SFDR PRODUCT DISCLOSURE

NIKKO AM GLOBAL EQUITY FUND

January 2023

Nikko Asset Management Luxembourg S.A.
Société Anonyme
Registered Office:
32-36, Boulevard d'Avranches, L-1160, Luxembourg
Tel +352 264 979 2209
Email luxenquiries@nikkoam.com

(a) Sammenfatning

Nikko AM Global Equity Fund's miljømæssige og sociale egenskaber omfatter at forvalte mål og grænser, der modregnes i flere faktorer med negativ indvirkning på bæredygtighed ("**PAI'er"**) og sikre, at:

- Afdelingens CO2-intensitet forbliver mindst 20 % lavere end MSCI ACWI Total Net Return Index' CO2-intensitet.
- Der investeres ikke i virksomheder eksponeret for kontroversielle våben, der strider mod principperne i FN's globale pagt eller mod OECD's retningslinjer for multinationale selskaber

Derudover investerer afdelingen ikke i værdipapirer, der tilhører sektoren for tobaksrelaterede investeringsaftaler med garanteret forretning.

Investeringsforvalteren sikrer også, at de virksomheder, der investeres i, er underlagt principper for god ledelse gennem dennes analyse, engagement og stemmeafgivelse pr. fuldmagt. De kriterier, der overvåges i den sammenhæng, omfatter for eksempel: at bestyrelsen i den virksomhed, der investeres i, er tilstrækkelig uafhængig til at udføre tilsyn på vegne af investorerne, at den handler med integritet og uden bestikkelse og korruption, at virksomheder overholder principperne i FN's globale pagt, har leveret nøjagtige regnskaber og beretninger, der er blevet underkastet ekstern revision, at virksomheder ikke har være eksponeret for meget alvorlige kontroverser vedrørende arbejdsrettigheder, at virksomheder har klare og omfattende redegørelser for kompensation, opretholder en passende lønstruktur med fokus på langsigtet aktionærværdi og overholder de relevante skattelove.

Investeringsforvalteren sikrer også, at afdelingen forbliver investeret i overensstemmelse med ovenstående bindende grænser, og handler, hvis der bemærkes afvigelser under de periodiske gennemgange.

Overvågningen af ovenstående miljømæssige, sociale og ledelsesmæssige ("**ESG"**) forpligtelser er dog underlagt begrænsninger forårsaget af forsinkelser i offentliggørelse samt mangel på data for visse virksomheder. For at forvalte disse problemstillinger er de ESG-data, der anvendes, underlagt en datakvalitetsgennemgangsproces og kan involvere anvendelsen af fuldmagter.

Fokus for afdelingens strategi er at udvælge fremtidige kvalitetsinvesteringer. Investeringsforvalteren identificerer fremtidige kvalitetsvirksomheder gennem bottom-up-analyse ved hjælp af en tilgang med fire søjler, der analyserer kvaliteten af en virksomheds franchise, ledelse og balance samt beregning af en værdiansættelse.

Investeringsforvalterens due diligence-proces omhandler derfor følgende forpligtelser: Fokusering på formålsdrevne fremtidige kvalitetsvirksomheder, der er engagerede i og overholder forudbestemte ESG-egenskaber, som integrerer ESG i investeringsprocessen

Afdelingen fremmer miljømæssige eller sociale egenskaber, men har ikke bæredygtig investering som sit mål og anvender ikke et benchmark, der er i overensstemmelse med de miljømæssige eller sociale egenskaber, den fremmer.

(b) No sustainable investment objective

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

(c) Environmental or social characteristics of the financial product'

As part of its Future Quality investment approach, the Investment Manager analyses ESG factors at every stage of the investment. The Investment Manager more specifically considers sustainability indicators both within a set of binding limits and during its engagement process.

Sustainability indicators, including PAI factors as referred to in Annex I of the SFDR Delegated Act, are considered pre-investment by Investment Manager. The pre-investment process notably requires ensuring that below screening criteria are complied with:

- No investment is made in companies contravening the UN Global Compact principles (**PAI**).
- No investment is made in companies exposed to controversial weapons (**PAI**).
- No investment is made in companies contravening to the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises (**PAI** thereafter named "OECD guidelines") by ensuring in particular that targeted companies do not face controversies relating to the environment, customers, labour rights, human rights or governance that are assessed to be "very severe" by the Investment Manager.
- No investment in securities that belong to the tobacco GICs sector.

As part of its pre-investment due diligence, the Investment Manager also commits to review the Scope level 1 and 2 carbon emissions (**PAI**) of companies that are considered for investment and ensure that the Sub-Fund carbon intensity remains at least 20% lower than the MSCI ACWI Total Return Net Index carbon intensity.

Post-investment the Investment Manager will monitor the above ESG characteristics to ensure that they remain complied with and take action if deviations are detected.

(d) Investment strategy

Environmental or social characteristics

The Investment Manager aims to manage a portfolio which has a low carbon intensity and has no major controversies on issues related to environmental and human rights. These commitments can be measured and the Investment Manager believes they are consistent with 'Future Quality' companies – i.e. companies that in the Investment Manager's view, will attain and sustain high returns on invested capital over the long-term.

The characteristics, how they are assessed, measured and then reported are as follows:

A portfolio with substantially lower carbon intensity relative to its benchmark:

The portfolio's carbon footprint is reported in the Investment Manager's quarterly ESG report, which can be downloaded on https://emea.nikkoam.com/ucits/nguf. The data is also monitored by the Investment Manager's Risk & Performance team on a monthly basis.

No exposure to companies violating the UN Global Compact principles or which face very severe controversies relating to the environment, customers, labour rights, human rights or governance:

The Investment Manager seeks to avoid companies that are violating the UN Global Compact principles or have very severe controversies related to OECD Guidelines for Multinational Enterprises. This is measured at the stock level and is part of pre-trade compliance checks. The Investment Manager accepts that not all companies are perfect and on occasions some will face issues that may significantly impact value. On these few occasions, the Investment Manager will engage with management to understand the controversy and make sure the management team is following a path to recovery. The data is also monitored by independent control teams on a monthly basis.

We do not invest in companies involved in the manufacture or sale of either tobacco or controversial weapons:

The Investment Manager will not invest in "tobacco" securities as defined by Global Industry Classification Standards or in companies exposed to controversial weapons. This is measured and assessed at the stock level and is part of pre-trade compliance checks and is monitored on a monthly basis.

Good governance

The Investment Manager has outlined the Sub-Fund's Good Governance criteria:

- A company's board is responsible for overseeing management on behalf of investors. The Investment Manager believes that a board should have at least 1 independent board member and that member should have no ties to the company or its shareholders.
- Good governance breeds good business ethics. A company should act with integrity and without bribery and corruption. There should be no very severe controversies relating to governance. Companies should adhere to the UN Global Compact principles.
- Good governance should result in a company providing investors with accurate financial statements and reports that have been subjected to external audit.
- Sound employee relations are integral to the success of a company. The Investment Manager believes that good governance results in sound employee relations and in turn Future Quality. Good governance will ensure no very severe controversies relating to labour rights. Companies should adhere to the UN Global Compact principles.
- The Investment Manager believes that a company should have clear and comprehensive compensation disclosures. A company should also maintain an appropriate pay structure with an emphasis on long-term shareholder value.
- Companies that significantly breach tax regulation do not demonstrate good governance. The Investment Manager believes adherence to the appropriate lax laws is essential for Future Quality companies.

How does the Investment Manager apply good governance?

Research

All investment ideas are subject to the same detailed, fundamental, bottom-up research using the Four-Pillar framework prior to being presented to the investment team.

The Management Quality Pillar identifies strong management teams with proven track records and clear business strategies. The Investment Manager expects the management teams of its investment companies to be able to attract and retain the best talent and foster positive company cultures. Potential investments are also attractive to the Investment Manager if they can provide value for all stakeholders, set stretching ESG-related targets, and embrace robust governance standards.

Engagement

The Sub-Fund portfolio managers and analysts engage with issuers as part of the investment process, both before and during the period of investment. This engagement would cover investee companies alignment with the Investment Manager's Future Quality, good governance criteria and environmental and social characteristics.

Proxy Voting

The Investment Manager believes proxy voting is a key component in the ongoing dialogue with companies in which it invests and as such, is an important aspect of Future Quality investing and good governance. The Sub-Fund's strategy is to exercise proxy voting rights independently; the Investment Manager takes an active role in voting and does not use standing instructions.

The Investment Manager's voting behaviour is as much as possible aligned with its engagement approach. When required, the Investment Manager uses its voting rights to re-enforce its good governance and Future Quality criteria.

(e) Proportion of investments

The Sub-Fund product promotes environmental or social characteristics but without having sustainable investment objective and does not commit to make sustainable investments.

The negative filters (environmental, customer, labour rights and human rights very severe controversies, UN Global Compact principles and OECD Guidelines for Multinational Enterprises, sectoral exclusions including controversial weapons and tobacco) that are applied to the Sub-Fund's investment universe will be monitored on an ongoing basis.

By selecting companies from this adjusted investment universe, the Sub-Fund will aim to deliver its financial investment objective by ensuring that the Sub-Fund average carbon intensity remains at least 20% lower than its benchmark, being the MSCI ACWI Total Return Index.

The Sub-Fund will therefore always be fully invested in line with its negative filters and relative carbon emissions binding limit.

(f) Monitoring of environmental or social characteristics

Carbon intensity

The Sub-Fund's relative carbon intensity is calculated based on companies scope 1 & 2 emissions. Prior to investment in a new position the portfolio management team ensures that the addition of a new position won't cause the previously calculated relative carbon intensity to increase above it limit.

In addition, the portfolio management and independent control teams will review the Sub-Fund's relative carbon intensity at least on a monthly basis.

Should the Sub-Fund's relative carbon intensity increase above the Sub-Fund's binding limit as a result of market movements or updated GHG emissions data, the investment manager would ensure that new trades don't contribute to increase the relative carbon intensity further and that it decreases below the specified limit during the course of the next quarter.

Negative screens

The portfolio management team will screen new company purchases against all applicable negative screens (no exposure to companies involved in UN GC & OECD principles violations, the manufacture or selling of controversial weapons, tobacco & very severe controversies).

In addition, the portfolio management and independent control teams will review existing positions against those negative screens at least on a monthly basis. Should a position be deemed no longer compliant with the negative screen the investment manager shall place an immediate block on any buy transactions. The investment manager will then enter a period of engagement with the company to seek resolution. If no resolution is forthcoming a sale would be made at the appropriate time.

(g) Methodologies for environmental or social characteristics

Carbon intensity

The investment manager will ensure that the Sub-Fund's scope 1 & scope 2 GHG emissions are at least 20% lower than the MSCI ACWI Total Return Net Index Scope 1 & Scope 2 GHG emissions based on the data provided by an independent ESG data team.

Negative screens

The investment manager will ensure that investee companies comply with the negative screens based on very severe controversies, UN Global Compact principles, OECD Guidelines for Multinational Enterprises, the manufacture or selling of controversial weapons and the exposure to the tobacco sector by reviewing date and controversies reported by the independent ESG data team.

The portfolio management team together with ESG specialists will review controversies on at least a monthly basis in order to classify them and identify very severe controversies.

(h) Data sources and processing

Carbon intensity

GHG emissions at company level are obtained from specialized third-party vendors. The data is reviewed by an independent ESG data team who performs data quality controls including the review of abnormal results, large variations and sample comparisons with other available data sources. The ESG data team also ensures that data points used to perform portfolio and benchmark level calculations are aligned.

The Sub-Fund's portfolio and benchmark carbon intensity will be calculated as follows:

Σ *[(Company scope 1 & 2 carbon emissions / USD company sales) * company portfolio weight or benchmark weight]*

The ESG data team then processes the data by performing portfolio level GHG emissions calculation based on a documented and transparent calculation methodology and provides the portfolio management and the control teams with tools and reports that allow the monitor and manage the portfolio GHG emissions.

When data isn't available based on third party disclosures, company level proxies provided by specialized third-party vendors are used. Where data isn't available from third party vendor, missing data will be either be sourced by engaging with the company or by using sector based proxies.

The proportion of proxied data and the methodologies applied are monitored to ensure that the calculated portfolio and benchmark level GHG emissions constitute a fair and reliable estimation.

As of the 30th September 2022, the proportion of data that had to be estimated amounted to 28% at Sub-Fund level and 14.7% at benchmark level.

Negative screens

The data used to monitor negative screens is acquired from specialized third-party vendors and through the portfolio management team screening process.

Third-party vendor data is reviewed by an independent ESG data team who performs data quality controls including the review of missing data points or abnormal results.

The ESG data team then processes the data by ensuring it flows to the relevant portfolio management system and provides the portfolio management and the control teams with tools and reports that allow them to monitor and manage the portfolio adherence to its environmental and social guidelines.

(i) Limitations to methodologies and data

The lack or delay of corporate disclosures, constitutes the primary methodology and data limitation. GHG emissions at company level are based on company disclosures or estimations. Despite the review process implemented the GHG emissions data will therefore only be updated when new disclosures are available (and therefore delayed compared to the investment decision) and could be impacted by potential proxy biases.

Negative screens are based on third party reports and the investment manager analysis its coverage may therefore vary and controversies or violations may not be immediately detected if data is not readily available.

(j) Due diligence

The focus of the Sub-Fund's strategy is picking Future Quality investments. The Investment Manager identifies Future Quality companies through bottom-up research using its Four-Pillar approach, which analyses the quality of a company's Franchise, Management and Balance Sheet, as well as calculating a Valuation.

The ability to sustain returns over the long term is a key ingredient of strong Future Quality investment opportunities. Increasingly, the Investment Manager finds that this potential is demonstrated most robustly either by companies with high-quality environmental, social and corporate governance ("ESG") credentials and management teams that provide value to all stakeholders, or those businesses that aspire towards a high-quality ESG and stakeholder focus.

The Investment Manager believes that there is a strong connection between ESG considerations and Future Quality investments. Not least because, in its experience, companies that the Investment Manager rates highly from an ESG standpoint often make effective Future

Quality investments. When the Investment Manager analyses Future Quality potential through its Four-Pillar framework, there is a significant element of ESG-related research.

The Investment Manager due-diligence process therefore revolves around the following commitments:

Purpose led Future Quality Companies

- Focus on companies creating stakeholder value
- High and sustainable cash-flow returns delivered by trustworthy management teams
- Believing that companies that target solutions for today's problems are likely to be among the long-term winners

Engagement

- ESG ratings and scores are imperfect and engagement helps to understand why
- ESG issues management is aligned with long term investment horizon
- We can help companies address their apparent weaknesses

ESG characteristics

- Substantially lower carbon intensity relative to the Sub-Fund benchmark
- No violations of UN Global Compact principles
- No very severe controversies related to OECD Guidelines for Multinational Enterprises, environment, human rights, customers, labour rights or governance.
- No exposure to controversial weapons
- No tobacco

ESG integration

- ESG helps to find Future Quality companies
- ESG research is performed by the portfolio management team directly aided by a team of dedicated ESG specialists
- ESG decisions are not delegated to other teams
- ESG factors are analysed at every stage of the investment

(k) Engagement Policies

The Sub-Fund's strategy involves portfolio managers and analysts engaging with issuers as part of the investment process, both before and during the period of investment. Should a company, at any point, not fulfil the Investment Manager's Future Quality criteria, the Investment Manager would engage with management. The Investment Manager will seek commitments from companies to address any concerns raised by the portfolio managers. Subsequently, the Investment Manager monitors these issues and company progress. All engagements are recorded within the Investment Manager's research platform.

(l) Designated reference benchmark

This Sub-Fund has not designated a reference benchmark that is aligned with the environmental or social characteristics it promotes.