

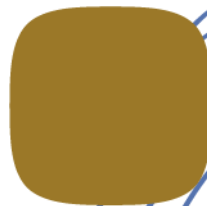


Sumitomo Mitsui DS Asset Management

Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors

SFDR Disclosure Statement
Entity Level – Article 4, Annex 1

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Acronyms

GHG	Greenhouse gas
OECD MNE Guidelines	OECD Guidelines for Multinational Enterprises
PAI	Principal Adverse Impacts
SFDR	Sustainable Finance Disclosures Regulation
SBT	Science Based Targets
Sustainalytics PAI	Morningstar Sustainalytics Principal Adverse Impact Data Solution
UNGC	United Nations Global Compact

Statement on Principal Adverse Impacts (PAI) of investment decisions on sustainability factors

Financial market participant:

Sumitomo Mitsui DS Asset Management Company, Limited

LEI: 254900C25L1TSXU7JS68

Summary

Sumitomo Mitsui DS Asset Management Company, Limited, (hereinafter “SMDAM”) considers principal adverse impacts (PAI) of its investment decisions on sustainability factors. The present statement is the consolidated statement on PAI on sustainability factors of SMDAM and its subsidiary, namely, Sumitomo Mitsui DS Asset Management (UK) Limited. (LEI: 213800U65SVAMEAI6V90).

This statement on PAI on sustainability factors covers the reference period from 1 January to 31 December 2025, based on the average of four calculations to be made as of 31 March, 30 June, 30 September, and 31 December of the calendar year reference period.

Introduction

We conduct our asset management business, including portfolio management of our client assets, in consideration of sustainability as our corporate management strategy. In our business operations, we, as a responsible investor, strive to fulfil our fiduciary responsibility through the consideration of sustainability risks and PAI such as global climate change issues including greenhouse gas (GHG) reductions, as well as social issues including human rights issues in supply chains and discrimination.

To this end, in addition to our commitment to the United Nations' Principles for Responsible Investment and the Stewardship Code of Japan, respectively, we have been engaged in stewardship activities and sustainability integration at our entity-level to reduce the GHG emissions globally.

In addition, in our actual investment process of the portfolio management for our client, we are reinforcing our PAI due diligence* to identify, prioritize, and mitigate PAI on sustainability factors, particularly focusing on carbon footprint, gender diversity, and human rights issues given the current data availability.

Based on this perception, we conduct due diligence and monitor adverse impacts on sustainability as an important part of our entity-level policy in the operation process of all investment strategies and products.

* For details on the PAI considerations and the due diligence, please see our website for sustainability related disclosures.

<https://www.smd-am.co.jp/english/corporate/vision/fiduciary/>

Description of the principal adverse impacts on sustainability factors.

The PAI table as shown below (Table 1) is a list of PAI indicators that we specifically take into consideration in analysing the negative impacts on sustainability. These are a set of PAI indicators which was established and prioritized by ourselves in compliance with the disclosure rules of SFDR through selection of all compulsory indicators from the 14 mandatory ones set forth in the RTS (Regulatory Technical Standard) of the SFDR Delegated Regulation, and the 6 additionally selected indicators.

*For more on our Materiality in asset management business, please see the following on our company website: <https://www.smd-am.co.uk/legal-and-compliance/sustainability-related-disclosures> [SFDR Entity-level disclosure for Article 3 Policies for integration of sustainability risks into our investment process and consideration of principal adverse environmental and social impacts](#)

Table 1: PAI indicators specifically considered in our PAI analysis

Investee	Mandatory /Additional	Theme	PAI Indicator	PAI Name (Adverse Sustainable Indicator)
Corporate	Mandatory	Climate and other environment-related indicators	M1	GHG emissions
			M2	Carbon footprint
			M3	GHG intensity of investee companies
			M4	Exposure to companies active in the fossil fuel sector
			M5	Share of non-renewable energy consumption and production
			M6	Energy consumption intensity per high impact climate sector
			M7	Activities negatively affecting biodiversity-sensitive areas
			M8	Emissions to water
			M9	Hazardous waste and radioactive waste ratio
		Social and employee, respect for human rights, anti-corruption and anti-bribery matters	M10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
			M11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
			M12	Unadjusted gender pay gap
			M13	Board gender diversity
			M14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)
	Additional	Climate and other environment-related indicators	E4	Investing in companies without carbon emission reduction initiatives
			E6	Water usage and recycling
		Social and employee, respect for human rights, anti-corruption and anti-bribery matters	S4	Lack of a supplier code of conduct
			S6	Insufficient whistleblower protection
			S9	Lack of a human rights policy
Sovereign & Supranational	Mandatory	Climate and other environment-related indicators	M15	GHG intensity
		Social and employee, respect for human rights, anti-corruption and anti-bribery matters	M16	Investee countries subject to social violations

Source: SMDAM as at 1 January 2026

Footnote: Above-shown PAI indicators are 16 mandatory indicators (M) and 6 voluntary indicators we additionally selected on materiality following the SFDR.

https://www.smd-am.co.jp/english/corporate/responsible_investment/pdf/policies_for_integration_E_latest.pdf

Description of policies to identify & prioritise principal adverse impacts on sustainability factors.

(a) The date on which our governing body approved the PAI consideration policies:

The company's PAI consideration policy including the selected PAI indicators table was formally authorised by the Executive Officer in charge of the Corporate Sustainability Section on 27 December 2022 after internal consultation with relevant departments at Stewardship/ESG Meeting which was held on 1 December 2022.

(b) How the responsibility for the implementation of those policies is allocated within our organisation:

In order to ensure that the entity-level policies (the sustainability integration and the PAI consideration) are thoroughly incorporated into our portfolio management process of each investment strategy/product, under the leadership of the Head of Investment Management Division, the Investment Department is responsible for the integration of the PAI consideration into its own investment processes, and, the Responsible Investment Section, which manages the sustainability evaluation database (including that for the PAI analysis) is responsible for implementing policies into engagement activities and exercise of voting rights.

In addition, the Responsible Investment Section provides guidance, assistance, and support to portfolio managers at the Investment Department and other related departments for ensuring the implementation.

Moreover, for quality control of our products, we have developed our own product classification criteria to internally certify each of our products as a sustainable product and as a SFDR Article 8 eligible product, where the PAI consideration is one of the key factors for such certification. Furthermore, we make it a rule to document soft and hard investment guidelines including those relating to sustainability integration of each investment strategy/product in the form of Statement of Investment Standards ("Unyo Kijunsho"). The standard is to be authorised by the Executive Officer in charge of the investment team who manages that product.

(c) The methodologies to select the PAI indicators:

Details of the methodologies are described in our disclosure document: "Policies for integration of sustainability risks into our investment process and consideration of principal adverse environmental and social impacts", the topic of which includes (i) our PAI consideration policy and framework, (ii) identification and prioritization of actual/potential PAIs, (iii) the materiality in our asset management business and relevant PAI indicators, (iv) the Table 2: PAI indicators specifically considered in our PAI analysis, and (v) how we consider the PAIs in our investment process.

The document is publicly disclosed on our corporate website at:

https://www.smd-am.co.jp/english/corporate/responsible_investment/pdf/policies_for_integration_E_latest.pdf

(d) Associated margin of error within the methodologies:

We have formulated our company initiatives which are relevant to the indicators of (M2) Carbon footprint and (M13) Board gender diversity.

However, due to the current limitations of data availability and/or credibility in the Morningstar Sustainalytics Principal Adverse Impact Data Solution (Sustainalytics PAI), there are some indicators for which any specific target value of criteria is not set, as it is difficult to evaluate precisely to what extent our investment decisions have impacted these indicators at this point of time. Details of the data limitations are stated specifically on the PAI Indicators table in the next page.

(e) The data sources used:

While we use both of our internal resources (such as our proprietary sustainability evaluation rating scores) and multiple external databases for the PAI analysis, the data used in this disclosure of the PAI metrics and impacts relies on the calculation algorithm and identifier cascade of Morningstar Sustainalytics Portfolio Management and Monitoring. More specifically, the coverage, the impact (year n) and the impact (year n-1) are based on the Sustainalytics PAI Portfolio Report produced as of 07 April 2026, 01:50 UTC and as of 17 February 2025, 08:45 UTC, respectively.

Morningstar Sustainalytics defines three levels of "Fit" to the definition under SFDR.

The definition for each level:

- Exact Fit: Denotes a case where the data point fully satisfies the PAI requirements.
- Partial Fit: Denotes a case where the data point meets the EU requirement to a significant extent, but not completely.
- Minimum Fit: Denotes a case where the data point covers it to a minimum extent.

Based on Morningstar Sustainalytics' methodology and data delivery framework, estimation may be included in certain underlying data points used for the calculation of the following indicators:

- M1. GHG emissions
- M2. Carbon footprint
- M3. GHG intensity of investee companies
- M9. Hazardous waste and radioactive waste ratio
- M15. GHG Intensity
- E6. Water usage and recycling.

The Investment Manager does not apply any separate in-house estimation methodology for the purpose of this entity-level PAI disclosure and relies on the calculation methodology and data treatment applied within Morningstar Sustainalytics' PAI Data Solution and Portfolio Management and Monitoring tools.

(f) Our measures against the data limitations:

Due to the limited availability of data resulting from a shortage of non-financial information disclosure by some investee companies, achieving perfect data coverage is currently impossible. We have made our best efforts to address these gaps by collaborating with third-party data providers such as Morningstar Sustainalytics, using their algorithms to supplement our information. However, despite these efforts, fully addressing the missing data remains unattainable at this time.

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In our usual PAI analysis, on top of the data, we take full advantage of our own internal resources of intellectual assets we have obtained and accumulated through direct contacts/repeated dialogue with many of the investee companies for our PAI due diligence.

Table 2: PAI Indicators

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric Coverage	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas (GHG) emissions	1. GHG emissions	Scope 1 GHG emissions 84.11	3,830,668	3,841,212	The Investment Manager considers GHG emissions, which are attributable to the portfolio based on the proportion of ownership in each corporate investment, including Scope 1 GHG emissions in summation with Scope 2, or further with Scope 3. The data points cover GHG emissions as reported by corporates or as estimated by Morningstar Sustainalytics, measured in terms of tonnes of CO2 equivalents. The details of the estimation models applied are elaborated in the corresponding methodologies by the data provider. The Investment Manager relies on the methodology of Sustainalytics PAI, in its disclosures for the sake of transparency and comparability, while it considers GHG emissions with reference to more data points to the extent appropriate.	The Investment Manager supports the global efforts to achieve Net Zero GHG emissions by 2050 or earlier, aiming to manage domestic and foreign equity and corporate bonds portfolios in line with Net Zero target by 2050. In its FY2022, it announced the 2030 interim target for GHG emissions which aims to reduce the carbon footprint of the AUM as of the end of March 2021 by 50% by 2030 calculated based on portfolio Scope 1 & 2 emissions. The Responsible Investment Section, research teams, and investment teams have conducted exclusive and collaborative engagements focusing on climate change across the globe. In the dialogues, the Investment Manager has supported investee companies to disclose in higher-quality with reference to best practices, to acquire a CDP score, and to be validated by the Science Based Target initiative.
		Scope 2 GHG emissions 84.11	892,631	946,112		
		Scope 3 GHG emissions 84.11	50,588,684	45,623,492		
		Total GHG emissions [Exact Fit] 84.11	55,250,851	50,398,580		
	2. Carbon footprint	Carbon footprint [Exact Fit] 84.11	805.36	916.37	Carbon footprint has declined in 2025 compared to 2024. In general, Carbon footprint is considered as an important factor for sector allocation and stock selection. However, Carbon footprint of a portfolio could be higher than the benchmarks or on a YoY basis as a result of comprehensive investment decisions considering other financial and non-financial information. This never suggests that the Investment Manager	The Investment Manager continues to consider and mitigate PAI typically regarding GHG emissions, through appropriate due diligence, alongside the relevant financial and sustainability risks, taking due account of its business size, the nature and scale of

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Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric Coverage	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
					disregards PAIs including GHG emissions in the portfolio construction process.	its activities as well as the types of financial products the Investment Manager manages for its clients.
	3. GHG intensity of investee companies	GHG intensity of investee companies [Exact Fit] 95.14	1,965.69	1,767.90	The impact of GHG intensity has increased compared to 2024. While GHG intensity has been considered as relatively familiar and intuitively understandable, the Investment Manager more focuses on Carbon footprint in line with its 2030 interim target.	Given that it's common issue on earth, actions are to be prioritized in the order of; 1) Entity-level business conducts 2) Individual-investee-level consideration and engagement 3) Product-level metrics monitoring
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector [Exact Fit] 96.42	6.19	7.39	Share of investments in companies involved in the fossil fuel sector has decreased.	The Investment Manager may, to the extent consistent with its fiduciary duty, selectively exclude certain companies in the fossil fuel sector from the relevant investment universe through product-level sectoral exclusions.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources [Exact Fit] 46.49	Non-Renewable Energy Consumption 67.06 Non-Renewable Energy Production 13.69	Non-Renewable Energy Consumption 70.78 Non-Renewable Energy Production 18.52	Data coverage for this indicator under the Sustainability PAI methodology has expanded from 40.34% in the previous reference period to 46.49% in the current reference period, reflecting the gradual progress in standardised non-financial disclosures by investee companies on energy consumption and production. Notwithstanding this incremental improvement, the coverage level remains materially limited, and the reported metric continues to be derived from a non-representative sub-sample of the portfolio. Accordingly, the Investment Manager is currently unable to meaningfully assess the extent to which its investment decisions have influenced this indicator. The Investment Manager will continue to monitor the evolution of data availability.	The Investment Manager considers share of non-renewable energy consumption as a factor in its assessment of Climate Change risks and impacts. Nevertheless, a higher share alone does not imply significant adverse impacts. "Share of non-renewable energy production" may be more acknowledged in its research on sustainable opportunities and/or positive impacts. Even in such cases, however, the "share" compared to renewable energy sources might not be a primary data point to be focused (as direct observation of renewable energy production is simpler and more reasonable). Furthermore, momentum in general may be more appreciated in its consideration.

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Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric Coverage	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
						Aiming to contribute to the transition to a low-carbon society, the Investment Manager launched Infrastructure Debt Strategy that invests in renewable energy projects such as solar and wind power, and is serving for a fund that invests in companies and assets to promote the popularization of hydrogen in Japan.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector [Partial Fit] 53.48	Agriculture, Forestry & Fishing 3.58 Construction 0.08 Electricity, Gas, Steam and Air Conditioning Supply 4.71 Manufacturing 0.34 Mining & Quarrying 1.75 Real Estate Activities 0.80 Transportation & Storage 2.53 Water Supply, Sewerage, Waste Management & Remediation 0.50 Wholesale & Retail Trade & Repair of Motor Vehicles &	Agriculture, Forestry & Fishing 2.93 Construction 0.08 Electricity, Gas, Steam and Air Conditioning Supply 4.35 Manufacturing 0.42 Mining & Quarrying 1.42 Real Estate Activities 0.46 Transportation & Storage 2.16 Water Supply, Sewerage, Waste Management & Remediation 0.58 Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles 0.10	Due to material limitations in data availability and credibility under the Sustainalytics PAI methodology, the Investment Manager cannot meaningfully evaluate the influence of its investment decisions on this indicator. The year-on-year increases observed in certain sectors (notably Mining & Quarrying, Real Estate Activities, and Transportation & Storage) may be primarily attributable to data coverage limitations, portfolio composition changes, and variations in the scope of underlying corporate disclosures, rather than to substantive changes in the energy efficiency of investee companies.	Instead of the nine high impact climate sectors defined under SFDR, the Investment Manager has identified granular subindustries as more useful in the assessment. The Investment Manager considers these subindustries in its operations and investments as one of the key elements of PAI due diligence, regarding GHG emissions.

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric Coverage	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
			Motorcycles 0.09			
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas [Partial Fit] 96.43	2.33	3.43	While data coverage for this indicator stands at a relatively high level of 96.43% under the Sustainalytics PAI methodology, the underlying data points are classified as 'Partial Fit' to the SFDR definition, meaning that the data provider's measurement framework meets the regulatory requirement only to a significant – but not complete – extent. This methodological gap reflects the inherent complexity of identifying and verifying activities located in or near biodiversity-sensitive areas, where standardised geospatial and operational disclosures by investee companies remain at an early stage of development. The reported impact value (2.33 in the current reference period, compared to 3.43 in the previous reference period) should therefore be interpreted with appropriate caution: the year-on-year movement may reflect a combination of evolving data provider methodology, changes in the composition of the underlying portfolio, and incremental improvements in corporate disclosures, rather than substantive shifts in the biodiversity footprint of investee companies. Accordingly, the Investment Manager is currently unable to draw definitive conclusions on the extent to which its investment decisions have influenced this indicator, and continues to monitor methodological developments by the data provider and developments in frameworks such as the TNFD.	The Investment Manager has endorsed the Taskforce on Nature-related Financial Disclosures (TNFD), and is included in the inaugural cohort of Early Adopters announced by the TNFD on the 16th of January 2024. The Investment Manager is also on the Endorsers List of PRI's Spring stewardship initiative for nature, as of 19 January 2024. Currently the Investment Manager focuses more on financial materiality of investee companies while environmental and social adverse impacts are taken into consideration. The Responsible Investment Section and the investment teams are intended to promote sustainability by encouraging investee companies in biodiversity-sensitive sectors (notably mining, agriculture, and infrastructure) to enhance disclosures, particularly where financially material. As an Early Adopter of the TNFD Framework, the Investment Manager actively participates in industry dialogue to advance standardised biodiversity-related metrics. No quantitative binding targets are set at this stage given current data limitations; the Investment Manager will reassess as TNFD-aligned disclosures mature.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR	0.00	0.00	Data coverage for this indicator stands at only 0.53% under the Sustainalytics PAI methodology, reflecting the near-absence of standardised corporate disclosures on emissions to water.	Currently the Investment Manager focuses on financial materiality while incorporating environmental adverse impacts into investment decisions where appropriate. The

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric Coverage	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
		invested, expressed as a weighted average [Exact Fit] 0.53			Given this critically limited coverage, the reported metric is not representative of the portfolio and the Investment Manager is unable to meaningfully evaluate the influence of its investment decisions on this indicator at this point in time.	Responsible Investment Section and the investment teams encourage enhanced disclosure on water-related metrics, particularly for investee companies in water-intensive sectors such as utilities, chemicals, and food & beverage. The Investment Manager monitors the evolution of CDP Water Security disclosures and TNFD-aligned reporting as primary external benchmarks. No quantitative binding targets are set at this stage given critically limited data coverage.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average [Exact Fit] 84.25	2.74	3.78	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested have decreased.	Currently the Investment Manager focuses more on financial materiality of investee companies while environmental and social adverse impacts are taken into consideration and reflected in investment decisions whenever needed. The Responsible Investment Section and the investment teams are intended to promote sustainability by suggesting more disclosure of relevant investees particularly where financially material. With respect to this specific indicator, no quantitative binding target has been set at entity level.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic	Share of investments in investee companies that have been involved in violations of the UNGC principles or	0.36	0.36	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises remains considerably lower, at less than 1%.	The Investment Manager excludes through the firm-wide norm-based screening and exclusion, in light of UNGC and OECD MNE Guidelines. In addition to the exclusion, the Investment Manager will seek further engagement with

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric Coverage	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
	Cooperation and Development (OECD) Guidelines for Multinational Enterprises	OECD Guidelines for Multinational Enterprises [Exact Fit] 96.43				the issuers potentially violating the international norms, occasionally leveraging Morningstar Sustainalytics Global Standards Screening and Global Standards Engagement. For investment products and strategies actively inhouse managed, the Investment Manager sets its target at 0%. To this end, the Investment Manager designates names under the firm-wide norm-based screening and maintain its exclusion list.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises [Exact Fit] 94.92	47.80	53.23	Share of investments in investee companies without policies to monitor compliance with UNGC principles or OECD MNE Guidelines has further declined.	While this indicator provides qualitative information taken into consideration in the sustainability assessment process, the Investment Manager puts more emphasis on the outcome of its norm-based negative screening which is partially quantitative and more in a rule-based manner. The Investment Manager develops and maintains the list whose criteria explicitly include violations of global standards. The Investment Manager facilitates companies on that list to take corrective actions through one-on-one engagement or collaborative engagements arranged by global initiatives or Morningstar Sustainalytics. The Investment Manager's engagement activities are conducted based on its target lists whose criteria explicitly include global standards violations.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	12.61	19.58	Due to the materially limited data coverage of 2.21% under the Sustainalytics PAI methodology, the reported impact value is based on a non-representative sub-sample and should not be	As the rules requiring companies to disclose gender pay gap are in place, the Investment Manager intends to engage with Japanese

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Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric Coverage	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
		[Exact Fit] 2.21			regarded as indicative of the portfolio's overall gender pay gap. Year-on-year comparisons are likewise affected by sample composition changes rather than reflecting genuine underlying trends. The Investment Manager is therefore unable to meaningfully evaluate the influence of its investment decisions on this indicator at this point in time.	domestic investee companies on this issue, where appropriate.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members [Exact Fit] 92.81	26.11	25.30	Average ratio of female board members in investee companies remained at broadly the same level year on year.	While the Investment Manager considers board composition and diversity of perspectives to be relevant to the medium- to long-term corporate value of its investee companies, it takes board gender diversity into account in its stewardship activities with Japanese domestic investee companies. To this end, the Investment Manager stipulates in its voting standards that it may vote against the election of directors where a company listed in Japan has 10% or fewer female directors on its board.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons [Exact Fit] 96.43	0.00	0.00	The reported metric of 0.00 reflects rounding; the actual portfolio exposure to companies flagged under Sustainalytics' controversial weapons definition was less than 0.01% (two South Korean issuers in Aerospace & Defense and Diversified Metals Mining sectors as of 2025). These exposures arose in passively replicated/externally mandated portfolios outside the scope of our entity-level binding exclusion, which applies to all actively in-house managed mandates.	The Investment Manager has an exclusion policy at the entity-level where controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) are defined inappropriate from a sustainability perspective and investments in companies involved in the manufacture or selling of controversial weapons are restricted for all the actively inhouse managed mandates. In addition to the exclusion based on Morningstar Sustainalytics Product

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Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric Coverage	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
						Involvement and PAI, the Investment Manager shall make reasonable efforts to obtain the relevant information. The Investment Manager sets its target at zero exposure to the designated names under its entity-level exclusion.

Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability indicator		Metric Coverage	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries [Exact Fit] 97.78	0.25	0.25	This metric is measured as the level of GHG emissions (in kilo tons) per unit of GDP (in millions of euros). Relying on Sustainalytics PAI, data for the GDP of invested countries is obtained from the World Bank and converted into euros, while GHG emissions are sourced from EDGAR (the Emissions Database for Global Atmospheric Research from the Joint Research Centre of the EU Commission). GHG intensity of investee countries has remained almost unchanged in the past year.	In its FY2023, the Investment Manager expanded the scope to include investments in sovereigns and supranationals as globally agreed standards for calculating GHG emissions for those assets became in place.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in	4	5	Due to the current limitation of data credibility in the Sustainalytics PAI, the Investment Manager cannot evaluate to what extent its investment decisions have influenced this indicator. Four countries classified as countries subject to social violations are Iraq, Pakistan, Saudi Arabia,	Through the firm-wide exclusion policy (“Rules on Managing Unsuitable Investee Companies”), the Investment Manager restricts investments in sovereign assets issued by countries subject to social violations for actively inhouse managed products. The Investment Manager added

Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator		Metric Coverage	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
		international treaties and conventions, United Nations principles and, where applicable, national law [Minimum Fit] 97.78			and Ukraine and portfolio weight of each country is 0.02% or less.	Russia and Belarus to its restriction list upon Russian invasion of Ukraine. The Investment Manager aims to remain prudent with zero exposure to the designated countries and regions in its actively inhouse managed portfolios.

Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	NONE	NONE	NONE	NONE
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	NONE	NONE	NONE	NONE

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Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric Coverage	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
	Other indicators for PAI on sustainability factors					
	CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement [Exact Fit] 96.06	30.63	37.88	Share of investments in investee companies without carbon emission reduction initiatives in the portfolio has further declined. This change may indicate an increased attention of corporates to reducing GHG emissions and their progress in specific measures.	The Investment Manager considers the specific indicator of whether a company is among companies without carbon emission reduction initiatives as a part of its comprehensive analysis on climate change. Therefore, the lack of initiatives alone does not necessarily result in its investment decision. The Investment Manager supports investee companies to make further effort to reduce carbon emission through a continuous dialogue while it communicates with sustainability data providers so that the relevant initiatives are appropriately captured in their database. With respect to this specific indicator, no quantitative binding target has been set at entity level.
Water, waste and material emissions	6. Water usage and recycling	1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies 2. Weighted average percentage of water recycled and	None 83.28	None 128.53	Data coverage for this indicator stands at only 19.02% under the Sustainalytics PAI methodology, which materially constrains the analytical reliability of the reported metric. Furthermore, the first sub-metric (average amount of water consumed by investee companies, in cubic meters per million EUR of revenue) is not currently available within the Sustainalytics PAI reporting system, further limiting the completeness of the disclosure for this indicator. As a result, the reported figures are derived from a non-representative sub-sample of the portfolio and should not be construed as indicative of overall portfolio characteristics.	Currently the Investment Manager incorporates water-related considerations into financial materiality assessment, with adverse impacts reflected in investment decisions where appropriate. The Responsible Investment Section and the investment teams encourage enhanced disclosure on water consumption and recycling practices, with particular attention to operations in water-stressed regions. The Investment Manager continues to engage with the data provider to address the current unavailability of the water consumption sub-metric. No quantitative

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS
ENTITY LEVEL (ARTICLE 4, ANNEX 1)

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric Coverage	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
		reused by investee companies [Exact Fit] 19.02			Accordingly, the Investment Manager is currently unable to meaningfully evaluate the extent to which its investment decisions have influenced this indicator, and continues to engage with the data provider to enhance both the coverage and the completeness of the underlying dataset.	binding targets are set at this stage given limited data coverage.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour) [Exact Fit] 96.13	7.42	10.44	Share of investments in investee companies without supplier code of conduct in the portfolio has further declined from 10% to less than 8%. This change may indicate an increased attention of corporates to addressing issues in their value chain.	Investee companies' supplier codes of conduct; addressing unsafe working conditions, precarious work, child labour, and forced labour; are considered in the Investment Manager's investment process to the extent material, fully aligned with its Human Rights Policy. The Investment Manager has established a human rights due diligence process, conducted on a continuous basis to identify human rights risk items in the activities of investee companies and across their supply chains. Through this process, the Investment Manager seeks to prevent or mitigate adverse impacts on human rights. Given that supplier-related risks materialise predominantly beyond the direct operations of investee companies, the Investment Manager places particular emphasis on the breadth and substantive coverage of supplier codes (including their applicability to tier 1 suppliers and beyond, and the existence of monitoring and remediation mechanisms) as a core element of its sustainability evaluation. While no quantitative binding target is set in respect of the portfolio average of this metric, investment teams continue to consider it through a sustainability evaluation focused on

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS
ENTITY LEVEL (ARTICLE 4, ANNEX 1)

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric Coverage	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
						the absence of such codes and on broader supply chain accountability.
	6. Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistleblowers [Exact Fit] 96.09	1.64	2.11	Share of investments in investee companies without sufficient whistleblower protection in the portfolio has further declined from 2.1% to 1.6%. This may indicate whistleblower protection has become an inevitable mechanism for corporates.	Investee companies' whistleblower protection policies are considered in the Investment Manager's investment process, fully aligned with its Human Rights Policy. The Investment Manager has established a human rights due diligence process, conducted on a continuous basis to identify human rights risk items in the activities of investee companies and across their internal governance structures. Through this process, the Investment Manager seeks to prevent or mitigate adverse impacts on human rights. Given that effective whistleblower protection serves as a critical early-warning mechanism for the detection of misconduct, human rights violations, and other governance failures, the Investment Manager places particular emphasis on the existence of confidential reporting channels, non-retaliation safeguards, and independent oversight as core indicators of an investee company's internal control environment. While no quantitative binding target is set in respect of the portfolio average of this metric, investment teams continue to consider it through a sustainability evaluation focused on insufficient whistleblower protection within the broader scope of misconduct prevention and response.
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy [Exact Fit]	4.52	6.79	Share of investments in investee companies without human rights policy in the portfolio has further declined from 6.7% to less than 5%. This change may indicate an increased attention of corporates to addressing human rights issues.	Investee companies' human rights policies are considered in the Investment Manager's investment process, fully aligned with its Human Rights Policy. The Investment Manager has established a human rights due diligence process, conducted on a continuous

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS
ENTITY LEVEL (ARTICLE 4, ANNEX 1)

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric Coverage	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
		96.13				basis to identify human rights risk items in the activities of investee companies, including the alignment of their policies with internationally recognised standards. Through this process, the Investment Manager seeks to prevent or mitigate adverse impacts on human rights. Given that the existence of a formal human rights policy constitutes the foundational governance framework upon which all subsequent due diligence, supplier oversight, and grievance mechanisms are built, the Investment Manager places particular emphasis on its alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises as a baseline expectation across the investment universe. While no quantitative binding target is set in respect of the portfolio average of this metric, investment teams continue to consider it through a sustainability evaluation focused on the absence of a formal human rights policy and on broader corporate responsibility commitments.
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption [Exact Fit] 96.09	4.31	5.45	Share of investments in investee companies without anti-corruption and anti-bribery policy in the portfolio has further declined from more than 5% to less than 5%. This may indicate an increased awareness of corporates in compliance and progress in specific measures.	The Investment Manager conducts the entity-level norm-based negative screening to identify companies having anti-corruption and anti-bribery issues. Meanwhile, the Investment Manager believes having anti-corruption and anti-bribery policy in place is a core element of its consideration in sustainability evaluation on Business Ethics and Controversies. To determine to put a controversial company in the exclusion list, the Investment Manager occasionally has engagement with that company.

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS
ENTITY LEVEL (ARTICLE 4, ANNEX 1)

Indicators applicable to investments in investee companies					
Adverse sustainability indicator	Metric Coverage	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
					While no binding targets in the portfolio average of the metric, investment teams continue to consider it through sustainability evaluation on the absence of the policies and those prevention and response.

Notes on the PAI indicator table:

1. Data source: Morningstar Sustainalytics Principal Adverse Impact Data Solution

The data used in the disclosure of PAI metrics and impacts are based on the calculation algorithm and identifier cascade of Morningstar Sustainalytics Portfolio Management and Monitoring. The Investment Manager lists the exact numbers provided by Sustainalytics PAI in Table 2, except for Coverage. Sustainalytics PAI defines "coverage" as part of an overall portfolio that includes both corporate and sovereign/supranational, while our company defines "coverage" as part of a corporate or sovereign/supranational portfolio.

2. At this point of time, due to the lack or shortage of disclosure of non-financial information by investee companies, even major global sustainability evaluation data vendors such as Morningstar Sustainalytics seem to be unable to provide complete sustainability metrics and perfect PAI indicators dataset of all companies for asset management companies like ourselves to accurately assess and reasonably judge the impacts of our investments. Therefore, due to the current limitations of data availability, please note that the table above only shows the aggregated value or weighted average value by investment weight of the PAI metrics for the assets for which data can be collected at this time.

With regard to the target values for PAI indicators, in view of the current limited availability of fully reliable data, we believe that it is difficult though not impossible at this time to set a reasonable specific target value for each individual PAI indicator.

Please also note that the PAI disclosure table does not set targets for all aggregate figures though showing actual total figures, as this entity-level disclosure just shows the sum of all accounts/funds of various and diverse products, and, of which product weights are variable as a result of our strategic intentions, market fluctuations, and clients' needs.

3. However, having that stated, with or without setting the target of aggregates, we are taking the following actions through monitoring and considering each PAI indicator for the portfolios:

- (1) We may prohibit or restrict investment in a company that is found to be in violation of international norms such as UNGC Principles/OECD MNE Guidelines or in significant violation of laws and regulations which are related to the compliance violation indicators, and if effective preventive measures are not taken. (Related indicators: M10, M11, M14)

- (2) For sectors in which business risk related to a PAI indicator is relatively high or where business is deemed to have a significant negative impact on the environment and society, we shall request the investee company for identification of the related sustainability risks and negative externalities through our provision of relevant information, having opportunities of constructive dialogue or engagement, making a request for formulating its risk reduction dealing strategies (coping policy and measures) and its information disclosure.

4. At this point in time, the data coverage and availability of the PAI indicator is less than desired. However, looking forward to the future, we shall continue to seek for an improvement in effectiveness of our PAI analysis through monitoring the evolution of our own data coverage and availability of each PAI indicator, encouraging data vendors to improve their coverage and reviewing an improvement in the data availability, as we anticipate the further enhancement in non-financial contents disclosure by the investee companies.

5. It should be noted that the figures in the entity-level PAI indicator disclosure table are the total sum of those of our diverse products that we are managing, and these figures may vary based on the overall product mixtures and asset mix in the portfolios that the company manages, and not just due to changes in the PAI evaluation in each account or fund in historical comparison analysis.

In addition, PAI considerations for individual portfolios are in principle conducted in accordance with our company's own policy, although some accounts may exceptionally follow customer-specified individual investment guidelines.

Description of policies to identify and prioritise PAI on sustainability factors:

It is the responsibility of the Investment Manager to consider and mitigate, through appropriate due diligence, the PAI of investment decisions on sustainability factors alongside the relevant financial and sustainability risks, making appropriate disclosures, taking due account of its business size, the nature and scale of its activities and the types of financial products the Investment Manager makes available.

Further details are elaborated in Consideration of PAI on the environment and society (page 15 and onwards) of the document titled "Policies for integration of sustainability risks into our investment process and consideration of principal adverse environmental and social impacts".

https://www.smd-am.co.jp/english/corporate/responsible_investment/pdf/policies_for_integration_E_latest.pdf#page=16

Engagement Policies

Engagement Policy

The Investment Manager has engaged, and will engage, in constructive dialogue with investee companies to contribute to their medium-to-long term sustainable growth and improvement in their corporate value or, alternatively, to help mitigate damage to them, encouraging their formulation, execution, and information disclosure of appropriate business strategies/visions in consideration of sustainability-related issues.

If, despite its repeated engagement, no improvement is seen in investee company sustainability issues, including those that have a significant negative impact on the environment and society, or if there are undesirable actions affecting social credibility with no respect to stakeholder relationships, it will take a strict stance when exercising voting rights on the companies.

The matter may be further escalated to firm-wide investment exclusion/restriction in case of critically significant situations where no improvement is observed. Such matters will be decided by the Executive Officer in charge of the Responsible Investment Section, based on its "Rules on Managing Unsuitable Investee Companies". (Escalation)

Engagement on Climate Change

The Investment Manager supports investee companies to obtain SBT (Science Based Targets) certification, which is granted to companies with long-term plans consistent with the requirements of the Paris Agreement, and will urge them to improve their CDP climate change scores, while considering investment exclusion as an option, focusing on sectors with high GHG emissions. Meanwhile, the Investment Manager participates in collaborative engagements organized by domestic and global initiatives.

Reference to International Standards

The Investment Manager has signed and endorsed a variety of domestic and global initiatives and is participating in collaborative engagement to co-work with other institutional investors, etc., which helps us to improve effectiveness and efficiency of its engagement activities.

For more details, please refer to Collaborative Engagement and Initiatives (page 13) of the document titled "Policies for integration of sustainability risks into our investment process and consideration of principal adverse environmental and social impacts".

See related resources: <https://www.smd-am.co.uk/legal-and-compliance/sustainability-related-disclosures>

- Art 3 SFDR Disclosure Sustainability Risk Integration policy
- Art 4 SFDR Disclosure PAI Considerations

PAI Notes

- This material is an entity-level disclosure on principal adverse impacts (PAI) statement for non-Japanese institutional investors only.
- The research and analysis included in this report, and those opinions or judgments as outcomes thereof, are intended to introduce or demonstrate capabilities and expertise of Sumitomo Mitsui DS Asset Management Company, Ltd. (hereinafter “SMDAM”), or to provide information on investment strategies and opportunities. Therefore this material is not intended to offer or solicit investments, provide investment advice or service, or to be considered as disclosure documents under the Financial Instruments and Exchange Law of Japan.
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SMBC Group Disclaimer

Our investment decisions, including those that may involve sustainability considerations, are made pursuant to our independently determined policies and practices, which seek to promote and be responsive to our risk management and other investment objectives. Any and all engagement by the Company with other entities or organizations on sustainability or related issues is conducted pursuant to, and consistent with, those independently determined policies and practices. Each decision will be made subject to local legal requirements.

Registered Number: The Director of Kanto Local Finance Bureau (KINSHO) No.399

Member of Japan Investment Advisers Association, The Investment Trusts Association, Japan and Type II Financial Instruments Firms Association

Sumitomo Mitsui DS Asset Management Company, Limited

Version Log

Version	Date	Details of change
1.0	June 2023	Initial report creation
2.0	May 2024	Annual Update
3.0	June 2025	Annual Update
4.0	June 2026	Annual Update

Disclaimer

Definitions referred to within this document are detailed below:

“SMDAM” “Our” / “We” / “Group” “SMDAM Tokyo” / “SMDAM (Tokyo)”	These references relate to the entire “Sumitomo Mitsui DS Asset Management Company, Limited” organisation and will generally be used when referring to matters such as investment philosophy, style, company structure and other policies, which are consistent across the group. This refers to Sumitomo Mitsui DS Asset Management Company, Limited., the head office of the SMDAM group based in Tokyo, Japan. Our Japanese investment team is based in Tokyo and will perform day-to-day management of client portfolios.
“SMDAM UK” “SMDAM (UK)”	This refers to Sumitomo Mitsui DS Asset Management (UK) Limited, the UK-based subsidiary of SMDAM (Tokyo). SMDAM (UK) will typically be appointed as investment manager and will delegate day-to-day management of client portfolios to SMDAM (Tokyo), SMDAM (Hong Kong) and SMDAM (Singapore), but will retain responsibility for the management, control and servicing of the client portfolios and relationship. Some responses within this document will refer specifically to practices and procedures undertaken within the SMDAM (UK) office.

The disclosures in this document are designed to comply with Article 4 of the Sustainable Finance Disclosure Regulation ((EU) 2019/2088) (“SFDR”) regarding the principal adverse impacts (“PAIs”) of investment decisions on sustainability factors.

The information disclosed sets out the quantitative impacts of the investment decisions made in relation to the products managed by SMDAM UK on PAIs, measured against 16 mandatory and 6 additional voluntary PAI indicators. It also sets out our approach to identifying and prioritising PAIs and our approach to engagement and international standards.

This disclosure document contains firm-wide information on sustainability-related aspects. It is not a financial promotion and should not be construed as an investment advice or an offer or solicitation to buy or sell securities.