

## Sustainability Risk 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**

On November 27, 2019, the EU Council and the EU Parliament reached a political agreement on the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the Sustainable Finance Disclosure Regulation or “SFDR”). The SFDR came into force on March 10, 2021, and requires financial market participants to make certain sustainability-related disclosures to end investors.

In seeking to establish a pan-European framework to facilitate sustainable investments, the SFDR framework provides a coherent approach for sustainability related disclosures to financial market participants and advisers. Covering a broad range of financial products, its objective is to promote transparency regarding the integration of sustainability risks into the investment decisions and the consideration of adverse sustainability impacts in the investment process. For the purposes of SFDR, JFML meets the criteria of a "financial market participant", whilst each fund managed by JFML (the "Fund") qualifies as a "financial product".

### **IDENTIFICATION OF SUSTAINABILITY RISKS**

This Sustainability Risk Policy (this "Policy") provides a description of certain sustainability matters in accordance with the SFDR. To JFML's understanding and application, sustainability risks mean events or conditions in the environmental, social or corporate governance ("ESG") areas, the occurrence of which could actually or potentially have material negative effects on the value and return of the investments.

Sustainability risks have been assessed and will be continuously monitored by JFML as per each portfolio's investment strategy and its asset allocation using quantitative and qualitative methods. Such approach to assess sustainability risks is detailed in the full version of the Risk Management Policy and the Sustainability Risk Policy of JFML. Based on this review, such sustainability risks have been assessed as being not relevant, and are deemed not to have any impact on the return of the portfolio. Should there be any sustainability risk identified as being relevant by JFML and/or the investment manager during the ongoing monitoring of portfolio's investments, JFML and/or the investment manager endeavour to take any necessary actions.

### **OVERSIGHT FRAMEWORK OVER THE INVESTMENT MANAGERS**

As part of its oversight framework, JFML ensures through its periodic due diligence that the investment managers in charge of the various Funds have in place an adequate Sustainability Risk Policy in line with JFML's standards and which identifies the Sustainability Risks which might be linked to the investments.

Monitoring of ex-ante ESG-risk integration is based on a regular due diligence process conducted by the investment managers of the Funds. The information and indicators to be reported depend on the Fund in

question. JFML does not expect investment managers to review ESG-risks, if any, in the same way due to the uniqueness of each individual Fund.

The occurrence of any potential ex-post ESG risk is monitored by JFML as part of its risk management process and oversight responsibility.

### **ADVERSE SUSTAINABILITY IMPACTS**

With reference to article 4 of SFDR, JFML decided not to consider principal adverse impacts of investment decisions on sustainability factors, such impacts having been deemed as not relevant for the time being due to the characteristics of the financial products under management.

For further details, please refer to the full version of the Sustainability Risk Policy of JFML.

### **REMUNERATION POLICY**

JFML's approach to remuneration, as set out in its remuneration policy, does not encourage excessive risk-taking with respect to sustainability risks.

For further details, please refer to (the full version of) the Remuneration Policy of JFML.