

JAPAN FUND MANAGEMENT (Luxembourg) SA  
(hereafter “JFML” or the “Management Company”)

**SRDII Engagement Policy and Disclosure Statement**

The Luxembourg Parliament has adopted on 10 July 2019 the draft law n°7402 (the Law) implementing the directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 (the SRD II) amending directive 2007/36/EC (the SRD I) as regards the encouragement of long-term shareholder engagement.

The Law introduces SRD II measures in 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 its quality of Management Company, JFML as a Chapter 15 management company authorised under the law of 17 December 2010 relating to undertakings for collective investment, (as amended : the “UCI Law”) and as an alternative investment fund manager (“AIFM”) authorised under the law of 12 July 2013 related to alternative investment fund managers, (as amended : the “AIFM Law”), has to comply with the Law requirements

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 we integrate shareholder engagement in their investment strategy, or publicly disclose a clear and reasoned explanation why we have chosen not to comply with one or more of the Law requirements.

Particularly with regard to the “engagement policy” requirements, JFML has elected to explain herein why it has decided to not develop and disclose an engagement policy describing how the Management Company 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 a 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 the investments in shares in 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 held more than 0.5% of the outstanding amount issued by EU Listed companies.

At the 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.

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

Furthermore the Management Company 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 Law rationale behind the “comply-or-explain principle” 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, the Management Company 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 investments ratio 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 SRDII Engagement Policy and Disclosure remains under constant review and subject to investment policy. 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 to engagement policy revision.

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