

NIKKO ASSET MANAGEMENT LUXEMBOURG S.A.

PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS POLICY

February 2021

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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 1st 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 PAIs 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 following indicators:

Sustainability factor	Principal adverse impact indicator
Greenhouse gas emissions	Companies carbon emissions, carbon footprint, weighted average carbon intensity and solid fuel sector exposure
Energy performance	The severity of controversies related to climate change and energy-related policies and initiatives (including greenhouse gas emissions related legal cases and issues, resistance to improved practices and criticism by third-party observers), Intensity of efforts made by companies to use of cleaner sources of energy
Biodiversity	The severity of companies operations impacts on fragile ecosystems and extent to which companies have developed policies and programs designed to protect biodiversity
Water	The extent to which companies employ water efficient processes, water recycling and alternative water sources or be exposed to the water related controversies .

Waste	The extent to which companies are at risk of being associated with pollution, contamination, and the emission of toxic and carcinogenic substances and have implemented programs aimed at reducing emissions and waste.
Social and employee matters	<p>Whether the company's supply chain code of conduct forbid suppliers to use forced labor, forbids the use of underage labor and sets requirements in terms of health and safety working conditions.</p> <p>The exposure to controversies related to the company supply chain including legal cases, repeated or severe instances of labor rights, safety issues, resistance to improved practices and criticism by third-party observers</p> <p>Board gender diversity</p> <p>Excessive CEO pay exposure through the exposure to pay controversies and whether the CEO pay exceeds the median pay for the other named executive officers by more than three times.</p>
Human rights	<p>Whether the companies were exposed to human right controversies including legal cases, complicity in killings, physical abuse, or violation of other rights, resistance to improved practices and criticism by third-party observers</p> <p>The number and nature of identified cases of severe human rights issues and incidents.</p> <p>The exposure to controversial weapons (land mines and cluster bombs)</p> <p>The level of exposure to companies that were exposed to child labor and hazardous work conditions will be monitored.</p> <p>The level of exposure to companies that were exposed to significant labor risk incidents and forced labor will be monitored.</p>
Anti-corruption and anti-bribery	Extent to which companies are exposed to political instability, demands for bribes, and costly litigation related to corrupt practices and may have established clear policies to avoid corrupt business dealings and were exposed to controversies on these matters.

The indicators may be sourced from third party vendors, investee company disclosures and NAM own research. Whenever coverage obtained through third party vendors or investee company is insufficient NAML may define proxies or apply estimations methods to the extent it considers that it represents 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 Product investment strategy (as certain Product investment policies or strategies may require to focus on specific principle adverse impacts)
- the scope of the PAI (for example whether the adverse sustainability impact is likely to affect to a large or limited number of individuals or impact a limited or wide portion of the environment)
- the severity of the PAI (whether it had a major or minor impact on the relevant sustainability factor)
- the irremediable character of the adverse impact on the relevant sustainability factors
- the probability of occurrence of the PAI (for example whether there is a limited risk that the adverse impact will materialize and affect the relevant sustainability factor)

- the coverage ratio (indicators which can be assessed a large number of companies may be favored amongst those that lacks comparability)
- the nature of the indicator (even if the coverage ratio is low, an indicator which allows to identify a major PAI at the level of a specific company shall be used even if it lacks comparability).

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

- NAML Sustainability Risk Policy
- NAML Engagement Policy
- NAML Product specific ESG Policies
- Nikko AM Position Statement on Climate Change
- 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 selecting the indicators used to monitor the PAI.

Selected PAIs are then reflected in this Policy, acknowledged by NAML ComEx and approved by NAML Board on an annual basis.

PAIs are monitored by NAML Risk Management Function who ensures that they remain coherent with the above defined prioritization.

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.

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

NAML will take actions on identified PAIs as follows:

- By engaging with investment managers to assess which PAIs level are affecting product sustainability risk
- By ensuring that NAML Product strategies have been implemented in line with their Product specific ESG Policy, the environmental or social characteristics promoted, or their sustainable investment objective
- By ensuring that the NAML engagement policy has been implemented as required
- By ensuring that PAIs level and evolution are coherent with Nikko AM Position Statement on Climate Change and NAM external commitments
- By seeking to reinforce product specific ESG policies
- By supporting the development of products that have promote environmental or social characteristics or have a sustainable investment objective.

NAML Risk Management Function will update NAM ESG Steering Committee and NAML Board at least on a quarterly basis.

NAM ESG Global Steering Committee (the “Steering Committee”) governs the fulfilment of ESG commitments and comprises leaders from our investment teams worldwide, who are in charge of ESG implementation in their individual investment processes.

The Steering Committee is responsible for evaluating the effectiveness and improving NAM global approach to ESG and implementation of the United Nations-supported Principal for Responsible Investment.

The Steering Committee is chaired by NAM Global Head of Investment who is also a member of the NAM Global Executive Committee and reports to NAM Board of Directors at least once every quarter.

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

NAML Risk Management Function will inform NAML Board at least on a quarterly basis on progresses made with regards to ESG implementation activities, of material issues detected through the PAIs monitoring process and actions taken thereto.