

SFDR PRODUCT DISCLOSURE

NIKKO AM JAPAN VALUE FUND

August 2023

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Société Anonyme

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(a) Summary

Le processus d'investissement intégrant l'ESG du Gestionnaire veille au respect des filtres suivants :

- Aucun investissement dans des sociétés qui violent les principes du Pacte mondial des Nations unies et les principes directeurs de l'OCDE pour les entreprises multinationales
- Aucun investissement dans des sociétés impliquées dans la fabrication de tabac ni dans des sociétés tirant plus de 10% de leurs revenus de la vente de tabac
- Aucun investissement dans des sociétés exposées aux armes controversées
- Aucun investissement dans des sociétés qui tirent plus de 5% de leurs revenus de l'industrie des jeux d'argent
- Aucun investissement dans des sociétés qui ne comptent pas d'administrateur indépendant

Lorsque les sociétés bénéficiaires des investissements ont une intensité de GES supérieure à celle de l'indice de référence du Compartiment, le Gestionnaire veillera également à ce que des initiatives de réduction des émissions de carbone/de l'intensité de GES soient mises en place ou que ces sociétés soient sur la voie de la transition (sur la base de données fournies par des tiers ou d'un dialogue).

Le Compartiment s'attachera à atteindre son objectif d'investissement au travers d'une appréciation du capital et de dividendes, en investissant principalement dans des sociétés japonaises cotées à la Bourse de Tokyo. Dans des conditions de marché normales, le Compartiment appliquera une stratégie de type « value » et investira dans des sociétés identifiées comme sous-évaluées au regard d'une analyse fondamentale.

L'évaluation des risques en matière de durabilité est réalisée au moyen d'un cadre d'évaluation interne qui permet de noter les sociétés bénéficiaires des investissements afin d'identifier celles qui sont exposées à des risques ESG importants et de nouer le dialogue avec celles-ci.

Les critères de bonne gouvernance sont évalués dans le cadre de la recherche initiale sur les sociétés et de façon continue. Les participations qui ne respectent pas les paramètres prédéterminés en matière de structures de gestion saines, de relations avec le personnel, de rémunération du personnel et de respect des obligations fiscales seront réexaminées. Le Gestionnaire entamera le dialogue afin de tenter de résoudre le problème, mais un désinvestissement pourrait finalement être envisagé.

Le Compartiment sera donc toujours entièrement investi dans le respect de ses filtres négatifs et du processus qu'il applique afin d'atteindre ses objectifs en matière d'intensité de GES et d'initiative de réduction des émissions de carbone.

Les données ESG sont obtenues auprès de fournisseurs tiers spécialisés, par le biais d'un dialogue direct avec les sociétés ou au moyen d'estimations. Les données sont passées en revue par une équipe indépendante spécialisée dans les données ESG.

L'absence de publication d'informations par une société ou un retard dans cette publication, en particulier dans la région asiatique, constitue un obstacle majeur en termes de méthodologie et de données, qui peut retarder les décisions d'investissement et entraîner une surestimation ou une sous-estimation des données relatives aux émissions, ainsi qu'une détection tardive des violations des filtres négatifs.

Le dialogue avec les sociétés sera mené en l'absence d'initiatives de réduction des émissions de carbone dans le cas de sociétés dont l'intensité de GES est supérieure à celle de l'indice de référence du Compartiment ainsi que dans le cadre de la politique de bonne gouvernance du gestionnaire.

Le Compartiment promeut des caractéristiques environnementales ou sociales, mais il n'a pas pour objectif l'investissement durable et il n'utilise pas un indice de référence aligné sur les caractéristiques environnementales ou sociales qu'il promeut.

(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's ESG integrated investment process ensures the following screens are complied with:

- No investments in companies that violate the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises
- No investment in companies involved in the manufacture of tobacco or companies deriving more than 10% of their revenues from the sale of tobacco
- No investment in companies exposed to controversial weapons
- No investment in companies deriving more than 5% of their revenue from the gambling industry
- No investment in companies with no independent board member

In terms of GHG emissions, the Investment Manager identifies companies that have GHG intensity emissions that are higher than the Sub-Fund's benchmark, reviews whether they have implemented GHG reduction initiatives and engages with them if they have not.

The Sub-Fund is included within the assets under management captured by Nikko AM's group net zero target of achieving a 50% reduction in its carbon footprint by 2030 (with the base year of 2019).

(d) Investment strategy

Environmental or social characteristics

The Sub-Fund will seek to achieve its investment objective through capital appreciation and dividends by primarily investing in Japanese companies listed on the Tokyo Stock Exchange. The Sub-Fund in normal market conditions will follow a value strategy, investing in companies identified as mispriced based on fundamental research.

Many of the Sub-Fund's investments will offer potential (technology, products or services) to address environmental and societal issues while remaining undervalued. ESG integration will be further strengthened through thematic engagement on carbon reduction, board independence and diversity, corporate governance and other issues. As part of the investment process, the Investment Manager will aim to manage a portfolio that consists of companies with a GHG intensity lower

than the benchmark or with commitments to reduce carbon emissions, in addition to having no major controversies on issues related to environment and human rights.

The Sub-Fund's characteristics, how they are assessed, measured and then reported are as follows:

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.

The Investment Manager will ensure that where investee companies have a GHG intensity that exceeds the Sub-Fund's benchmark, GHG intensity carbon emission reduction initiatives have been put in place or investee companies are working towards transition (based on third party data provider or engagement).

The review process will therefore follow the below steps:

- If the GHG intensity of an investee company exceeds the benchmark, it is eligible for review.
- Third party data will be reviewed to validate that the company is considered to be taking steps toward transition.
- If no third party data is available, companies will be evaluated and engaged on an individual basis by the Investment Manager to confirm that they are taking steps towards transition.

No investments in companies in violation of the UN Global Compact or the OECD Guidelines for Multinational Enterprises:

The Investment Manager will not invest in companies violating principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises as defined by a third party data provider.

No investments in companies materially exposed to the tobacco industry:

The Investment Manager will not invest in companies involved in the manufacture of tobacco or companies deriving more than 10% of their revenues from the sale of tobacco. Restrictions are based on revenue information from a third party data provider.

No investments in companies involved in controversial weapons:

The Investment Manager will not invest in companies with any identifiable revenues related to controversial weapons or that are involved in their production based on information from a 3rd party data provider.

No investments in companies materially exposed to the gambling industry:

The Investment Manager will not invest in companies that derive more than 5% of their revenues from the gambling industry. Restrictions are based on revenue information from a 3rd party data provider.

No investments in companies with no independent director:

The Investment Manager will not invest in companies that have no independent director.

Good governance

A company's ability to sustain long-term shareholder value is a key consideration of the Investment Manager when identifying investment opportunities. The Investment Manager finds that this potential is demonstrated by companies and management teams with strong governance.

The SFDR requires products classified as Article 8 to not invest in companies which do not follow good governance practices. 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:

- 1) Companies should adhere to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises. There should be no very severe controversies relating to tax compliance.
- 2) There should be no very severe controversies relating to governance practices, bribery, corruption and business ethics.
- 3) There should be no very severe controversies related to investee companies' impact on the environment.
- 4) There should be no very severe controversies relating to labour rights and the supply chain.
- 5) There should be no very severe controversies related to anticompetitive practices, marketing and advertising, product quality and safety, and customer relations.
- 6) There should be no very severe controversies related to freedom of expression and censorship, and other human rights abuses and adverse impact on a community.
- 7) Boards should have at least 1 independent board member (which shall have no ties to the company or its shareholders).
- 8) The company should provide investors with accurate financial statements and reports that have been subjected to external audit.
- 9) The company should have clear and comprehensive compensation disclosures. The company should also maintain an appropriate pay structure with an emphasis on long-term shareholder value.
- 10) The company should adhere to internal assessment principles relating to governance risk, including accounting irregularities, fair disclosures, internal data falsifications and other governance related controversies.

Good governance criteria are assessed as part of initial company research and on an ongoing basis, with holdings falling outside of the pre-determined parameters being reviewed internally. No investment can be made in a security that does not meet all criteria outlined above. If there is a change in the status of an existing security which results in it not meeting the above criteria, the Investment Manager will engage to try to resolve the issue but divestment may ultimately be considered.

(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 Sub-Fund will therefore always be fully invested in line with its negative screens and with the process is applies to achieve its GHG intensity and carbon emissions reduction initiative targets.

Other investments will only be made in Money Market Instruments, bank deposits and other eligible liquid assets as defined in the Sub-Fund's investment policy for investment and treasury purposes without being part of the core investment policy.

(f) Monitoring of environmental or social characteristics

The monitoring of the Sub-Fund environmental and social characteristics will be performed as follows:

Engagement

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.

Negative screens

The control of negative screens will be performed prior to investment and on a monthly basis thereafter. This process will be performed by the investment manager and independently monitored.

(g) Methodologies for environmental or social characteristics

The attainment of the Sub-Fund environmental and social characteristics will be met through:

Engagement

Systematic engagement with investee companies which do not have carbon emission reduction initiative in place and have a GHG intensity that is higher than the Sub-Funds benchmark.

Negative screens

The implementation of the following screening criteria's:

- No investments in companies that violate the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises.
- No investment in companies involved in the manufacture of tobacco or companies that derive more than 10% of their revenue from the sale of tobacco.
- No investment in companies exposed to controversial weapons.
- No investment in issuers deriving more than 5% of their revenue from the gambling industry.

(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:

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

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.

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 Sub-Fund's 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. ESG data service providers may also collect available data and update their systems with some delay. Despite the review process implemented, the GHG emissions data may only be updated when new disclosures are available (and therefore delayed compared to the investment decision) and could be impacted by potential proxy biases when data could not be sourced from corporate disclosures.

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 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 ESG indicators, binding limits, voting and during its engagement process.

The evaluation of sustainability risk is performed through an internal assessment framework through which investee companies are scored in order to identify and then engage with investee companies that are exposed to material ESG risks.

Principal adverse impacts on sustainability factors ("PAIs") as referred to in Annex I of the SFDR Delegated Act, are also taken into account through a set of binding limits, voting and targeted engagement that is performed towards poor performing companies in terms of their GHG intensity relative to the Sub-Fund's benchmark.

(k) Engagement Policies

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

(l) Designated reference benchmark

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