

COMPANY POLICY

Remuneration

SFDR Disclosure for Article 5.1

Policy is consistent with the integration of sustainability risks

Introduction

Sumitomo Mitsui DS Asset Management (UK) Limited (“SMDAM UK”) has designed its pay strategy to reward competitively the achievement of long-term sustainable performance and attract and motivate the very best people, regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience, while performing their role in the long-term interest of our clients and business.

To achieve this objective, the Company believes that effective governance of our remuneration practices is a key requirement. The design and implementation of remuneration policies are overseen by the Compliance Officer and the Board to ensure what we pay our people is aligned to our business performance and strategy. Performance is judged not only on what is achieved over the period, but more importantly how it is achieved, as we believe the latter contributes to the long-term sustainability of the business.

Total compensation (fixed pay and variable pay) is the key focus of our remuneration framework, with variable pay (namely annual incentives and long-term incentives) differentiated by performance and adherence to SMDAM UK’s values.

The Company has a clear Conflicts of Interest policy along with other processes to ensure that corruption and bribery are not tolerated within SMDAM UK.

Regulatory Context:

The Remuneration Policy Statement (RPS) of Sumitomo Mitsui DS Asset management (UK) Limited (“SMDAM UK”) is set out below as required by the FCA Handbook under the Senior Management Arrangements, Systems and Controls (SYSC) sourcebook (SYSC 19C). It also includes the requirements set out in Art 5 of EU regulation 2019/2088 on the integration of sustainability risks.

The requirement of the Code under SYSC 19C.2.4G states that ‘a firm should ensure that its remuneration policies, practices and procedures are clear and well documented’. SYSC 19C.2.2G (5) states that the FCA may ask the firm’s remuneration committee to provide them with evidence of how well the firm’s remuneration policies meet the Remuneration Code’s principles, together with plans for improvement where there is a shortfall. Where a remuneration committee has not been established, such questions will be addressed to the firm’s governing body.

The FCA expresses that it is not necessary to send a copy of a firm’s RPS unless requested to do so; however, it should be reviewed and approved by the firm’s Remuneration Committee or equivalent body with responsibility for remuneration policies. It should be reviewed annually to take account of any changes to policies, practises or procedures, and the changes should be approved by the Remuneration Committee or equivalent body.

The proportionality principle (as expressed in CRD3 and SYSC 19C.3.3 R (2)) requires firms to comply with the Code’s requirements ‘in a way and to the extent that is appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities’.

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Background:

SMDAM UK is required by the Financial Conduct Authority ("FCA") under SYSC 19C.2.4G to disclose information relating to its remuneration policy. This disclosure statement aims to ensure that its remuneration policies, practices and procedures are clear and well documented.

SMDAM UK provides discretionary investment services of equity products mainly to institutional investors in Europe and the Middle East and received individual guidance on 7 November 2011 to be categorised as Tier 4. The Firm is now deemed to be a Proportionality Level 3 firm.

SMDAM UK is authorised and regulated by the Financial Conduct Authority in the UK and is a wholly owned subsidiary of Sumitomo Mitsui DS Asset Management Ltd in Tokyo, Japan ("SMDAM"). Daiwa Securities Group Inc. owns 23.5% and Sumitomo Mitsui Financial Group Inc owns 50.1%. and are the two major shareholders of the parent company.

Should you require further information on the firm's approach to the Code please contact Malcolm Biggart, Compliance Officer on:

020 7507 6423

malcolm_biggart@smd-am.co.jp

Remuneration Committee:

SMDAM UK does not have a remuneration committee. The remuneration policy process is prepared by the Compliance Officer and is overseen by the Managing Director, with the Board taking overall responsibility for this process. A review is undertaken on an annual basis to take into account any changes to policies, practises or procedures and any changes are approved by the firm's governing body.

Reward Schemes

Bonus Schemes:

Bonuses are determined solely at the discretion of senior management (unless other contractual arrangements exist) and may be used to reward and encourage good financial performance, as well as non-financial performance including sustainability criteria. Bonuses may be reduced or withheld completely if there has been any breach of regulatory requirements. The bonus may also be reduced to zero where there is poor performance, or where the employee is subject to a disciplinary warning, for example. The range of criteria chosen to determine discretionary bonuses may vary from year to year and from one business area to another. The amount of bonus available to be paid will be influenced by a number of factors including the Company's profitability, sustainability criteria and strategic objectives, which may change from time to time.

Employees will be eligible to be considered for a bonus provided that they have worked for the Company during the year to which the bonus relates, and that they remain employed by the Company on the date the bonus is paid, and have not given or received notice on or by that date. As a general principle, individual bonuses are not directly or formulaically linked to individual revenue generation.

Executive Incentive Schemes:

The Company does not engage in any executive incentive schemes.

Remuneration Code Staff:

The firm adopted the principle as set out in SYSC 19C.3.4 to determine which staff are 'Code Staff' for the respective performance year. The firms 'Code Staff' have been verified as the Senior Management and Division Heads whom all actively engage in control functions.

SMDAM UK's performance is run from 1 January to 31 December and for the purpose of the policy has a total of 4 code staff whereby no code staff is likely to rely on the guidance as set out in SYSC 19C.3.34G.

Staff identified as "Code Staff" will be subject to remuneration practices as detailed in this policy statement and additional practices and compensation plans that are compliant with those elements of the FCA's Remuneration Code applicable only to Code Staff. The "Code Staff" are sent by electronic format a copy of the Company's Remuneration Policy Statement together with a copy of the FCA's General guidance on proportionality: The Remuneration Code (SYSC 19C) & Pillar 3 disclosures on remuneration (BIPRU 11) to ensure that all Code Staff understand the implications of this status in relation to the requirements of the Code.

The Remuneration Code Principles

Principle 1:

Risk management and risk tolerance

The Company undertakes to reward all employees fairly, regardless of job function, race, religion, colour, national origin, sex, sexual orientation, marital status, pregnancy, disability or age. It is the policy of the Company to operate competitive remuneration policies so as to attract, retain and motivate an appropriate workforce for the Company. The Company is also committed to ensuring that its reward practices support sound risk management, including the sustainability risks, and does not encourage risk taking that exceeds the level of tolerated risk of the Company.

Principle 2:

Supporting business strategy, objectives, values and long-term interests

Rewards for all staff will be aligned to both performance and risk profile and in all cases will be in line with the business strategy, objectives, values and long-term interests of the Company. The Company will not allow any unfair or unjust practices that impact on pay.

The company's policies are consistent with the integration of sustainability risks within its operation and processes.

Principle 3:

Avoiding conflicts of interest

The Company will not allow any unfair or unjust practices that impact on pay. The Company has a robust Conflicts of Interest policy in place.

Principle 4:

Governance

SMDAM UK does not have an established Remuneration Committee within the UK. The Company's annual assessment of all staff requires a measurement against a range of mainly non-financial key skills (commitment, quality, technical competence, teamwork etc.) together with specific reference to integrity, and goals and objectives set by line managers. The Company is committed to ensuring that its reward practices support sound risk management and does not encourage risk taking that exceeds the level of tolerated risk of the Company. Remuneration is ultimately approved by the sole shareholder, Sumitomo Mitsui DS Asset Management Limited, based in Tokyo. The governing body has the ability to apply discretion to adjust the bonus pool and individual payments where discretion has been exercised within the last three years.

The Remuneration Code Principles ^{cont.}

Principle 5:

Control functions

The reward arrangements for employees in these areas will be determined by the Managing Director, with the Board taking overall responsibility for approval. The Company does not engage in a generic calculation for the purpose of awarding bonuses to employees captured as Code Staff. The Company awards the Division Heads primarily by consideration to the performance of the respective business areas they control together, taking into account the overall performance of the Company. However, the reward arrangement seeks to ensure that a suitable level of remuneration is achieved to attract and retain good quality staff.

All proposals for bonus and salary increases are submitted to the Managing Director in the first instance. The Managing Director analyses the proposals to ensure adherence to any guidelines issued, and that consistency and fairness are applied. Meetings are held with the submitting Division Heads and the contents of the proposals are challenged where necessary. The final proposals are subsequently consolidated by the Managing Director for submission to the Board.

The Board request a report from the MD in advance of bonus considerations, to highlight any issues pertinent to decisions concerning remuneration, including any changes to the Company's risk profile. The report includes concerns that are relevant to the functioning of the remuneration process and treatment of bonuses if any.

Principle 6:

Remuneration and capital

An annual review of variable remuneration aggregate totals will be undertaken in order to ensure that the Company is not prevented from strengthening its capital base should it wish to.

Principle 7:

Exceptional government intervention

Principle 7 does not apply due to the firm being a limited company and thus does not benefit from any government intervention.

Principle 8:

Profit-based measurement and risk adjustment

The Company does not operate a bonus pool system. The Company operates a budget base system calculated on the previous/past year actual earning/profits. Prior to distribution the budget is subject to review by the Board following input from the Managing Director, to determine whether any degree of Risk adjustment is necessary, and whether the methods used to calculate the budget have been correctly applied.

Principle 9:

Pension policy

SMDAM UK does not have a policy for discretionary pension benefits.

The Remuneration Code Principles ^{cont.}

Principle 10:

Personal investment strategies

Employees remuneration is allocated on a subjective basis and thus employees personal hedging strategies based on this principle would not apply and thus there is not a necessity to implement any compensation arrangement with a third party for the purpose of possible downward adjustment implementation by the Company.

Principle 11:

Avoidance of the Remuneration Code

The Company undertakes that it will not award remuneration using vehicles or methods the sole aim of which is to attempt to avoid application of the FCA's Remuneration Code.

Principle 12:

Remuneration Structures

The Company's annual assessment of all staff requires a measurement against a range of mainly non-financial key skills (commitment, quality, technical competence, teamwork etc.) together with specific reference to integrity, and goals and objectives set by line managers. In addition, the assessment reinforces the need for adherence to the Company's risk management policies and regulatory requirements. Failure to perform in non-financial areas overrides the assessment of financial performance in determining an overall view. The annual assessment is used to support bonus proposals. Within the last performance year, the company has not hired any new employees that would be captured by the Remuneration Code Staff. As a result, no guaranteed bonuses were offered during the last performance year and any such offers, if and when applicable, are confined to the first year of service for the Remuneration Code staff member.

The firm does not engage in a buying out deferred bonus policy and no retention awards have been offered within the last 12 months.

SMDAM UK has ensured that any payments related to early termination of staff employment in the last performance year have been compliant with the Code.

Principle 13:

Remuneration Disclosure

SMDAM UK will make disclosure as set out under BIPRU 11 and Art 5 of EU 2019/2088 on an annual basis and will be published on our website. The disclosures will be as at the Accounting Reference Date ("ARD").

Resources

You can find more SFDR information about the Sumitomo Mitsui DS Asset Management policies and strategies:

- SMDAM policies on SFDR – see website
 - <https://www.smd-am.co.uk/sustainability>
 - **SMDAM Tokyo website:** https://www.smd-am.co.jp/english/corporate/responsible_investment/esg/
- SICAV Prospectus – see for individual UCITS Funds at <https://www.smd-am.co.uk/wp-content/uploads/2021/03/Prospectus-Daiwa-SBI-Lux-Funds-SICAV-20210201-visaed.pdf>
- Corporate Responsibility 'Sustainability Report 2020' at: https://www.smd-am.co.jp/english/corporate/vision/fiduciary/pdf/sustainability_report_2020_en.pdf
- 'Environment, Social And Governance Report' at: https://www.smd-am.co.uk/wp-content/uploads/2021/03/SMDAM-ESG-Report-2H-2020_02032021.pdf

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