

SFDR PRODUCT DISCLOSURE

NIKKO AM ASIA EX-JAPAN FUND

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Société Anonyme

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(a) Summary

The Investment Manager incorporates the analysis of environmental, social, and governance (“ESG”) factors as part of its investment process and fundamental research.

A core part of the fundamental analysis is in understanding and scoring companies on material ESG risk and return factors. ESG analysis is integrated into the whole investment process, with individual analysts responsible for implementing the Investment Manager’s proprietary ESG scoring.

The Investment Manager’s will ensure that the following limits are respected:

- GHG intensity of investee companies to ensure that the Sub-Fund’s carbon intensity remains lower than that of the MSCI AC Asia ex Japan Net Total Return Index.
- No investments in companies exposed to controversial weapons.
- No investments in companies involved in tobacco manufacturing.
- No investments in companies that derive >30% revenue from thermal coal mining.

A key focus of the Sub-Fund’s strategy is the integration of ESG as a core component of fundamental analysis, as a way to reduce ESG-related risk and identify opportunities.

A company’s ability to sustain long-term shareholder value is a key consideration when identifying investment opportunities. The Investment Manager finds that this is demonstrated most robustly by companies and management teams with strong governance. As part of the Investment Manager’s ESG-integrated research, from the 12 factors across Corporate Governance, Corporate Behaviour, and Governance Opportunities, those material to the investee company are considered, which inform the governance pillar score.

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

The Investment Manager will also ensure that the Sub-Fund remains invested in line with the above binding limits and will take action in case deviations are noted during its periodic reviews.

Data will be collected from third-party data providers, reviewed by the portfolio managers and independent teams who performs data quality controls. Where data is not disclosed by investee companies, company-level proxies provided by a third-party data provider are used. Where data is not available from the third-party data provider, missing data will either be sourced by engaging with the company or by using sector-based proxies.

The lack or delay of corporate disclosures, particularly in the Asian region, constitutes a primary methodology and data limitation which may lag investment decisions and cause emissions data to be over or under estimated and negative screens violations to be immediately detected with a delay.

Should a company not fulfil the Investment Manager’s criteria or further information be required, the Investment Manager will engage with the investee company. Subsequently, the Investment Manager monitors these issues and the company’s progress.

The Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment and does not use a benchmark that is aligned with the environmental or social characteristics it promotes.

(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'

The Investment Manager incorporates the analysis of environmental, social, and governance ("ESG") factors as part of its investment process and fundamental research.

The Sub-Fund promotes environmental and/or social characteristics through a set of binding limits and during its engagement process. Sustainability indicators, including several of the Principal Adverse Impacts on sustainability factors ("PAI") as referred to in Annex I of the SFDR Delegated Act, are considered by the Investment Manager.

The Investment Manager's ESG integrated investment process ensures the following screens are complied with:

- No investments in companies exposed to controversial weapons (PAI).
- No investments in companies involved in tobacco manufacturing.
- No investments in companies that derive >30% revenue from thermal coal mining.

For the Sub-Fund, the following metrics are monitored:

- Scope 1 and Scope 2 GHG emissions (PAI)
- GHG intensity of investee companies (PAI) to ensure that the Sub-Fund's carbon intensity remains lower than that of the MSCI AC Asia ex Japan Net Total Return Index.

Through the Investment Manager's engagement process, the Investment Manager engages investee companies on the following where material:

- ESG topics
- Controversies that might arise post-investment
- PAI indicators as part of PAI monitoring process

(d) Investment strategy**Environmental or social characteristics**

The Sub-Fund's investment strategy is based on the belief that applying fundamental research to identify undervalued companies capable of achieving high sustainable returns and/or benefiting from positive fundamental change will lead to superior investment performance. The investment process is predominantly bottom-up. Early generation of ideas are taken through a rigorous fundamental analysis to extract the best opportunities. These opportunities are fed through further analysis and debate to build a concentrated portfolio which balances the highest conviction sustainable returns and positive fundamental change at attractive valuations.

As part of the Sub-Fund's investment process, ESG risk, return analysis and risk management is integrated into each stage of the process. A core part of the fundamental analysis is in understanding and scoring companies on material ESG risk and return factors. ESG analysis is integrated into the

whole investment process, with individual analysts responsible for implementing the Investment Manager's proprietary ESG scoring.

The belief is that strong/improving ESG fundamentals are essential for achieving sustainable higher returns. As part of the ESG-integrated process, the Investment Manager identifies the opportunities and the risks, and assesses to what extent the risks have been mitigated through engagement with a company's management. Relative assessment of companies is made using a proprietary ESG materiality matrix, conceptualised with reference to MSCI's Industry Materiality Map and Sustainability Accounting Standards Board standards, with enhancements made to adapt for the complexities of Asian markets.

This process allows, more specifically, to ensure that the Sub-Fund respects the following environmental and social characteristics:

A portfolio with lower carbon intensity relative to its benchmark:

The GHG intensity of each stock is assessed as part of the Investment Manager's fundamental research process.

No investments in companies involved in the manufacture of tobacco:

The Investment Manager will not invest in tobacco manufacturers as defined by a third-party data provider.

No investments in companies involved in controversial weapons:

The Investment Manager will not invest in companies exposed to controversial weapons.

No investments in companies that derive >30% revenue from thermal coal mining:

The Investment Manager will not invest in companies that derive >30% revenue from thermal coal mining..

Good governance

A key focus of the Sub-Fund's strategy is the integration of ESG as a core component of fundamental analysis, as a way to reduce ESG-related risk and identify opportunities. The Investment Manager identifies investment opportunities through bottom-up research and an in-house proprietary ESG scoring methodology that assesses companies' ESG-related risks and opportunities as part of its fundamental analysis.

A company's ability to sustain long-term shareholder value is a key consideration when identifying investment opportunities. The Investment Manager finds that this is demonstrated most robustly by companies and management teams with strong governance. As part of the Investment Manager's ESG-integrated research, from the 12 factors across Corporate Governance, Corporate Behaviour, and Governance Opportunities, those material to the investee company are considered, which inform the governance pillar score.

The SFDR requires products classified as Article 8, such as the strategy of Nikko AM Asia ex-Japan Fund, do not invest in companies which do not follow good governance practices. The SFDR states "Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance." As such the Investment Manager has outlined the Sub-Fund's Good Governance criteria:

- 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 high sustainable returns. Companies should not violate Principle 5 of the UN Global Compact principles, with regard to labour relations.
- The Investment Manager believes that a company should have appropriate 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 tax laws is important.

How does the Investment Manager apply good governance?

Research

All companies are assessed using the same in-house proprietary ESG-integrated research framework based on the Investment Manager's ESG materiality matrix to assess the most relevant risks and opportunities for each respective company. Issues are deemed material when they may have a material impact on a shareholder's return.

The process to assess good governance is considered as part of the existing sustainability risk integration process.

Engagement

Should a company, at any point, not fulfil good governance criteria, the Investment Manager would engage with management, seek commitments from companies to address concerns raised and subsequently monitor these issues and the company's progress. Should the company not be responsive to engagement or respond to the engagement negatively, they will be flagged as being not investable or be divested from at the next available opportunity.

(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 screens (tobacco manufacturers, controversial weapons, and companies deriving >30% revenue from thermal coal mining) 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's GHG intensity remains lower than its benchmark, being the MSCI AC Asia ex Japan Net Total Return Index.

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

(f) Monitoring of environmental or social characteristics

Carbon Intensity

The Sub-Fund's carbon intensity is calculated based on the companies scope 1 and scope 2 emissions. Prior to investment in a new position, the Investment Manager will ensure that the

addition of the new position will not cause the Sub-Fund's carbon intensity to exceed the benchmark.

In addition, the Investment Manager will review the Sub-Fund's relative carbon intensity, as provided by independent ESG or Risk teams on a monthly basis.

Should the Sub-Fund's relative carbon intensity increase above the binding limit as a result of market movements or due to updated GHG emissions data, the Investment Manager will ensure that the Sub-Fund's carbon intensity decreases below the specified limit during the course of the next quarter.

Negative Screens

The Investment Manager will screen the investment universe against all negative screens (tobacco manufacturers, companies exposed to controversial weapons, and companies deriving >30% revenue from thermal coal mining). The Investment Manager portfolio management and independent control teams will review existing positions against those negative screens on a monthly basis. Should the company be deemed no longer compliant with the negative screens, the Investment Manager will flag the company, preventing any buy transactions and divest from the company as soon as practicable.

(g) Methodologies for environmental or social characteristics

Carbon intensity

The Investment Manager will ensure that the Sub-Fund's GHG intensity remains lower than the MSCI AC Asia ex Japan Net Total Return Index based on the data provided by independent control teams.

Negative screens

The Investment Manager will ensure that investee companies comply with negative screens on tobacco manufacturers, companies exposed to controversial weapons, and companies deriving >30% revenue from thermal coal mining.

(h) Data sources and processing

Carbon intensity

GHG emissions data is collected on a company-level, from third-party data providers. The data is reviewed by the portfolio managers and independent teams who performs data quality controls, including the review of abnormal results, and sample comparisons with other data sources. The independent teams also ensure that the data points used to calculate portfolio and benchmark carbon intensity calculations are aligned.

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

$$\sum [(Company\ scope\ 1\ \&\ 2\ carbon\ emissions / EUR\ company\ sales) * company\ portfolio\ weight\ or\ benchmark\ weight]$$

Independent teams within the Investment Manager then process the data by performing portfolio level GHG emissions calculation based on a documented and transparent calculation methodology and provides the Investment Manager portfolio management teams with data points that allow the monitoring and management of the Sub-Fund GHG emissions.

Where data is not disclosed by investee companies, company-level proxies provided by a third-party data provider are used. Where data is not available from the third-party data provider, missing data will either be sourced by engaging with the company or by using sector-based proxies.

Negative screens

The data used to monitor negative screens is acquired from a third-party data provider and through the Investment Management portfolio management teams screening process.

Data points from the third-party data provider is reviewed by independent teams, including the review of missing data points or abnormal results.

Independent teams then process the data by ensuring it flows to the relevant portfolio management system and provide the portfolio management teams with the data points required to allow them to monitor and manage the Sub-Fund's adherence to its environmental and social guidelines.

(i) Limitations to methodologies and data

The lack or delay of corporate disclosures, particularly in the Asian region, constitutes a primary methodology and data limitation. GHG emissions data are based on company's disclosures and lack thereof would result in estimates used which may be inaccurate. Despite the review process implemented, GHG emissions data will only be updated when new disclosures become available and new estimates are provided by the third-party data provider. These data points lag investment decisions, could be out of date, and be over- or underestimated.

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

As part of the Sub-Fund's investment process, ESG risk, return analysis and risk management is integrated into each stage of the process. A core part of the fundamental analysis is in understanding and scoring companies on material ESG risk and return factors. ESG analysis is integrated into the whole investment process, with individual analysts responsible for implementing the Investment Manager's proprietary ESG scoring.

A company's ability to sustain long-term shareholder value is a key consideration when identifying investment opportunities. The Investment Manager finds that this potential is demonstrated most robustly by companies with strong ESG credentials. To assess individual companies on their ESG credentials, the Investment Manager has created a materiality matrix, conceptualized with reference to MSCI's Industry Materiality Map and Sustainability Accounting Standards Board (SASB) standards with enhancements made to adapt the matrix to the Asian markets. ESG is integrated across all stages of the investment process; at the core, ESG is part of the Investment Manager's fundamental research.

The Investment Manager's due diligence process, therefore, revolves around the following:

ESG-integration

- ESG research is performed by the investment team, aided by a dedicated ESG specialist where necessary
- ESG decisions are not delegated to other teams

- ESG factors are integrated into the investment process

ESG Characteristics

- Lower carbon intensity relative to Sub-Fund's benchmark
- No exposure to companies involved in controversial weapons
- No exposure to tobacco manufacturers
- No exposure to companies that derive >30% revenue from thermal coal mining

Engagement

- ESG ratings are backward looking, engagements help to form a more holistic view
- Encourage investee companies to improve ESG-related disclosures
- Clarification of controversies through engagements

(k) Engagement Policies

The Sub-Fund's strategy involves portfolio managers and analysts engaging with investee companies as part of the investment process. Should the company not fulfil the Investment Manager's criteria, or should further information be required, the Investment Manager will engage with the investee company. Subsequently, the Investment Manager monitors these issues and the company's progress. All engagements are recorded within the Investment Manager's engagement log.

(l) Designated reference benchmark

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