Asset Management One International Ltd.

Voluntary statement in accordance with Regulation (EU) 2019/2088 on sustainability‐related disclosures in the financial services sector (“SFDR[*]”)

January 2023

Asset Management One International Ltd. (“AMOI”) which is authorised and regulated by the Financial Conduct Authority, is a London based subsidiary of Asset Management One Co. (“AMO”), Ltd., one of the largest Japanese asset management company.

AMOI is dedicated to providing investment strategies to Asian and global investors across the EMEA region and is assuming the investment management function for different EU based investment funds that qualify under article 6, 8 and article 9 of the SFDR (“SFDR Funds”).

AMOI itself is not in direct scope of application of the SFDR but in its role as investment manager for afore mentioned products providing this **voluntary statement** with respect to

- Article 3 SFDR regarding the integration of sustainability risks in the investment decision-making process and
- Article 4 SFDR regarding the consideration of adverse sustainability impacts at entity level.

OUR SUSTAINABLE INVESTMENT APPROACH

The firm’s purpose is “Creating a sustainable future through the power of investment”. We believe it is our fiduciary duty and responsibility to help our clients and beneficiaries achieve their financial and non-financial objectives. We are strongly committed to acting and performing as a good steward, to preserve and enhance value for the assets entrusted by our clients. Through integrating material ESG considerations and active engagement with investee companies, we aim to achieve the risk-adjusted return objectives for our clients over the long-term, while at the same time contributing to the environment, economy and the wider society.

As part our endeavour to the goal, we have committed to the Net-Zero Asset Managers Initiative (“NZAM”) as the first signatory among Japanese asset managers.

Under the initiative, we have drawn an overarching ESG strategy until 2030 as an interim target: aiming to commit 30 trillion yen ($274 billion) worth of investment assets out of our total AUM (57 trillion yen as of the end of March 2021) to align with the net zero scenario. Looking beyond 2030, we commit to support the goal of net zero greenhouse gas (GHG) emissions by 2050, in line with global efforts to limit warming to 1.5°C (‘net zero emissions by 2050 or sooner’).The firm is also committed to support investing aligned with net zero emissions by 2050 or sooner.

[*] Sustainable Finance Disclosure Regulation

APPROACH TO SUSTAINABILITY RISK

We integrate sustainability risk identification and assessment into its investment decision making (point of selection); our approach to stewardship is based on the belief that we can provide long-term value to our clients via effective consideration of ESG. We assess and monitor sustainability risk throughout the investment management lifecycle.

We see sustainability risk not as a new category of financial risks, but as a risk driver that gives rise to, or amplifies, various other previously recognised factors such as market risk, credit risk, investment risk, regulatory risk or operations risk.

We use qualitative and quantitative assessments to identify sustainability risk of investee companies, both at the point of selection, and throughout the investment management lifecycle

SFDR Funds disclose further information in accordance with article 6 of the SFDR in the respective fund documentation how sustainability risks are considered for the individual SFDR Funds.

Definition of Sustainability Risk

According to article 2 (22) SFDR sustainability risk means an environmental, social or governance (hereinafter “ESG”) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Sustainability risk assessment at the point of selection

ESG materiality analysis is considered during the selection and due diligence processes to identify areas of concern and assess significance before making any investment recommendation/decision.

- We combine an assessment of ESG issues with conventional financial analysis in the context of an investee company’s location and industry, to ensure we fully understand potential impact prior to selection
- For instance, any investments made in the manufacturing industry are subject to additional scrutiny of supply chains to minimise the risk of potential poor employment practice. We also consider the wider context of an investee company’s industry and potential strategy to fully understand potential sustainability risks and opportunities
- This assessment is based on various external data sources and ratings, as well as the input of the investment team to produce a cohesive view
- In addition, third party data is utilised to assess the emissions associated with our investment portfolios throughout the investment management lifecycle, which enables us to identify any emerging trends. This data directly feeds into our engagement activity, as outlined below

Further for the SFDR Funds, clear minimum standards are outlined to reduce the likelihood of sustainability risks impacting financial returns and/or any environmental or social factors. These minimum standards aim to:

- Exclude any companies associated to the manufacture of cluster munitions, anti-personnel mines, chemical or biological weapons from our investment strategies
- Set out specific expectations for investee companies that align with our proxy voting policy to ensure that investee companies that have robust corporate governance and demonstrate a medium to long term perspective on environmental and social issues
- Establish clear expectations where we would consider that there has been a breach of the standards and we would commence further targeted engagement activity to resolve issues before further

escalation may be required to avoid the likelihood of negative impact on both financial returns and environmental and social factors

Sustainability risk management & engagement through investment life cycle

Consideration of sustainability risk extends beyond selection. Active monitoring for investee companies on key ESG factors via qualitative and quantitative sources to identify and assess emerging sustainability risks includes:

- Analysis of specialist ESG data sources, to identify changing trends, such as increased carbon intensity, or other environmental impacts
- Monitoring of companies' public disclosures, such as TCFD reporting to understand their potential sustainability impact, and their potential vulnerability to sustainability risk
- Assessment of the consistency between companies' qualitative sustainability reports and other financial or regulatory disclosures to create a holistic view of their risk profile

APPROACH TO PRINCIPAL ADVERSE IMPACTS

This section describes the approach chosen for SFDR Funds with respect to the requirements of article 4 (1) SFDR regarding the consideration of principal adverse impacts (hereinafter "PAIs") of investment decisions on sustainability factors.

The firm has chosen to consider principal adverse impacts of investment decisions on sustainability factors for part of our managed SFDR Funds that are pursuing a sustainable investment strategy and/or allocating part of their portfolio in sustainable investments as defined in article 2 (17) SFDR.

The ability to consider PAIs depends substantially on the availability of relevant data and information for the invested assets. The availability, quality and saturation of relevant data and information for the systematic assessment of sustainability indicators and consideration of principal adverse impacts is for the time being not deemed adequate for all asset classes.

Therefore, we will first focus its consideration of principal adverse impacts of investment decision on sustainability factors on managed SFDR Funds that pursue as pre-contractually disclosed sustainable investment strategies and either qualify

- as article 9 funds under the SFDR (pursuing a sustainable investment strategy); or
- as article 8 funds under the SFDR and
  - either allocate a proportion of their portfolio in sustainable investments as defined in article 2 (17) SFDR and consider PAIs at a minimum for said proportion; or
  - consider PAIs irrespective of a sustainable investment allocation as defined in article 2 (17) SFDR.

For SFDR Funds a periodic assessment regarding availability, quality and saturation of relevant data and information is performed with the aim to expand the consideration of principal adverse impacts for managed SFDR Funds over time. For further information if and how PAIs are considered please refer to relevant disclosures at the level of the relevant SFDR Funds.

We will report the results for the SFDR Funds that consider PAIs at fund level. We have not prepared a voluntary entity level report regarding consideration of PAIs on a consolidated basis.

Definition of Principal Adverse Impacts

The term “principal adverse impacts” refers to the impacts of investment decisions and advice that result in negative effects on sustainability factors that mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters in accordance with recital 20 and article 2 (24) SFDR. For each sustainability factor, different underlying sustainability indicators can in principle be identified (e.g. carbon footprint, wage equality). For instance, if a financial market participant invests in energy companies that extract fossil fuels, this will negatively impact the environment by generating greenhouse gas emissions and contributing to global temperature increases.

Principal adverse impacts – Link with sustainability risk

The SFDR is establishing a link between the requirement to consider sustainability risks in the investment decision-making process (article 3 SFDR) and the consideration of principal adverse impacts of investment decisions on sustainability factors (article 4 SFDR). Both concepts share the same core foundation, i.e. they commence with the identification and consideration of relevant sustainability indicators. In general, the identification and consideration of relevant sustainability indicators are inter alia dependent on the investment strategy as well as the geographical and sectoral focus of the managed investment funds. The monitoring of relevant sustainability indicators allows to establish a better and more informed understanding regarding the identification of (potential) sustainability risks. Further the assessment of certain sustainability indicators may be prioritised within the investment decision-making process to eliminate or at least mitigate sustainability risks.

Description of policies to identify and prioritise principal adverse sustainability impacts

For the identification and prioritisation of relevant sustainability indicators, a Materiality Map is used as a basis that evaluates Sustainable Materiality which indicates the global society’s level of interest in environmental and social issues, as well as Financial Materiality which indicates the level of economic impact from and on corporate activities. The Materiality Map has set specific 9 themes as core materiality that shall be reviewed regularly or as appropriate. The evaluation done based on the Materiality Map is incorporated within the management of the relevant SFDR Funds accordingly considering further inputs from different external sources (e.g. data provider, materiality map provided by the Sustainability Accounting Standards Board) during the investment management due diligence process. Based on this assessment, the relevant sustainability indicators that are identified as material for the delivery of the sustainability strategy are prioritised for the relevant SFDR Funds.

Relevant sustainability indicators that may be taken into consideration may include greenhouse gas emissions, energy consumption for non-renewable sources, violations of the UN Global Compact principles, board gender diversity of investee companies or consideration of convictions and fines for violation of anti-corruption and anti-bribery laws.

HOW DO WE SUPPORT OUR PEOPLE TO INTEGRATE SUSTANABILITY INTO THEIR ACTIVITIES?

We (AMOI/AMO) expects all investment staff to continually consider sustainability as part of their role. Because our investment activity includes a wide range of investment mandates, strategies and approaches, we believe it is not appropriate to have a standardised approach to monitoring the performance of investment staff on ESG issues. Instead, tailored objectives on ESG considerations are set as appropriate for relevant staff including:

- Impact-investment portfolio staff have specific objectives in line with the product's sustainable investment objectives and performance against these objectives will directly feed into performance reviews
- Fund managers and financial analysts integrate material ESG considerations into their investment activity and contribute to firm wide ESG initiatives, and to further their knowledge via training
- All staff have ESG training, including for new graduates