

## Shareholder Engagement Policy



### **INTRODUCTION**

Japan Fund Management (Luxembourg) S.A. (“JFML”) is a management company authorised under Chapter 15 of the Luxembourg Law of 17 December 2010, as amended, and an alternative investment fund manager authorised under the Luxembourg Law of 12 July 2013, as amended. JFML manages undertakings for collective investment subject to Part I or Part II of the Luxembourg Law of 17 December 2010, specialised investment funds subject to the Luxembourg Law of 13 February 2007, reserved alternative investment funds subject to the Luxembourg Law of 23 July 2016, as well as Irish unit trusts subject to the Irish Unit Trust Act, 1990.

### **REGULATORY PROVISIONS**

JFML has to comply with the legal requirements introduced by the Luxembourg Law n. 7402 (the “Law”) implementing Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 (the SRD II) amending Directive (EU) 2007/36/EC (the SRD I) as regards the encouragement of long-term shareholder engagement.

The Law introduced the SRD II measures into the law of 24 May 2011 on shareholders' rights in Listed Companies (as defined below), as amended (which implemented the SRD I, the Shareholders' Rights Law). The main objectives are to encourage the long-term engagement of shareholders in Listed Companies, reinforce shareholders' rights and increase the transparency of institutional investors, asset managers and proxy advisors.

In accordance to the Law, when investing in Listed Companies for managed clients, JFML has to develop and publicly disclose an engagement policy that describes how it integrates shareholder engagement in its investment strategy, or publicly disclose a clear and reasoned explanation why it has chosen not to comply with one or more of the legal requirements.

## **POLICY**

With specific regard to this engagement policy (the Policy) requirements, JFML has elected to explain herein why it has decided not to develop and disclose an engagement policy describing how it integrates shareholder engagement in its investment strategy.

According to the Law, only investments in EU companies' shares admitted to trading on a regulated market situated or operating within an EU member state ("Listed Companies") trigger the obligation to develop and disclose an engagement policy describing how the Management Company integrates shareholder engagement in its investment strategy.

At present, investments in shares of Listed Companies carried out by JFML as part of its portfolio management mandate equates to less than 0.5% on average per issuer capitalization. Moreover, regarding Funds managed by EU investment managers, JFML does not hold more than 0.5% of the outstanding amount issued by EU Listed Companies.

In light of these figures, JFML believes non-material shareholdings in Listed Companies does not grant a shareholder the necessary powers to allow effective exercise of the essential rights of an engaged shareholder, such as (without limitation) conducting dialogues with investee companies, or cooperating with other shareholders and communicating with relevant stakeholders of the investee companies.

Consequently, JFML does not fully integrate shareholder engagement into its investment strategy and, on this basis, does not have an engagement policy.

Furthermore, JFML believes that doing so does not contravene the purpose of, and the aim pursued by, the Law as a result of a proportional application of the regulation.

The rationale behind the “comply-or-explain” principle in the Law is to grant flexibility in the application of regulatory and code provisions, which is one of the features of codes as soft law instruments. In this context, JFML believes that the intention of the Law is not to have all companies apply and adhere to the same provisions when particular conditions are not suitable for a specific organizational structure, where company size and investment ownership ratios have an impact on the company itself.

Therefore, it is important to highlight that lack of engagement policy does not imply non-compliance with the Law.

This Policy remains under constant review and subject to modifications due to changes in investment policies. The taking of any share positions in investee companies which significantly increase influence, or actions taken in accordance with dialogue with JFML’s customers, may lead as well to a revision of this Policy.