

NIKKO ASSET MANAGEMENT LUXEMBOURG S.A.

## PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS POLICY

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Authorised and Regulated by the Commission de Surveillance du Secteur Financier

Number S00000717

## Scope of this Policy

Nikko Asset Management Luxembourg S.A (the "Company" or "NAML") is a management company authorised under Chapter 15 of the amended Law of 17 December 2010 on undertakings for collective investment (the "2010 Law"). It acts as the designated management company of Nikko AM Global Umbrella Fund, Nikko AM Global Umbrella Trust and Nikko AM Global Investments (Luxembourg), three Luxembourg undertakings for collective investment in transferable securities ("UCITS") within the meaning of Directive 2009/65/EC of the European Parliament and of the Council on the coordination of laws, regulations and administrative provisions relating to UCITS (the "UCITS Directive").

Effective 17 December 2019, the Company is also authorised (i) as alternative investment fund manager ("AIFM") in accordance with Chapter 2 of the law of 12 July 2013 on alternative investment fund managers (the "2013 Law") and (ii) to provide management of portfolios of investments on a discretionary, client-by-client basis pursuant to Article 5, (4) (a) of the 2013 Law.

The Company intends to manage Luxembourg and foreign alternative investment funds ("AIFs") and that are contemplated to be marketed in EU member states and non-EU member states.

On 4 June 2020 a notification under freedom of establishment and freedom to provide services under to Article 17 of the Directive 2009/65/EC and Article 33 of the Directive 2011/61/EU in respect of the establishment of the German branch of the Company (the "German Branch") to the CSSF. The German Branch, which commenced its activities on the 1<sup>st</sup> of January 2021, is in scope of this policy.

This Policy applies to any undertakings for collective investment in transferable securities (the "**UCITS**"), any alternative investment funds ("**AIF**") and any discretionary portfolio management mandates ("**Mandates**") for which NAML acts as investment fund manager (UCITS and AIFs will be later referred to as the "**Funds**" or "**UCIs**" and UCITS, AIFs and Mandates as the "**Products**").

## Purpose of this Policy

In line with EU Regulation 2019/2088 of 27 November 2019 on sustainability related disclosures in the financial services sector the purpose of this Principal Adverse Sustainability Impacts Policy (the "**Policy**"), is to establish whether and how NAML considers principal adverse impacts of investment decisions on sustainability factors ("**PAIs**") and specify the due diligence policies and processes through which this is achieved.

Sustainability factors shall be understood as environmental, social, employee, respect for human rights, anti-corruption and anti-bribery matters.

## Identification of principal adverse sustainability impacts and indicators

NAML shall systematically consider principal adverse impacts of investment decisions on sustainability factors. The approach through which this impact will be assessed shall take into account nature and scale of the relevant product activities as further defined below.

NAML will be monitoring the following principal adverse impacts of investment decisions on sustainability factors through the indicators that are described in Appendix I of Commission Delegated Regulation 2022/1288 as well as third-party developed indicators that may be based on third party vendors and NAM own research.

Whenever coverage obtained through third party vendors or investee company is insufficient NAML may define proxies or use third party proxies to the extent it considers that it provides a fair representation of the relevant PAIs.

## Prioritization of PAIs

The indicators retained and prioritized by NAML in order to assess the PAIs of investment decisions will depend on:

- the specific environmental and social characteristics promoted by the product
- the severity of the adverse impact on the sustainability factor
- the probability of re-occurrence of the adverse impact
- the coverage ratio (indicators which can be assessed a large number of companies may be favored amongst those that lacks comparability)

As a general rule, PAIs indicators will more specifically prioritized in line with:

- NAML Sustainability Risk Policy
- NAML Engagement Policy
- NAM external commitments as further described under:  
<https://sustainability.nikkoam.com/investment-management>.

## **Governance and actions on PAIs**

NAML Risk Management Function is in charge of monitoring PAIs and reports its findings to NAML ESG & Stewardship Oversight Committee, NAML ComEx and NAML Board on a regular basis.

NAML will engage with the relevant investment manager whenever it considers that a PAIs may have a material impact of the product sustainability risk level, is not coherent with the defined PAI prioritization or creates a risk that is not in line with the defined Product Risk Profile.

NAML will more specifically take actions by:

- engaging with investment managers to assess how material PAIs are affecting product sustainability risk
- ensuring that NAML product strategies have integrated sustainability investment risk in their investment process, have respected the environmental or social characteristics promoted and their sustainable investment objectives
- ensuring that the NAML engagement policy has been implemented as required
- ensuring that PAIs level and evolution are coherent with NAM external commitments
- seeking to reinforce product specific ESG policies
- supporting the development of products that have promote environmental or social characteristics or have a sustainable investment objective.

Specific care will also be taken to understand and report PAIs of events that are likely to cause an irreparable impact on a specific sustainability factor.

NAML Board oversees the implementation of this Policy, the Sustainability Risk Policy and the Engagement Policy.