les produits relevant de l'article 9), ainsi que des informations sur les méthodologies utilisées pour les évaluer, les mesurer et les contrôler.

**Nomura Asset Management U.K. Limited (« NAM UK »)** est le gestionnaire d'investissement du Compartiment.

**Nomura Asset Management Co., Ltd. (« NAM »)** est le gestionnaire d'investissement par délégation du Compartiment.

### **Résumé**

Le Compartiment est un portefeuille géré activement qui investit principalement dans des actions et instruments liés à des actions cotés ou négociés sur une bourse reconnue au Japon. Le Compartiment promeut, comme caractéristiques environnementales et sociales, la contribution à la réduction des émissions de gaz à effet de serre (GES) et des pratiques commerciales durables, équitables et inclusives.

Bien que le Compartiment encourage la réduction des émissions de GES à titre de caractéristique environnementale, les investisseurs doivent savoir que ce produit n'a pas pour objectif la réduction des émissions de carbone au sens de l'article 9, paragraphe 3, du SFDR.

NAM met en œuvre les stratégies suivantes : 1) scores ESG exclusifs, 2) exclusions et 3) indicateurs ESG pour promouvoir les caractéristiques environnementales et sociales du Compartiment.

- 1) Notations ESG exclusives : NAM attribue une note ESG exclusive basée sur son évaluation des opportunités et des risques liés à divers facteurs ESG, ainsi que des opportunités en rapport avec les Objectifs de développement durable (ODD) des Nations Unies. Les notes ESG potentielles sont « Aucun problème », « À surveiller » et « Non investissable ». Le Compartiment ne pourra pas investir dans des sociétés notées « Non investissables » et ne sera autorisé à investir dans des sociétés notées « À surveiller » que si NAM s'engage activement auprès de la société afin de vérifier que celle-ci répond à certains critères en matière d'opportunités, de risques et d'ODD et/ou de résoudre les problèmes à l'origine de la notation.
- 2) Exclusions relatives aux domaines suivants :
  - Jeux d'argent
  - Charbon thermique
  - Tabac
  - Armes controversées
  - Principes du Pacte mondial des Nations Unies (UNGC) et Principes directeurs de l'Organisation de coopération et de développement économiques à l'intention des entreprises multinationales (Principes directeurs de l'OCDE)
- 3) Indicateurs ESG : Lors de l'examen des opportunités d'investissement, NAM prendra en compte des indicateurs ESG, tels que la consommation d'énergie, les émissions de GES,

l'approvisionnement durable, le respect des droits humains, les relations de travail et la diversité (« Indicateurs ESG »). Après avoir comparé deux opportunités d'investissement similaires (par exemple, secteur, produit, service et capacité à maintenir un rendement des capitaux propres (ROE) élevé similaires), NAM sera tenue de sélectionner la société présentant les meilleurs Indicateurs ESG.

NAM s'est imposé l'obligation contraignante de procéder à une évaluation approfondie des pratiques de gouvernance des sociétés en portefeuille (notamment la solidité des structures de gestion, les relations avec le personnel, la rémunération du personnel et le respect des obligations fiscales).

En complément des éléments susmentionnés, le Compartiment prend en compte certains indicateurs de principales incidences négatives (« PIN ») dans le cadre de son processus d'investissement.

Pour vérifier le respect des caractéristiques environnementales et sociales du Compartiment, NAM suit des indicateurs de durabilité. Le respect des exclusions ci-dessus est assuré au moyen de contrôles pré-transactionnels et de vérifications post-transactionnelles. NAM utilise également une plateforme de supervision de NAM UK pour contrôler, dans le cadre de ses revues périodiques, l'alignement avec les caractéristiques environnementales et sociales du Compartiment.

NAM utilise des données et des analyses provenant de diverses sources, notamment, mais sans s'y limiter, les sociétés en portefeuille, les spécialistes ESG internes, les fournisseurs de données tiers et les rapports sectoriels. NAM s'efforce d'utiliser des données fiables et réelles, mais lorsque celles-ci sont peu disponibles, il utilise également des estimations fournies par des fournisseurs de données et d'autres sources.

NAM dispose d'une approche bien établie en matière d'engagement, dans laquelle le cycle d'engagement est structuré, géré et suivi selon certaines jalons. Chaque action d'engagement est suivie et contrôlée par une équipe dédiée. NAM peut engager un dialogue proactif avec les émetteurs présentant des caractéristiques moins favorables dans divers domaines ESG. Ces activités de dialogue peuvent inclure des échanges directs avec la direction de l'entreprise, tels que des réunions en personne, des appels téléphoniques, des communications électroniques et des lettres, ou des actions collaboratives menées avec des parties prenantes externes. En cas d'échec du dialogue, NAM prend les décisions d'investissement appropriées en fonction de la gravité de la controverse ou du problème de durabilité. NAM peut également dialoguer avec les sociétés en portefeuille afin de mieux les comprendre et de les encourager à améliorer la communication de leurs informations en matière de durabilité.

Le Compartiment utilise l'indice TOPIX (l'« Indice ») de manière à comparer les PIN du Compartiment avec celles de l'Indice, l'objectif étant, en principe, de limiter les incidences négatives moyennes du portefeuille (incidences négatives moyennes pondérées des sociétés en portefeuille du Compartiment) afin qu'elles soient inférieures à celles de l'Indice. L'Indice n'est pas utilisé pour évaluer la réalisation des caractéristiques environnementales et sociales promues par le Compartiment.

## **No sustainable investment objective**

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

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

## **Environmental or social characteristics of the financial product**

The Sub-Fund promotes contribution to reduction of GHG 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, NAM 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 GHG 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 lowering social security and medical costs (e.g. artificial intelligence (A.I.) assisted digital diagnosis).
- Whether products and/or services contribute to improve industrial productivity (e.g. IT equipment, components and materials, 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.

While the Sub-Fund promotes GHG emission reduction as its environmental characteristic, investors should be aware that this product does not have reduction of carbon emissions as its objective within the meaning of Article 9(3) of SFDR.

## **Investment Strategy**

### ***What investment strategy does this financial product use to meet the environmental or social characteristics promoted by the financial product?***

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 Sub-Fund will seek to identify equity and equity-related securities whose valuations are deemed to be low in comparison to assets and profitability, and which may be expected to rise in the future. Additionally, NAM will seek investments based on strategic features such as securities where changes to financial conditions are expected, potential for growth has been identified, and companies are identified as candidates for business restructuring.

Further information on the investment objective, policy and investment strategy of the Sub-Fund, including the asset classes in which the Sub-Fund may invest, is detailed in the Supplement for this Sub-Fund and should be read in conjunction with and in the context of its Annex.

To attain the environmental and social characteristics promoted by the Sub-Fund, NAM integrates ESG considerations in the strategy in the following manner; i) proprietary ESG ratings, ii) exclusions and iii) ESG Metrics.

#### i) Proprietary ESG ratings

NAM will assign a proprietary ESG rating in respect of each potential issuer. The ESG rating will aim to assess opportunities and risks with regard to various ESG factors as well as opportunities in relation to the UN Sustainable Development Goals (SDGs). In assigning ESG ratings, NAM will utilise proprietary ESG scores provided by NAM's in-house team of ESG specialists, and data and analysis from 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", "Watch list" and "Uninvestible". Companies that are yet to be assigned proprietary ESG scores by the in-house team of ESG specialists or that fall within the bottom 20 percentile of the proprietary ESG score will be put under "Watch list". NAM can invest in companies on "Watch list" if it will actively engage with them to verify that such companies meet certain opportunities, risks and SDGs quality and/or to address the issues that attributed to the rating. If NAM determines that the company rated "Watch list" shows no sign of intent to improve, such company will be officially put on "Uninvestible". NAM will be precluded from investing in companies that are rated "Uninvestible".

#### ii) Exclusions

Exclusions are assessed at time of purchase. NAM will monitor the Sub-Fund's portfolio against these exclusions on an ongoing basis and take necessary actions where required.

- Gambling: Exclusion of companies whose core business is gambling and related services (core definition = 50% or more of sales)
- Thermal coal: Exclusion of companies for which thermal coal represents more than 20% 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 NAM deems to be in violation of the UNGC and OECD Guidelines.

#### iii) ESG Metrics

When considering investment opportunities, NAM will consider certain ESG metrics. Depending on the nature of the company, these metrics will include but are not limited to energy use, GHG 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 otherwise similar investment opportunities (e.g. similar sector, product, service and valuations), NAM will be obliged to select the investee company that displays the most favourable ESG Metrics among its peers.

**What is the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance?**

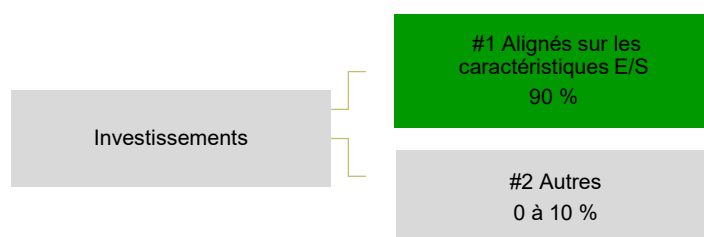
NAM has set a binding obligation to make a thorough assessment of the governance practices of the investee companies (including sound management structures, employee relations, remuneration of staff and tax compliance) and votes any proxies issued by such investee companies taking into account their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

NAM has a proprietary assessment process for the assessment of governance practices of investee companies. Within this assessment, NAM will utilise data from third party 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: NAM 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). NAM 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: NAM 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. NAM believes that inappropriate capital allocation is indicative of poor corporate governance.
3. Skill in operational management: NAM 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: NAM believes that the nature of the management reward policy, set by the investee company board, is likely to drive behaviour. As such, NAM will evaluate the acceptability of the remuneration structure in detail.

If the assessment results of a company are unsatisfactory, NAM 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. For further information in relation to this “Watch list” approach, please refer to “Proprietary ESG ratings” under “What investment strategy does this financial product use to meet the environmental or social characteristics promoted by the financial product?” above.

**Proportion of investments**



NAM commits to invest a minimum of 90% of the Sub-Fund's assets in investments which are aligned with the environmental and/or social characteristics being promoted, which will be obtained through direct exposure to investee companies.

## **Monitoring of environmental or social characteristics**

***How are the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product monitored throughout the lifecycle of the financial product and what are the related internal or external control mechanisms?***

NAM will use the sustainability indicators to measure the attainment of the environmental and social characteristics. The sustainability indicators will include but not limited to:

Contribution to reduction of GHG emissions:

- GHG emissions

Sustainable, fair and inclusive business practices:

- Women in senior management
- Compliance with UNGC
- Exposure to controversial weapons

To monitor adherence to the environmental and social characteristics of the Sub-Fund, NAM monitors the sustainability indicators, as above. Compliance with the exclusions above is ensured through pre-trade monitoring and post-trade checks. Engagement progress and results are periodically assessed and unsuccessful engagement may lead investments to exclusion.

NAM also uses NAM UK's oversight platform to monitor alignment with the environmental and social characteristics of the Sub-Fund within its periodic review.

## **Methodologies for environmental or social characteristics**

***What are the methodologies to measure how the social or environmental characteristics promoted by the financial product are met?***

The methodologies to measure the attainment of the environmental and social characteristics of the Sub-Fund are set out under "Monitoring of environmental or social characteristics" above.

## **Data sources and processing**

The Sub-Fund will utilise the following data sources:

- data provided by investee companies in annual sustainability reports and through engagement directly with the investee company.
- data and analysis from NAM's in-house team of ESG specialists and sector analysts.
- data and analysis from external Data Providers, such as MSCI ESG, ISS ESG and Sustainalytics and various third party Non-Governmental Organisations (NGOs).
- data from other sources (such as company reports, industry reports and other third party research reports).

NAM scrutinises the data quality and coverage of Data Providers on an ongoing basis. This includes, but not limited to, reviewing the data model, comparing data between providers and evaluating coverage.

Where data is sufficiently available, NAM prefers to use primary sources reported by investee companies. For calculation of PAI indicators, NAM will utilise data from Data Providers and monitor on an ongoing basis. NAM will also combine primary sources, data from Data Providers and other sources in the course of its ESG strategy.

NAM seeks to use reliable and actual data but where availability of such data is limited, it will also utilise estimates provided by Data Providers and other sources. In such cases, NAM aims to complement such estimates with internal analysis and/or engagement.

### **Limitations to methodologies and data**

***What are limitations to the methodologies or data sources and how do such limitations not affect how the environmental or social characteristics promoted by the financial product are met?***

The primary limitation to the methodology or data source is the lack of corporate disclosure. As is the case with industry peers, NAM faces challenges in obtaining adequate and sufficient data on certain PAI and other sustainability related metrics. Where lack of data or data credibility may affect its ability to make informed decisions, NAM may resort to options such as using multiple data providers for certain data, having a direct dialogue with investee companies, setting a dedicated engagement plan or taking a decision against holding companies in order to ensure alignment of the Sub-Fund with its environmental and/or social characteristics.

### **Due diligence**

***What due diligence is carried out on the underlying assets of the financial product (including the internal and external controls)?***

Portfolio managers and analysts are primarily responsible for conducting due diligence on investments on a continuous basis to ensure the attainment of the Sub-Fund's environmental and social characteristics through the binding requirements including 1) proprietary ESG ratings, 2) exclusions and 3) ESG Metrics set out above under "Investment Strategy". Portfolio Managers and analysts are also required to make a thorough assessment of the governance practices of investee companies (including sound management structures, employee relations, remuneration of staff and tax compliance). They are supported by the aforementioned oversight platform within NAM UK where new investments and material changes to the Sub-Fund's portfolio will be presented and scrutinised on a periodic basis.

### **Engagement policies**

***What is the engagement policy implemented, in the case that engagement is part of the environmental or social investment strategy (including any management procedures applicable to sustainability-related controversies in investee companies)?***

NAM places strong emphasis on engagement to maximise its influence on investee companies. NAM has a well-established approach to engagement where engagement cycle is structured, managed and monitored with certain milestones. Engagement target companies and themes are identified and prioritised based on top-down and bottom-up approaches. Each engagement activity is monitored and followed up by a dedicated team.

NAM may engage proactively with issuers with weaker characteristics in topics such as, but not limited to, human capital management, board composition and environmental impacts management. Such engagement activities may include direct dialogue with company management, such as through in-person meetings, phone calls, electronic communications /and letters or collaborative actions taken with external stakeholders. Should engagement be unsuccessful, NAM takes appropriate investment decisions dependent on the severity of the sustainability controversy or issue.

In addition, as mentioned above, the Sub-Fund may also engage with investee companies to enhance its understanding on investee companies and encourage them to improve their disclosure on sustainability related information.

### **Designated reference benchmark**

The Sub-Fund uses the Index in the way that the PAI of the Sub-Fund are compared against the PAI of the Index, with the aim being, in principle, 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.