



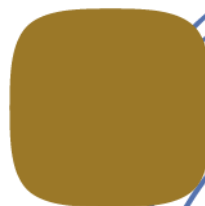
Sumitomo Mitsui DS Asset Management

SFDR Entity-level disclosure statement for Article 4, Annex 1

Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors

June 2025

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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 2024, 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 PAIs such as global climate change issues including greenhouse gas (GHG) reductions, as well as social issues including human rights issues in supply chains, board gender diversity and the correction of unreasonably unadjusted gender pay gaps 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 based on our own Materiality* in our asset management business which our company considers particularly important and from the viewpoint of relevant indicator data which is readily available among optional indicators.

*For more on our Materiality in asset management business, please see the following on our company website.
https://www.smd-am.co.jp/english/corporate/responsible_investment/pdf/policies_for_integration_E_latest.pdf#page=4

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 2025

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:

For SMDAM, identification and authorisation of the key materiality corresponds to the basic policies on prioritising the PAI indicators. As mentioned above, the PAI indicator table we commonly use was determined on the basis of the company's key materiality we have set, which includes climate change, natural capital, human rights in supply chain, human capital, effectiveness of corporate governance and corporate ethics and organisational culture with reference to the rules of SFDR and based on the availability of data. The identification of the company's materiality was resolved at the Board of Directors Meeting which was held on 28 February 2022.

In addition, based on the key materiality, our company developed its PAI consideration policy in which we stipulate the key PAI indicators are important and commonly used for sustainability and PAI analysis. The 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 exercising 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 in 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 17 February 2025, 08:45 UTC and as of 1 May 2024 12:08 UTC.

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.

Estimation by Sustainalytics may be included in:

- 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.

(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.

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 emissions	1. GHG emissions	Scope 1 GHG emissions 71.77	3,841,212	2,807,950	The Investment Manager considers GHG emissions, which are attributable to the portfolio based on the proportion of ownership in each corporate investment, including of Scope 1 GHG emissions in summation with Scope 2, or further with Scope 3, increased in 2024 compared to the previous year. 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 portfolio in line with a Net Zero target by 2050. In its FY2022, it announced the 2030 interim targets 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 of 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 71.77	946,112	879,056		
		Scope 3 GHG emissions 71.77	45,623,492	31,198,785		
		Total GHG emissions [Exact Fit] 71.77	50,398,580	34,882,191		
	2. Carbon footprint	Carbon footprint	916.37	771.87	The Investment Manager does not conclude that the indicator implies its significant adverse impacts on sustainability factors while Carbon footprint in 2024 is 19% higher than in 2023, largely due to the broader scope of investees' calculations, according to the Investment Manager's analysis. 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 in a YoY basis as a result of comprehensive investment decisions considering other financial and non-financial information. This never suggests that the Investment Manager disregards PAIs including GHG emissions in the portfolio construction process.	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 its activities as well as the types of financial products the Investment Manager manages for its clients. Given that it's common issue, actions are to be prioritized in the order of; 1) Entity-level business conducts 2) Individual-investee-level consideration and engagement
		[Exact Fit] 71.77				

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
3. GHG intensity of investee companies	GHG intensity of investee companies [Exact Fit] 92.21	1,767.90	1,114.97	The impact of GHG intensity has increased compared to 2024. 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.	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] 93.16	7.39	6.89	Share of investments in companies involved in the fossil fuel sector has remained almost unchanged over the past year. Japan's trading companies, which are the largest portfolio constituents with fossil fuel exposure, are engaged with distribution of Oil & Gas and Thermal Coal power generation among broad business lines. Therefore, given the diversified nature of their operations, the actual exposure to the fossil fuel sector is likely to be significantly lower than it may initially appear. Based on this analysis, the investment manager concludes that there are no material negative impacts.	The Investment Manager might selectively exclude some companies in the fossil fuel sector from the relevant investment universe through the 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] 40.34	Non-Renewable Energy Consumption 70.78 Non-Renewable Energy Production 18.52	Non-Renewable Energy Consumption 74.23 Non-Renewable Energy Production 13.90	Due to the current limitation of data availability in the Sustainability PAI, the Investment Manager cannot evaluate to what extent its investment decisions have influenced this indicator.	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. Aiming to contribute to the transition to a low-carbon society, the Investment Manager launched

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
						Infrastructure Debt Strategy that invests in renewable energy projects such as solar and wind power, and is serving for a new 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] 48.80	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	Agriculture, Forestry & Fishing 1.27 Construction 0.06 Electricity, Gas, Steam and Air Conditioning Supply 4.48 Manufacturing 0.53 Mining & Quarrying 1.54 Real Estate Activities 0.46 Transportation & Storage 1.90 Water Supply, Sewerage, Waste Management & Remediation 0.66 Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles 0.12	Due to the current limitation of data availability and credibility in the Sustainalytics PAI, the Investment Manager cannot evaluate to what extent its investment decisions have influenced this indicator.	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.
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	3.43	3.72	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.	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 16 January 2024.

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
		those investee companies negatively affect those areas [Partial Fit] 93.17				<p>The Investment Manager is also on the Endorsers List of PRI's Spring stewardship initiative for nature, as of 19 January 2024.</p> <p>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 especially where financially material.</p> <p>There are no quantitative binding targets to be set due to the lack of data availability and credibility at this point of time. However, the Investment Manager reviews the development with the "partial fit" status and its relevance as the primary indicator regarding biodiversity, against the backdrop of the progress in corporate disclosures in line with the TNFD Framework to report and act on evolving nature-related risks.</p>
Water	8. Emissions to water	<p>Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average</p> <p>[Exact Fit] 0.43</p>	0.00	0.00	Due to the current limitation of data availability in the Sustainalytics PAI, the Investment Manager cannot evaluate to what extent its investment decisions have influenced this indicator.	<p>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.</p> <p>There are no quantitative binding targets to be set due to the lack of data availability at this point of time. However, the Investment Manager reviews the development of data availability against the backdrop of the progress in corporate disclosures in line with the TNFD Framework to report and act on evolving nature-related risks.</p>

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
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] 71.24	3.78	0.89	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested has increased to 3.78 t/EURm from 0.89 t/EURm. This change is mostly attributed to a Gold company in North America which is "Strong" for its management in "Emissions, Effluents and Waste" and ranked in 32nd percentile in the subindustry, according to the Morningstar Sustainability ESG Risk Rating. Therefore, the Investment Manager does not conclude that there are significant negative effects regarding this indicator.	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. There are no quantitative binding targets to be set at this point of time.
	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 (UNGC) principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises [Exact Fit] 93.16	0.36	0.48	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises remain 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 the issuers potentially violating the international norms, occasionally leveraging Morningstar Sustainability 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	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational	53.23	55.57	Share of investments in investee companies without policies to monitor compliance with UNGC principles or OECD MNE Guidelines has slightly declined but remained high in the past year. This may indicate that many companies have rooms to improve their compliance mechanism, but the Investment Manager concludes there are no significant negative impacts as	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.

		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
	Compact principles and OECD Guidelines for Multinational Enterprises	Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises [Exact Fit] 92.28			the share of investee companies involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises is below 1%.	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 Sustainability. 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 [Exact Fit] 1.07	19.58	22.19	Due to the current limitation of data availability in the Sustainability PAI, the Investment Manager cannot evaluate to what extent its investment decisions have influenced this indicator.	Despite the limitation of data availability, some of investment professionals at the Investment Manager do consider it even more than Board diversity. As the rules requiring companies to disclose gender pay gap is in place, the Investment Manager expects to engage with investee companies on this issue.
	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] 91.54	25.30	24.20	Average ratio of female board members in investee companies has slightly increased in the past year.	While the Investment Manager believes diversity in a broader sense is a factor to maximize shareholders' value by enhancing the medium- to long-term corporate value of its investee companies, as a member of the 30% Club Japan Investor Group, the Investment Manager, as a member of the 30% Club Japan Investor Group, supports improving gender diversity in Japanese domestic investee companies. To this end, the Investment Manager stipulated in its voting standard that the company may vote against directors' election in case that a company listed at Tokyo Stock Exchange prime market has 10% or less female directors on its board.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions,	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00	None	While exposure to controversial weapons was none in 2023, the Investment Manager had an exposure of less than 0.01% of the portfolio to two South Korean companies in Aerospace & Defense and Diversified Metals Mining industries in 2024.	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

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
	chemical weapons and biological weapons)	[Exact Fit] 93.17				manufacture or selling of controversial weapons are restricted for all the actively inhouse managed mandates. In addition to the exclusion based on Morningstar Sustainability Product 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 policy.

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] 98.03	0.25	0.34	This metric is measured as the level of GHG emissions (in kilo tons) per unit of GDP (in millions of euros). Relying on Sustainability 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 international treaties and conventions, United Nations principles	5	4	Due to the current limitation of data credibility in the Sustainability PAI, the Investment Manager cannot evaluate to what extent its investment decisions have influenced this indicator. Five countries classified as countries subject to social violations are Iraq, Pakistan, Saudi Arabia, Ukraine, and Uzbekistan and portfolio weight of each country is 0.03% or less.	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 Russia and Belarus to its restriction list upon the Russian invasion of Ukraine. The Investment Manager aims to remain prudent with zero exposure to the designated

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
		and, where applicable, national law [Minimum Fit] 97.97				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

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	37.88	39.05	Share of investments in investee companies without carbon emission reduction initiatives in the portfolio has declined slightly. 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 whether a company is with carbon emission reduction initiatives as a part of its comprehensive analysis on climate change. Therefore, the lack of initiatives alone does not necessarily resulted in its investment decision.

	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
		aimed at aligning with the Paris Agreement [Exact Fit] 92.51				The Investment Manager suggests 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. Specifically to this indicator, no quantitative binding targets to be set.
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 reused by investee companies [Exact Fit] 18.59	None 128.53	None 82.38	Due to the current limitation of data availability in the Sustainability PAI, the Investment Manager cannot evaluate to what extent its investment decisions have influenced this indicator.	Currently the Investment Manager focused 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 especially where financially material. There are no binding quantitative targets to be set due to the lack of data availability at this point of time. However, the Investment Manager reviews the development of data availability against the backdrop of the progress in corporate disclosures in line with the TNFD (Taskforce on Nature-related Financial Disclosures) framework to report and act on evolving nature-related risks.
	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]	10.44	11.42	Share of investments in investee companies without supplier code of conduct in the portfolio has further declined from 11% to nearly 10%. This change may indicate an increased attention of corporates to addressing issues in their value chain.	Fully aligned with SMDAM Human Rights Policy, the Investment Manager considers in its investment process investee companies' human rights policies and business practices over their supply chains. The Investment Manager has established the process of human rights due diligence, which is conducted continuously to identify any human rights risk items in its business activities. Through this process the Investment Manager prevents or mitigates adverse impacts on human rights.

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
		92.86				While no binding targets in the portfolio average of the metric, investment teams continue to consider it through an sustainability evaluation on the absence of the code and broader responsibility in its supply chain.
	6. Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistleblowers [Exact Fit] 92.91	2.11	2.40	Share of investments in investee companies without sufficient whistleblower protection in the portfolio has further declined from 2.4% to 2.1%. This may indicate whistleblower protection has become an inevitable mechanism for corporates.	Fully aligned with SMDAM Human Rights Policy, the Investment Manager considers in its investment process investee companies' human rights policies and business practices over their supply chains. The Investment Manager has established the process of human rights due diligence, which is conducted continuously to identify any human rights risk items in its business activities. Through this process the Investment Manager prevents or mitigates adverse impacts on human rights. While no binding targets in the portfolio average of the metric, investment teams continue to consider it through an sustainability evaluation on the insufficient whistleblower protection in the 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] 92.83	6.79	8.31	Share of investments in investee companies without human rights policy in the portfolio has further declined from more than 8% to less than 7%. This change may indicate an increased attention of corporates to addressing human rights issues.	Fully aligned with SMDAM Human Rights Policy, the Investment Manager considers in its investment process investee companies' human rights policies and business practices over their supply chains. The Investment Manager has established the process of human rights due diligence, which is conducted continuously to identify any human rights risk items in its business activities. Through this process the Investment Manager prevents or mitigates adverse impacts on human rights. While no binding targets in the portfolio average of the metric, investment teams continue to consider it through an sustainability evaluation on the lack of human rights policy in the scope of misconduct prevention and response.
Anti-corruption and anti-bribery	15. Lack of anti-corruption and	Share of investments in entities without policies on anti-	5.45	6.86	Share of investments in investee companies without anti-corruption and anti-bribery policy in the portfolio has further declined from 7% to nearly 5%. This may indicate	The Investment Manager conducts the entity-level norm-based negative screening to identify

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
anti-bribery policies	corruption and anti-bribery consistent with the United Nations Convention against Corruption [Exact Fit] 92.91			an increased awareness of corporates in compliance and progress in specific measures.	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. 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".

https://www.smd-am.co.jp/english/corporate/responsible_investment/pdf/policies_for_integration_E_latest.pdf#page=14

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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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

Disclaimer

Definitions referred to within this document are detailed below:

<p>“SMDAM” “Our” / “We” / “Group” “SMDAM Tokyo” / “SMDAM (Tokyo)”</p>	<p>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.</p> <p>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.</p>
<p>“SMDAM UK” “SMDAM (UK)”</p>	<p>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.</p>

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.