

Statement on principal adverse impacts of investment decisions on sustainability factors

Nikko Asset Management Luxembourg S.A. (LEI: 549300FGDQCC2A0R2432)

Summary

Nikko Asset Management Luxembourg S.A. (“NAML”) considers principal adverse impacts of its investment decisions on sustainability factors (“PAIs”). The present statement is the consolidated statement on principal adverse impacts on sustainability factors of NAML, covers the reference period from 1st of January 2023 to 31st December 2023 and is being disclosed in line with Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (“SFDR”).

NAML observed large discrepancies in terms of data coverage which ranged from 4% (emissions to water) to 99.8% (GHG intensity of investee countries). All PAIs were integrated in sustainable investment risk management or monitoring processes and in some cases used within binding risk limits or processes of NAML Article 8 or 9 Sub-Funds.

PAIs were prioritized by NAML whenever they corresponded to environmental and social characteristics promoted by a product, if their impact was severe or repeated and if they contradicted NAML internal policies or external commitments. Their monitoring was performed by NAML Risk Management Function (in addition to the monitoring that may be performed as part of the investment process). Potential findings and recommended actions were reported to NAML ESG & Stewardship Oversight Committee, NAML ComEx and NAML Board.

Although the Engagement and Stewardship Strategy of Nikko Asset Management Co., Ltd. and its subsidiaries (hereafter collectively referred to as “Nikko AM” or the “Group”) and NAML Engagement Policy require ESG to be integrated in proxy voting and engagement processes, they do not specifically refer to SFDR PAIs. The management of these indicators for NAML Article 8 or 9 Sub-Funds is the responsibility of its investment managers. Each investment manager retains the ability to consider principal adverse impacts as defined within the prospectuses of the Sub-Funds by taking relevant actions where required, including when exercising voting rights.

Nikko AM adheres to the following international standards that may be monitored through PAIs:

- Net Zero Asset Managers initiative (GHG - greenhouse gas - emissions and Carbon Footprint)
- Task force on Climate Related Financial Disclosures (GHG emissions, Carbon Footprint and GHG Intensity of Investee Companies)

Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies						
Adverse sustainability indicator	Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Climate and other environment related indicators						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	13,823 TCO2e	20,831 TCO2e	Data or proxies were collected for 79.9% of the holdings. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds. During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
		Scope 2 GHG emissions	14,465 TCO2e	15,632 TCO2e	Data or proxies were collected for 79.9% of the holdings. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds. During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics.

						As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
		Scope 3 GHG emissions	388,481 TCO2e	430,225 TCO2e	Data or proxies were collected for 79.7% of the holdings. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds. As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
		Total GHG emissions	415,888 TCO2e	466,687 TCO2e	Data or proxies were collected for 79.7% of the holdings. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Used within binding risk limits/processes for Article 8 or 9 Sub-Funds. As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
	2. Carbon footprint	Carbon footprint	84.15 TCO2e /EURm invested	94.37 TCO2e / EURm invested	Data or proxies were collected for 79.7% of the holdings. Impact figure was scaled back to 100%. We are making amends following the discovery of a	Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.

					calculation error in the carbon footprint metric covering year n-1. A missing decimal point led to the disclosure of a carbon footprint of 9.44 TCO2e/EURm invested instead of 94.37 TCO2e/EURm. In addition, a typo occurred in the unit disclosed which should have been EURm invested instead of EURb Sales.	During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
	3. GHG intensity of investee companies	GHG intensity of investee companies	378 TCO2e /EURm Sales	399 TCO2e /EURm Sales	Data or proxies were collected for 84.5% of the holdings. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds. During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	1.08%	0.93%	Data was collected for 91.7% of the holdings. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Used within binding risk limits/processes for certain Sub-Funds.

						<p>During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics.</p> <p>As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.</p>
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	82.66%	87.86%	Data was collected for 52.4% of the holdings. Impact figure was scaled back to 100%.	<p>Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.</p> <p>As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.</p>
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	0.49 GWh /EURm sales	1.24 GWh /EURm sales	Data was collected for 58.3% of the holdings. Impact figure was scaled back to 100%.	<p>Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.</p> <p>As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep</p>

						being monitored within article 8 or 9 products.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.00%	0.00%	Data was collected for 91.7% of the holdings The data should however not be considered as highly reliable as the ESG data service provider used doesn't clearly state whether the companies reviewed did confirm there was no adverse impact or whether they simply didn't disclose an adverse impact. reports. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Used within binding risk limits/processes for certain Sub-Funds. As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	15.87 T /\$m invested	45.40 T /\$m invested	Data was collected for 4% of the holdings. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Used within binding risk limits/processes for certain Sub-Funds. As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	1.23 T /\$m invested	0.25 T /\$m invested	Data was collected for 25.1% of the holdings. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds. As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on

						sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Social and employee matters	10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.00%	0.00%	Data was collected for 91.7% of the holdings. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds. During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	79.85%	87.72%	Data was collected for 91.7% of the holdings. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds. During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics.

						As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	-7.44%	-4.27%	Data was collected for 6.5% of the holdings. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds. As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	30.04%	29.24%	Data was collected for 83.9% of the holdings and only covers Q3 and Q4 2022. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds. During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep

						being monitored within article 8 or 9 products.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, biological weapons)	0.00%	0.00%	Data was collected for 91.7% of the holdings. Impact figure was scaled back to 100%.	Exclusion. During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
Indicators applicable to investments in sovereigns and supranationals						
	Adverse sustainability indicator	Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	441.36 TCO2e /\$m GDP Nominal	547.02 TCO2e /\$m GDP Nominal	Data was collected for 99.8% of the holdings. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds. As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.

Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0.09%	0.37%	Data was collected for 99.3% of the holdings. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds. As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
Other indicators for principal adverse impacts on sustainability factors						
Environmental	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	25.71%	22.17%	Data was collected for 91.7% of the holdings. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds. During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
Social	9 Lack of a human rights policy	Share of investments in entities without a human rights policy	56.99%	55.35%	Data was collected for 91.7% of the holdings. Impact figure was scaled back to 100%.	Integrated in the sustainable investment risk management or monitoring process. Can be used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.

						As of April 2024, NAML has elected not to consider adverse impacts of investment decisions on sustainability factors at its entity level. This PAI will however keep being monitored within article 8 or 9 products.
--	--	--	--	--	--	--

Description of policies to identify and prioritise principal adverse impacts on sustainability factors (PAIs)

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 irremediable impact on a specific sustainability factor.

Engagement policies

NAML has established and keeps up to date an Engagement Policy as referred to in Article 3g of Directive 2007/36/EC of the European Parliament and of the Council. This policy is part of the more general framework of the Nikko Asset Management Group Engagement and Stewardship Strategy.

NAML Engagement Policy

Pursuant to the Luxembourg law, NAML has developed and publicly disclosed an engagement policy that describes how it integrates shareholder engagement in its investment strategy. This policy describes how NAML (i) monitors investee companies on relevant matters, including strategy, financial and non-financial performance, risk, capital structure, social and environmental impact and corporate governance. (ii) conducts dialogues with investee companies, (iii) exercises voting rights and other rights attached to shares, (iv) cooperates with other shareholders, (v) communicates with relevant stakeholders of the investee companies and (vi) manages actual and potential conflicts of interests in relation to its engagement. The NAML engagement policy sets out 12 principles which aim at describing the above-mentioned points.

NAML has delegated the exercise of voting rights to the Investment Managers of the managed Funds, and it ensures that the exercise of voting rights is done in accordance with the investment objectives and policies of the relevant Sub-Funds. The Investment Managers notably expect from the investee companies that they ensure strong environmental and social performance and disclosures.

The portfolio managers of the Investment Managers consider the investee company's management strategy, financial standing and market environment when voting on resolutions relating to the issuing of capital. Specifically on climate change the portfolio managers analysis will consider the physical, liability and transition risks associated with the changing climate.

Nikko AM Group Engagement and Stewardship Strategy

At the level of Nikko Asset Management Group, the Engagement and Stewardship Strategy outlines our global corporate engagement approach and should be read in conjunction with Nikko AM's Commitment to Responsible Investing. We believe that the environmental, social, and governance ("ESG") factors are inherent to long-term value creation. Incorporating them in the investment process is consistent with the Nikko AM's fiduciary duty.

Nikko AM became an UN Principles for Responsible Investment signatory in 2007 and is dedicated to all six Principles, where consistent with its fiduciary responsibilities. In 2016, Nikko AM established an ESG Steering Committee which governs the fulfilment of ESG commitments. This Committee is responsible for evaluating effectiveness and maximizing Nikko AM's approach to ESG and the Principles.

Adverse impact sustainability indicators

The NAML Engagement Policy and the Nikko AM's Engagement and Stewardship Strategy do not specifically cover the indicators for adverse impacts. The management of these indicators for our article 8 or 9 funds is the responsibility of the Investment Managers. Each investment manager retains the ability to consider principal adverse impacts as defined within the prospectuses of the Funds. The Investment Managers review the indicators for adverse impact on an ongoing basis, before investing in a specific investee, and post investment. They will take relevant actions where required, including when exercising voting rights.

Engagement policy for Nikko AM Global Green Bond Fund (Article 9 fund)

Engagement is considered by the Investment Manager as a long-term and pro-active activity rather than just a short-term reactive one. It is critical to the investment review and due diligence process and can be conducted pre-and post-investment. As part of the Investment Manager sustainability assessment a clear framework was designed to drive engagement activity with issuers.

Through that process in place, the Investment Manager identifies and flags bonds that require an enhanced due diligence to be conducted to ensure the bond remains fully suitable with the sustainable objective of the portfolio. This can include engagements to encourage additional transparency on the bond proceeds allocation, request clarifications and/or stronger commitments in terms of the issuer sustainability strategy.

Engagement is also used to remediate to third party vendor data limitations by actively asking issuers for enhanced information disclosure.

Collaborative engagement initiatives with other investors, to address specific sustainability challenges or concerns with an issuer, are also part of the engagement strategy.

Adverse impact sustainability indicators are reviewed by the PM Team to ensure investments are performing in line with the depicted proceeds uses. A specific focus is performed on the following indicators:

- Scope 1, Scope 2 and Total GHG emissions
- Carbon Footprint
- GHG Intensity
- Amount of non-renewable energy consumption and non-renewable energy production
- Violations of the UN Global Compact principles or the OECD Guidelines for Multinational Enterprises
- Absence of policies to monitor compliance with the UN Global Compact principles or the OECD Guidelines for Multinational Enterprises
- Water consumed and reclaimed
- Water recycled and reused
- Investments not certified as green
- Bonds not certified as green

Principle adverse impacts on sustainability factors ("PAIs") are taken into account by the PM Team in two ways:

- The PAIs indicators are reviewed to assess whether they are coherent with the sustainable investment objective of the relevant bond issue (ensuring for example for a specific bond that the share of recycled water or renewable energy production has increased over time/as proceeds were invested);
- The PAIs indicators are also reviewed to assess whether they are not harming other sustainability factors in a way that is significant with regards to the benefits achieved and the mitigating measures that could have been taken.

The information on these principal adverse impacts on sustainability factors will be disclosed in the audited annual report of Nikko AM Global Umbrella Fund.

Engagement policy for Nikko AM Global Equity Fund (Article 8 fund)

The Sub-Fund's strategy involves portfolio managers, analysts and Sustainable Investment staff engaging 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. 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.

The environmental and social characteristics of the Nikko AM Global Equity Fund involve managing targets and limits that are set against several principle adverse impact on sustainability factors ("PAIs") and ensuring that:

- The Sub-Fund carbon intensity remains at least 20% lower than the MSCI ACWI Total Net Return Index carbon intensity.
- No investments are made in companies exposed to controversial weapons, contravening to the UN Global Compact Principles or to the Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises

In addition, the Sub-Fund will not invest in securities that belong to the tobacco GICs sector.

The following PAIs are used to measure the attainment of each of the environmental or social characteristics promoted by the Sub-Fund:

- Scope 1 Greenhouse gas ('GHG') emissions
- Scope 2 GHG emissions
- Violations of UN Global Compact principles and OECD Guidelines
- Share of investments in investee companies involved in the manufacture or selling of controversial weapons

Engagement policy for Nikko AM ARK Positive Change Innovation Fund (Article 8 fund)

The investment manager will focus on innovative technologies and companies that are likely to have a positive impact on the environment and our society by assessing how they could accelerate progress towards the United Nations Sustainable Development Goals ('UN SDGs') categorized into four categories: economic convergence, healthy economic growth, environmental action and infrastructure for the future.

Engagement is not specifically performed in the context of Nikko AM ARK Positive Change Innovation Fund environmental or social investment strategy.

The extent to which environmental or social characteristics of the Sub-Fund were met and the UN SDGs to which the selected companies and technologies have aimed to contribute to will be disclosed in the audited annual report of Nikko AM Global Umbrella Fund.

Engagement policy for Nikko AM Global Unconstrained Bond (Article 8 fund)

The portfolio management team ("PM team") sees the value of engagement. Most of the Nikko AM Global Unconstrained Bond Fund assets are invested in sovereign, supranational and agencies issuers and while the PM team maintains an active dialogue, this engagement is used as a mean of building insight and market intelligence rather than as a form of influence that might change the behaviour of these issuers. Similarly given the relatively small exposure to corporate bonds and emerging markets the PM team has a pragmatic view on the practical limits to its influence. Again, as in the case with sovereign issuers, active dialogue with the companies whose bonds are held is maintained, but investments are shaped to avoid situations where the PM team might end up in corporate actions which would draw in a disproportionate resource and time.

In the selection of its investments, the Sub-Fund seeks to exclude certain investments based on sustainability indicators and Principal Adverse Impacts on sustainability factors ("PAI"), including:

- Share of investments in companies active in the fossil fuel sector

- Share of investments in investee companies without policies to monitor compliance with the UN Global Compact principles or the OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UN Global Compact principles or the OECD Guidelines for Multinational Enterprises
- Violations of UN Global Compact principles and OECD Guidelines
- Share of investments in investee companies involved in the manufacture or selling of controversial weapons

In addition, the portfolio management and independent control teams will review existing positions against those negative screens at least on a monthly basis. Positions that are no longer compliant with the negative screens will either immediately be disposed of or will be disposed of if following engagement with the company the issue isn't resolved during the course of the next quarter.

Engagement policy for Nikko AM Japan Value (Article 8 fund)

The Sub-Fund's strategy involves the investment manager engaging with issuers as part of the investment process, both before and during the period of investment. This engagement will in particular be performed:

- in the context of the absence of carbon emission reduction initiatives for companies that have a GHG intensity which exceeds the Sub-Fund's benchmark GHG intensity
- as part of the investment manager good governance policy

The environmental and social characteristics of the Nikko AM Japan Value Fund involve managing targets and limits that are set against several principle adverse impact on sustainability factors ("PAIs") and ensuring a portfolio composed of companies that either have a GHG intensity lower than the Sub-Fund's benchmark GHG intensity or have GHG reduction initiatives in place.

Prior to investing and monthly thereafter, the GHG intensity of companies will be reviewed to identify companies that have higher GHG emissions than the Sub-Funds benchmark. Those companies will then be reviewed to assess whether they have implemented carbon emission reduction initiatives (through third party data service or own research). The companies that have not implemented such initiatives will be subject to engagement by the investment manager. This engagement may be performed prior to or after the investment. This process will be performed by the investment manager and independently monitored.

The following PAIs are used to measure the attainment of each of the environmental or social characteristics promoted by the Sub-Fund:

- Scope 1 Greenhouse gas ('GHG') emissions
- Scope 2 GHG emissions
- Carbon footprint
- GHG Intensity
- Lack of carbon reduction initiatives
- Violations of UN Global Compact principles and OECD Guidelines
- Share of investments in investee companies involved in the manufacture or selling of controversial weapons

- Average ratio of female to male board members

Engagement policy for Nikko AM Asia ex-Japan (Article 8 fund)

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.

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

The following PAIs are used to measure the attainment of each of the environmental or social characteristics promoted by the Sub-Fund:

- GHG Intensity
- Share of investments in investee companies involved in the manufacture or selling of controversial weapons

References to international standards

The Group places fiduciary and ESG principles as guiding themes behind our corporate values and actions. To support this, Nikko AM adheres to a range of responsible business conduct codes and internationally recognised standards.

NAML is a European subsidiary of Nikko AM, to which the SFDR applies, and adheres to local Regulations as well as Group codes or standards as applicable.

Given their global nature, which is not intended to fit into a regional framework, it is not possible to link all the codes or standards to which the Group adheres to the PAIs defined by the SFDR. To the extent applicable, the below section will outline the codes and standards with a clear link to the PAIs which includes:

- The Net Zero Asset Managers initiative
- Task force on Climate Related Financial Disclosures

Note that the above isn't an exhaustive list of the codes or standards that Nikko AM adheres to. In addition to the above, NAML uses UN Principles for Responsible Investment to monitor how its Investment Managers have integrated sustainability risk in their investment process and certain Sub-Funds or strategies have elected to report how they adhere to those principles.

1. The Net Zero Asset Managers initiative (“NZAMi”)

PAIs that may be used to monitor the adherence to the above international standard

- GHG emissions (Scope 1 GHG Emissions, Scope 2 GHG Emissions, Scope 3 GHG Emissions, Total GHG Emissions)
- Carbon Footprint

Methodology and data used

Nikko AM recognises climate change as one of the greatest challenges the global community faces and considers it our fiduciary duty to address it in managing our clients' assets. Nikko AM became a signatory to the Net Zero Asset Managers initiative in 2021. As part of this, the Group has committed to achieving net zero emissions across all investments by 2050 as well as setting an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner

The Group has committed 43% of global assets under management (“AUM”) to be managed in line with net zero emissions. In scope AUM will be expected to reduce carbon footprint (currently Scope 1 & 2 emissions per \$mn invested) by 50% by 2030 against the baseline year of 2019. To the extent that it is possible, we will include material Scope 3 emissions when data becomes more readily available.

Nikko AM primary data source for this information is MSCI Inc. Although climate change considerations are integrated across asset classes, we are commencing our journey towards net zero targets from our equity holdings, as this is the largest portion of our AUM and as the equity analysis methodologies have been more established, compared to other assets such as fixed income (especially sovereign debt). The data coverage also tends to be better for equities. Nikko AM monitors the recent developments in this space, and will be looking to apply these methodologies and data as it becomes more widely applicable to incrementally add further AUM to our net zero targets.

Climate scenarios

IPCC scenarios are used as the basis of our target.

Progress towards NZAMi

For Nikko AM assets in scope of NZAMi, we have made progress towards our commitment since our initial target disclosures in October 2022. Nikko AM carbon footprint of our committed portfolios was 65.2 tCO₂e/USD million invested as of 31 December 2023. This represents a marginal decrease of 0.3% from 2022 and an overall ~23.0% reduction from our 2019 baseline carbon footprint of 84.7 tCO₂e/USD million invested. Nikko AM is still well positioned to meet our 2030 interim targets.

Japan Sustainable Investment Department has narrowed down, from over 2,000 companies, a climate-focused engagement list consisting of 70 companies. Of these companies, the 60 chosen account for 72% of the overall GHG emissions (Scope 1+2) across Japan equity, as of 31 December 2019, which makes up the largest portion of Nikko AM AUM. The remaining 10 were chosen because they are important companies with regard to their Scope 3 footprint. As part of the engagement plan, the team evaluates the companies' corporate initiatives against NZAMi's recommended framework.

As part of the focused engagement, Nikko AM sent a letter to companies at whose general shareholders meetings we voted against shareholder proposals related to climate change. The letter explained our reasons for opposing the proposals and actions Nikko AM would like to see from the companies in the future. The letter conveyed Nikko AM intention to avoid situations in which votes in opposition of such shareholder proposals (votes in favour of companies) are interpreted as allowing companies to slow down their decarbonisation initiatives.

2. Task Force on Climate Related Financial Disclosures

PAIs that may be used to monitor the adherence to the above international standard

- GHG emissions (Scope 1 GHG Emissions, Scope 2 GHG Emissions, Scope 3 GHG Emissions, Total GHG Emissions)
- Carbon Footprint
- GHG Intensity of Investee Companies

Methodology and data used

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. Nikko AM is a signatory to this voluntary code and recognises the need to continually enhance and improve its efforts in relation to climate change.

In line with TCFD recommendations, we encourage our investee companies to take the following steps:

- Identify material climate change risks and opportunities in a range of scenarios, including sub-2 degree scenarios, over appropriate time horizons
- Integrate material climate change risks and opportunities into their overall business strategy and risk management
- Disclose their management policies and processes toward the goals, and the resultant performances based on the above activities

In 2023, Nikko AM integrated in its report advanced climate analytics data. The outcomes of this work are published in [Nikko AM Group's TCFD report](#).

Climate scenarios

Information on forward-looking climate scenarios used within Nikko AM TCFD disclosures are available in Nikko AM [Nikko AM Group's TCFD report](#).

Historical comparison

Indicators applicable to investments in investee companies						
Adverse sustainability indicator	Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Climate and other environment related indicators						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	13,823 TCO2e	20,831 TCO2e	Data or proxies were collected for 79.9% of the holdings, against 81% in 2022. The coverage was reduced by 1.1 percentage point. Compared with 2022, the scope 1 GHG emissions fell by 33.6% in 2023.	During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
		Scope 2 GHG emissions	14,465 TCO2e	15,632 TCO2e	Data or proxies were collected for 79.9% of the holdings, against 81% in 2022. The coverage was reduced by 1.1 percentage point. Compared with 2022, the scope 2 GHG emissions fell by 7.5% in 2023.	During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
		Scope 3 GHG emissions	388,481 TCO2e	430,225 TCO2e	Data or proxies were collected for 79.7% of the holdings, against 80.9% in 2022. The coverage was reduced by 1.2 percentage point.	No material strategic change between 2022 and 2023. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk

					Compared with 2022, the scope 3 GHG emissions fell by 9.7% in 2023.	limits/processes of some Article 8 or 9 Sub-Funds.
		Total GHG emissions	415,888 TCO2e	466,687 TCO2e	Data or proxies were collected for 79.7% of the holdings, against 80.9% in 2022. The coverage was reduced by 1.2 percentage point. Compared with 2022, the total GHG emissions fell by 10.9% in 2023.	No material change between 2022 and 2023. No material strategic change between 2022 and 2023. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
	2. Carbon footprint	Carbon footprint	0.00 TCO2e /EUR Invested 84.15 TCO2e /EURm Invested	0.00 TCO2e /EUR Invested 94.37TCO2e / EURm Invested	Data or proxies were collected for 79.7% of the holdings, against 80.9% in 2022. The coverage was reduced by 1.2 percentage point. Compared with 2022, the carbon footprint fell by 10.8% in 2023.	During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
3. GHG intensity of investee companies	GHG intensity of investee companies	378 TCO2e /EURm Sales	399 TCO2e /EURm Sales	Data or proxies were collected for 84.5% of the holdings against 83% in 2022. The coverage increased by 1.5 percentage point. Compared with 2022, the GHG intensity of investee companies fell by 5.3% in 2023.	During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.	

	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	1.08%	0.93%	Data was collected for 91.7% of the holdings, against 95.4% in 2022. The coverage was reduced by 3.7 percentage point. Compared with 2022, the share of investments in companies active in the fossil fuel sector increased by 16.1% in 2023.	During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	82.66%	87.86%	Data was collected for 52.4% of the holdings, against 63.1% in 2022. The coverage was reduced by 10.7 percentage point. Compared with 2022, the share of non-renewable energy consumption and production fell by 5.9% in 2023.	No material strategic change between 2022 and 2023. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	0.49 GWh /EURm sales	1.24 GWh /EURm sales	Data was collected for 58.3% of the holdings, against 65.8% in 2022. The coverage was reduced by 7.5 percentage point. Compared with 2022, the energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector fell by 60.5% in 2023.	No material strategic change between 2022 and 2023. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.

Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.00%	0.00%	Data was collected for 91.7% of the holdings, against 95.4% in 2022. The coverage was reduced by 3.7 percentage point. No material change between 2022 and 2023.	No material strategic change between 2022 and 2023. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	15.87 T /\$m invested	45.40 T /\$m invested	Data was collected for 4% of the holdings, against 12% in 2022. The coverage was reduced by 8 percentage point. Compared with 2022, the tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average fell by 65% in 2023.	No material strategic change between 2022 and 2023. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	1.23 T /\$m invested	0.25 T /\$m invested	Data was collected for 25.1% of the holdings, against 21.8% in 2022. The coverage increased by 3.3 percentage point. Compared with 2022, the tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average increased by 392% in 2023. The exposure to a company that was a major issuer of hazardous waste in the first	No material strategic change between 2022 and 2023. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.

					quarter, combined with a low coverage rebased to 100%, led to this increase despite the disinvestment in subsequent quarters.	
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Social and employee matters	10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.00%	0.00%	Data was collected for 91.7% of the holdings, against 95.4% in 2022. The coverage was reduced by 3.7 percentage point. No material change between 2022 and 2023.	During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	79.85%	87.72%	Data was collected for 91.7% of the holdings, against 89.5% in 2022. The coverage increased by 2.2 percentage point. Compared with 2022, the share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises fell by 9.9% in 2023.	During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	-7.44%	-4.27%	Data was collected for 6.5% of the holdings, against 5.9% in 2022. The coverage increased by 0.6 percentage point.	No material strategic change between 2022 and 2023. This PAI was integrated in the sustainable investment risk management or monitoring process

					Compared with 2022, the Average unadjusted gender pay gap of investee companies increased by 74.3% in 2023.	and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	30.04%	29.24%	Data was collected for 83.9% of the holdings, against 88.8% in 2022. The coverage was reduced by 4.9 percentage point. Compared with 2022, the average ratio of female to male board members in investee companies, expressed as a percentage of all board members increased by 2.7% in 2023.	No material strategic change between 2022 and 2023. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, biological weapons)	0.00%	0.00%	Data was collected for 91.7% of the holdings, against 95.4% in 2022. The coverage was reduced by 3.7 percentage point. No material change between 2022 and 2023.	During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
Indicators applicable to investments in sovereigns and supranationals						
	Adverse sustainability indicator	Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	441.36 TCO2e	547.02 TCO2e	Data was collected for 99.8% of the holdings, against 90.6%	No material strategic change between 2022 and 2023.

			/\$m GDP Nominal	/\$m GDP Nominal	in 2022. The coverage increased by 9.2 percentage point. Compared with 2022, the GHG intensity of investee countries fell by 19.3% in 2023.	This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0.09%	0.37%	Data was collected for 99.3% of the holdings, against 91% in 2022. The coverage increased by 8.3 percentage point. Compared with 2022, the percentage of investee countries subject to social violations fell by 411.1% in 2023.	No material strategic change between 2022 and 2023. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
Other indicators for principal adverse impacts on sustainability factors						
Environmental	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	25.71%	22.17%	Data was collected for 91.7% of the holdings, against 95.4% in 2022. The coverage was reduced by 3.7 percentage point. Compared with 2022, the share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement increased by 16% in 2023.	During 2023, some products have been upgraded in Article 8 sub-funds with this PAI used to measure the attainment of each of the environmental or social characteristics. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk limits/processes of some Article 8 or 9 Sub-Funds.
Social	9 Lack of a human rights policy	Share of investments in entities without a human rights policy	56.99%	55.35%	Data was collected for 91.7% of the holdings, against 95.3% in 2022. The coverage was reduced by 3.6 percentage point.	No material strategic change between 2022 and 2023. This PAI was integrated in the sustainable investment risk management or monitoring process and used within binding risk

					Compared with 2022, the share of investments in entities without a human rights policy increased by 3% in 2023.	limits/processes of some Article 8 or 9 Sub-Funds.
--	--	--	--	--	---	--