SFDR disclosures on sustainability philosophy, on sustainability risk in remuneration policy and on no consideration of PAI

Company's Sustainability Philosophy

As a member of the SMBC Nikko group, our company SMBC Nikko Investment Fund Management Company S.A. ("SNIF") has sought since its establishment to contribute to a sustainable society by realizing its management philosophy and tackling prevalent social issues as part of its environmental, social and corporate ("ESG") responsibility. Our management philosophy is shared by our employees and focuses on our customers' interests. It favors for SNIF a role as a sound financial intermediary contributing to the development of balanced markets and a harmonious society, and valorizes diversity.

In our everyday activities, we aim to:

- Foster a sense of responsibility for the environment amongst our staff;
- Ensure that our staff act in compliance with our sustainability requirements;
- Minimise the impact of our activities on the local and general environment;
- Prevent pollution wherever possible, in co-operation with the appropriate public authorities;
- Ensure all unavoidable waste is, where possible, reused, recycled or disposed of responsibly;
- Comply with relevant legislation and regulations.

As far as its operations are concerned, SNIF has implemented policies and procedures to make sure ESG and sustainability risks are identified, managed and mitigated and that well-informed decisions are taken. These policies and procedures cover among others corporate governance, approval of new projects, selection of counterparties, oversight of delegates, risk management and staff remuneration.

As part of its management company business model, SNIF delegates the investment management function of all the funds under its management to third party investment managers. When sustainability risk has to be taken into account regarding a specific fund, SNIF ensures prior to the appointment and as part of its ongoing oversight that the candidate investment manager has implemented proper policies evidencing the integration of ESG and sustainability risks in the investment decision-making process and in the remuneration process.

Regarding the Luxembourg funds managed by SNIF, sustainability risk has been assessed and is regularly monitored using quantitative or qualitative methods in accordance with article 6 of European Union regulation 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR"). It has been assessed that sustainability risk is properly monitored in connection with these funds and it is deemed not to have any impact on their returns.
Cayman funds managed by SNIF, which are marketed only outside of the EU, are out of scope of SFDR and the integration of sustainability risks is to be assessed on a case-by-case basis.

For further details and up to date information on SNIF's approach regarding sustainability risk, material sustainability risks identified for a specific fund and their possible impact on the performance, SNIF strongly recommends that investors refer to the documentation of the fund, where adequate disclosure will be prepared in accordance with SFDR if relevant.

Additional information regarding SMBC Nikko Securities' approach to sustainability can also be found here:
https://www.smbcnikko.co.jp/en/csr/green/index.html

SFDR disclosure on Sustainability Risk in our remuneration policy

The below sets out disclosures by SMBC Nikko Investment Fund Management Company S.A. ("SNIF"), in respect of integration of sustainability risks in SNIF's remuneration policy.

SMBC Nikko Investment Fund Management Company S.A. ("the Company") has established a remuneration and inducement policy (the "Policy") to set out the legal & regulatory requirements which the Company complies with and the related actions it takes in order to meet its obligations in the area of remuneration and inducement as a management company authorized as an Alternative Investment Fund Manager pursuant to the Luxembourg law of July 12, 2013 on Alternative Investment Fund Managers (the "AIFM law").

In summary, the Company has established, implemented and maintain a remuneration policy which is consistent with and promotes sound and effective risk management and does not induce excessive risk-taking. The policy must be in line with the business strategy, objectives, values and long-term interests of the Company, including its environmental, social and corporate (ESG) goals and responsibilities.

The sustainability risk is taken into consideration in the remuneration policy. The performance of the funds under management is not taken in consideration to determine the amount of variable remuneration. Consequently, in light of the limited impact of the variable remuneration of the Identified Staff on the risk profile of the funds and of the nature of the business of the Company including the delegation of the investment management activity for all funds to the relevant entities appointed, the Company believes that there is no risk of misalignment with the sustainability risks associated with the investment decision making process of the Company in respect of the funds.

However negative activity regarding the Environmental, Social and Governance ("ESG") objectives of the Company or the SMBC Group will be taken into consideration for employee performance appraisal.

The Company delegates portfolio management to regulated investment managers. When delegating, the Company will ensure that the investment manager(s) shall adopt remuneration policies and procedures which are consistent with the integration of sustainability risks, if sustainability risks are integrated into the investment decision making process. The Company shall seek periodic confirmations from each investment manager that these policies are being complied with and the remuneration structures are not encouraging excessive risk-taking with respect to sustainability risks.

No consideration of adverse impacts on sustainability factors

The below sets out disclosures by SMBC Nikko Investment Fund Management Company S.A. ("SNIF"), in respect of the principal adverse impacts of its investment decisions and investment advice on sustainability factors.

SNIF strongly believes that promoting higher Environmental, Social and Corporate Governance principles in the society is an important objective that should be pursued globally and across all industries and stakeholders and has sought since its establishment to contribute to a sustainable society by realizing its management philosophy and tackling prevalent social issues as part of its environmental, social and corporate responsibility.

In order to comply with this regulatory framework SNIF has implemented policies and procedures to make sure ESG and sustainability risks are identified, managed and mitigated and that well-informed decisions are taken.

SNIF has however decided not to consider the adverse impacts of its investment decisions on sustainability factors.

SNIF has carefully evaluated the requirements of the PAI regime in Article 4 SFDR, and in the Final Report on draft Regulatory Technical Standards which was published in February 2021 (the "PAI regime"). SNIF is supportive of the policy aims of the PAI regime, to improve transparency to clients, investors and the market, as to how financial market participants and financial advisors integrate consideration of the adverse impacts of their investment decisions on sustainability factors. However, taking account SNIF's size, the nature and scale of its activities and the types of products it makes available, SNIF considers that it would be disproportionate to consider principal adverse impacts as set out in the PAI regime in SFDR.

In addition, SNIF notes that as of today its primary investment strategies and client relationships do not support adoption of the PAI regime within SFDR:

- certain of SNIF's funds involve portfolio management strategies where it is not possible to conduct detailed diligence on the principal adverse impacts of investment decisions on sustainability factors; and

- a relatively high allocation to non-equity investments where the lack of data and disclosures prevents a reasonably accurate assessment.

Finally, SNIF is also concerned about the lack of reasonably priced and readily available data to consider many of the technical reporting requirements of the PAI regime, as it believes that issuers and market data providers are not yet ready to make available all necessary data for the PAI regime.

SNIF will keep its decision not to consider the adverse impacts of its investment decisions on sustainability factors, under regular review, and will formally re-evaluate the decision at least annually.