



Sumitomo Mitsui DS Asset Management

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Article 10 Sustainability-related Disclosures for an Article 8 Fund

SMDAM Asia Pacific Real Estate Securities Fund

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SMDAM Asia Pacific Real Estate Securities Fund

Summary

This document has been prepared by Sumitomo Mitsui DS Asset Management (UK) Limited (the **UK Investment Manager**), which has sub-delegated investment management of the SMDAM Asia Pacific Real Estate Securities Fund (the **Sub-Fund**) to our parent company, Sumitomo Mitsui DS Asset Management Company, Limited (**SMDAM (Tokyo)**, **we**, or the **delegated Investment Manager**). References to **SMDAM** are to the entire “Sumitomo Mitsui DS Asset Management Company, Limited” organisation.

This document is made pursuant to the requirements of the EU Sustainable Finance Disclosure Regulation (**SFDR**); namely Article 10(1) of Regulation (EU) 2019/2088, and Articles 24 to 36 of the Commission Delegated Regulation (EU) 2022/1288.

This document contains both product and firm-wide specific information for the strategy on sustainability-related aspects. The purpose of this document is to provide transparency on the Sub-Fund’s sustainability characteristics and/or objectives, and the methodologies, which have been adopted to monitor and measure these within the investment strategy.

The Sub-Fund is classified as Article 8 under SFDR.

No sustainable investment objective: The Sub-Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product: The Sub-Fund promotes general ESG integration. The Sub-Fund promotes environmental and/or social characteristics by applying a proprietary ESG score on the real estate investment trusts (“REITs”) within the investment universe of the Sub-Fund and by excluding REITs from the investment universe whose SMDAM ESG Scores (REIT) are in the bottom 5% of the delegated Investment Manager’s ESG score coverage. The Sub-Fund does not use a reference benchmark to attain its promoted environmental and social characteristics.

Investment strategy: The Sub-Fund aims for long-term growth of its assets through investment in real estate securities such as real estate investment trusts (REITs) in Asia Pacific countries and regions including Japan, as described in detail in the Sub-Fund’s investment policy.

Proportion of investments: A minimum of 80% of the Sub-Fund’s investments will be aligned with the promoted environmental and/or social characteristics. The investments, which are not aligned with these characteristics may include cash or cash equivalent securities.

Monitoring of environmental or social characteristics: The Sub-Fund will seek to attain the promoted environmental and/or social characteristics by excluding REITs whose SMDAM ESG Scores (REIT) are in the bottom 5% of the coverage, from the investment universe. All potential investments are subject to assessment by the delegated Investment Manager. The ESG performance of the investments made by the Sub-Fund are considered at the ESG Meeting/Stewardship Meeting, as well as at the management and senior leadership level.

Methodologies for environmental or social characteristics: As part of the active investment of Asia Pacific REITs, we have introduced comprehensive ESG scoring for proper analysis of each REITs sustainability. ESG scores are utilised as one of the valuation indicators in the investment

process and common ESG evaluation items are used for REITs through integrated portfolio management across SMDAM offices.

Data sources and processing: Data is obtained from a number of different internal sources and external providers. The ESG Data Provider Evaluation Working Group of the delegated Investment Manager works to ensure data quality. The delegated Investment Manager shall make reasonable efforts to obtain the required data directly or through third parties (data providers). Where this is not possible, it shall make a best estimate.

Limitations to methodologies and data: Limitations to methodologies or data sources in general include a lack of sustainability data, the lack of corporate disclosure and the scope of providers' coverage. The evolving nature of ESG and the harmonising regulatory development bring further pronounced limitations.

Due diligence: Although the UK Investment Manager has sub-delegated management to its parent, SMDAM (Tokyo), the UK Investment Manager retains responsibility for compliance, performance and valuations as well as client servicing and reporting requirements of the mandate. Due diligence is the essential foundational process across all investments made by the Sub-Fund, which is systematically carried out throughout the entire life-cycle of investment operations, which is an on-going, proactive and reactive, and process-oriented activity of firm-wide stewardship activities with active ownership.

Engagement policies: We 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 any possible damage caused to them, encouraging their formulation, execution, and information disclosure of appropriate business strategies/visions in consideration of sustainability-related issues. If no improvement is seen, 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 the stakeholder relationship, we will utilise an escalation process in exercising voting rights in relation to the investee companies. Matters may be further escalated to firm-wide investment exclusion/restriction in case of critically significant situations where no improvement is observed.

Designated reference benchmark: The Sub-Fund does not use a reference benchmark to attain its promoted environmental and social characteristics.

For detailed information about the Sub-Fund please refer to the prospectus and the key information document (KID).

No sustainable investment objective

The Sub-Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

The Sub-Fund promotes general ESG integration. The Sub-Fund promotes environmental and/or social characteristics by applying a proprietary ESG score on the real estate investment trusts ("REITs") within the investment universe of the Sub-Fund and by excluding REITs from the investment universe whose SMDAM ESG Scores (REIT) are in the bottom 5% of the delegated Investment Manager's ESG score coverage.

The composition of the ESG score in respect of REITs is based on:

- **Environmental evaluation items** in relation to Governance, Strategy & Risk Management, and Metrics & Targets to cope with environmental and climate change such as Water Consumption, Green Building Certification, and Waste Disposals;
- **Social evaluation items** in relation to Employee Matters, Diversity & Inclusion, Human Rights, Community Engagement, Supply Chain including Tenant Relationship, and Controversial Weapons;
- **Governmental evaluation items**, focusing on management quality and performance.

The Sub-Fund does not use a reference benchmark to attain its promoted environmental and social characteristics.

Investment Strategy

The Sub-Fund aims for long-term growth of its assets through investment in real estate securities such as real estate investment trusts (REITs) in Asia Pacific countries and regions including Japan, as described in detail in the Sub-Fund's investment policy.

The delegated Investment Manager will evaluate the investment universe based on its proprietary ESG score and compose the portfolio of the Sub-Fund by excluding REITs whose ESG scores are in the bottom 5% of the coverage, from the investment universe.

The assessment of the good governance practices of the target investments and investee companies is based on the Investment Manager's entity-level exclusion policy which is applied to all of the Sub-Fund's investments. The assessment of good governance and investment exclusion is carried out by the delegated Investment Manager in a holistic manner, not based on data alone. It incorporates quantitative screening with our qualitative arguments for a fair and considered investment decisions, in order to contribute to the promotion of ESG investment and real-world sustainability.

The delegated Investment Manager determines investment constraints based on its "Rules on managing Unsuitable Investee Companies", when an investment is inappropriate from a good governance perspective. This rule excludes companies which do not meet the requirement of good governance practices from the Investment Manager's investment universe.

The process of negative screening and the exclusion criteria leverages the third-party database used for this Sub-Fund, covering sound management structures, employee relations, remuneration of staff and tax compliance, and adhering to minimum environmental or social safeguards.

Proportion of Investments

The Sub-Fund invests at least 80% of its assets in investments that are aligned with the promoted environmental and/or social characteristics (#1 Aligned with E/S characteristics).

The investments which are not aligned with these characteristics (#2 Other) may include cash or cash equivalent securities.

Currently the Sub-Fund does not intend to commit to a minimum share of sustainable investments with an environmental objective aligned with the EU Taxonomy or social objective. However, this does not necessarily mean that investments made by the Sub-Fund are harmful to the environment or unsustainable.

Monitoring of environmental or social characteristics

The Sub-Fund uses the following sustainability indicators to measure the attainment of the environmental and/or social characteristics promoted by the Sub-Fund and these are monitored as follows:

- the Sub-Fund will seek to attain the promoted environmental and social characteristics by excluding REITs whose SMDAM ESG Scores (REIT) are in the bottom 5% of the coverage, from the investment universe.

All potential investments are subject to assessment by the delegated Investment Manager, and any investment decisions shall prudently and holistically consider financial and non-financial factors, where the latter include different weight and selection of ESG elements based on the financial materiality for each potential investment.

The REITs' performance on the Investment Manager's proprietary ESG criteria will determine their ESG scores.

In summary, the ESG performance of the investments made by the Sub-Fund is considered whenever their monitoring finds it necessary at the ESG Meeting/Stewardship Meeting, the Management Meeting as well as the Board of Directors' Meeting and Responsible Investment Committee. All meetings mentioned, related to investment management, are held by the relevant teams in SMDAM (Tokyo), sub-portfolio manager.

The delegated Investment Manager's Firm-wide Norm-based Negative Screening and Investment Exclusion are coded in its primary trading system, to make investment in the designated issuers not possible. Additionally, post-trade checks are also conducted by the Risk Management Department.

Methodologies for environmental or social characteristics

Comprehensive ESG evaluation forms an integral part of our evaluation process. As part of the active investment of Asia Pacific REITs, we have introduced comprehensive ESG scoring for proper analysis of each REITs sustainability.

- We utilise ESG scores as one of the valuation indicators in our investment process.
- Common ESG evaluation items are used for REITs through integrated portfolio management across our offices.

ESG evaluation items of J-REITs and Asia Pacific REITs

- Scores are based on our in-house survey. We create an ESG evaluation list which contains information on our chosen REIT universe.
- Scores based on the Global Real Estate Sustainability Benchmark (GRESB). GRESB membership has given us access to extra data and tools, enabling us to evaluate the portfolio's sustainability performance and giving us further opportunity to engagement.

GRESB describe themselves as 'an independent organisation providing validated ESG performance data and peer benchmarks for investors and managers to improve business intelligence, industry engagement and decision-making.' (*source) Further information on the Global Real Estate Sustainability Benchmark is available on its website.



Global Real Estate Sustainability Benchmark (GRESB)

*Link: <https://www.gresb.com/nl-en/>

Note: SMDAM is not responsible for the content or update of external web addresses.

ESG initiatives contribute to building a long-term, highly competitive property portfolio. The integration of ESG valuation is one of the valuation methods that can be used to select REITs effectively. The evaluation and analysis of these initiatives will remain an integral part of our process, becoming especially important with the increasing focus on ESG across the region.

Our investment management team has crafted the criteria for creating each part of their REITs matrix over a number of years. It is our belief that by understanding and harnessing the information held within each matrix, the team will be able to see opportunity and provide asset growth over the medium-to-long term.

Data sources and processing

Data sources:

The data sources used for the delegated Investment Manager's Firm-wide Norm-based Negative Screening and Investment Exclusion, are Sustainalytics Global Standards Screening and Controversy Analysis with further reference to some other industry-recognized database related to engagement and international norms.

Its proprietary ESG scores, Sustainalytics ESG Risk Rating, and its PAI Solution are primary data sources to disclose the attainment of the environmental or social characteristics.

The proxy voting process of the delegated Investment Manager primarily uses data derived from internal processes, partially with the aid of analysis and/or the platform of ISS (International Shareholder Services).

The delegated Investment Manager uses a blend of internal and external data as the inputs to its sustainable investment processes, and the investment team managing the Sub-Fund makes use of data provided by the following ESG data & research providers:

- Sustainalytics;
- RepRisk;
- Global Real Estate Sustainability Benchmark (GRESB);
- Institutional Shareholder Services (ISS);
- ProxyEdge;
- Bloomberg; and
- CSRHub.

Data quality and processing:

The delegated Investment Manager has ambition to develop internal systems for data processing in general to avoid any operational risks and unnecessary human intervention, to the extent cost effective.

However, it currently relies on Sustainalytics' reporting function with its ESG Risk Rating, PAI Solution, and EU Taxonomy Solution, in cascading to the broader corporate structure, classifying industries, and matching identifiers.

The delegated Investment Manager also leverages FactSet portfolio analysis for the same purposes with common limitations.

The measures taken to ensure data quality:

The ESG Data Provider Evaluation Working Group of the delegated Investment Manager works to ensure data quality.

- As there are differences in methodologies, the number of companies covered, the frequency of data updates, and data transparency among ESG evaluation and ESG data providers, it makes use of data provided by multiple ESG data providers (depending on the purpose of use).
- In addition, we confirm the quality of the data with the providers, having discussions with them on the appropriateness of their methodology etc. as necessary.
- To verify the validity and reliability of external ESG data, it established the ESG Data Provider Evaluation Working Group. The Responsible Investment Section leads the working group in conducting a multifaceted evaluation of each provider by collecting opinions from various relevant departments such as Investment, Investment Development, Investment Planning, Risk Management, Information Technology and Disclosure.

- It confirms the quality of the providers, which are subject to rigorous on-boarding and ongoing reviews (in principle annually) of the working group.

The proportion of data that is estimated:

The delegated Investment Manager shall make reasonable efforts to obtain the required data directly or through third parties (data providers). Where this is not possible, it shall make a best estimate. On this basis, it is not possible to provide specific details, with respect to the amount of data that is estimated.

Meanwhile, no in-house estimation is currently deployed for SFDR disclosure purposes.

The delegated Investment Manager will seek clarification and demand remediation action by data providers, when it has concerns about potential errors with the data or it has a different observation/estimation.

Specifically, with respect to PAI indicators, GHG Emissions, Water Consumption, and a few of others are the metrics which are estimated by Sustainalytics (although some items are proxies rather than “Exact Matches”).



Sustainalytics - Disclosures

Link: <https://www.sustainalytics.com/landing-pages/sustainable-finance-disclosure-regulation-solutions>

Note: SMDAM is not responsible for the content or update of external web addresses.

Limitations to methodologies and data

The lack of corporate disclosure and the scope of providers' coverage are the typical limitations to methodologies or data sources in general. The delegated Investment Manager shall make reasonable efforts to obtain the required data directly or through third parties, and shall make a best estimate where it is not possible, in order to supplement them in its holistic consideration. Global market participants may continue to struggle to find adequate information on the principal adverse impacts until EU's Corporate Sustainability Reporting Directive (CSRD) is fully implemented and if it becomes a de-facto global standard for any issuers outside of the EU region.

Some ESG data points are reliant on a self-report issued by investee companies, and may not be underpinned by globally-agreed standards or verification of data.

Most third-party data is fact-based but may be stale as no database can be updated on a real-time basis.

Both portfolio and investee levels face divergent observations among data providers, relying on methodologies and calculation algorithms, including classification and cascade of identifiers.

The evolving nature of ESG and the lack of harmonising of ESG regulatory rules bring further pronounced limitations.

Notwithstanding this, the above-mentioned limitations do not affect the characteristics / objectives promoted by the Sub-Fund as we adopt a holistic approach to assessing ESG that incorporates data from multiple data providers and sources.

Third-party data providers are subject to rigorous on-boarding measures and the ongoing due diligence requirements of the ESG Data Provider Evaluation Working Group of the delegated Investment Manager. Prioritising objectivity and transparency in its disclosure and reporting, the delegated Investment Manager may opt for escalation to data providers in case of data concerns, rather than overriding the data points.

Due diligence

SMDAM (UK)

The UK Investment Manager, SMDAM (UK), has sub-delegated the day-to-day performance of investment management and some of the fund accounting and administration functions of the Sub-Fund to its parent company, Sumitomo Mitsui DS Asset Management Company Ltd (“SMDAM (Tokyo)”), but retains responsibility for compliance, performance and valuations as well as client servicing and reporting requirements in relation to the Sub-Fund.

The UK Investment Manager’s Compliance team (SMDAM (UK)) receive monthly written confirmation of compliance from sub-delegates of compliance with our own internal policy and procedures on sub-delegation.

Fund Management

In accordance with its basic policy on ESG investment, SMDAM, in principle (*), invites all of its fund managers and analysts engaged with active investment management products to consider ESG integration, which is an important factor for the sustainability of the companies in which they invest.

**This principle may not apply to passive investment management products and others such as long/short products that are technically difficult to accord with the principle.*

Due diligence is the essential foundational process across all of the investments made by the Sub-Fund, and it is systematically carried out throughout the entire life-cycle of investment operations, which is an on-going, proactive and reactive, and process-oriented activity of firm-wide stewardship activities with active ownership.

SMDAM has controls in place to monitor and analyse all target investee companies prior to making any investment decisions. It also monitors and analyses the performance of the investee companies during the life of the investment.

The ongoing monitoring consists of both quantitative and qualitative analysis of such matter as strategy, social and environmental impact (including good corporate governance practices), risk, capital structure and financial performance.

The due diligence process for investments made by the Sub-Fund, consists of the following 6 elements;

- 1) Policy Framework;
- 2) Identification and Prioritisation;
- 3) Consideration in Investment Processes;
- 4) Engagement and Escalation;
- 5) Collaborative Engagement and References to International Standards; and
- 6) Monitoring and Disclosure/Reporting.

Further details are given online at: <https://www.smd-am.co.uk/sustainability/>

Engagement policies

We have developed an engagement policy and framework to facilitate a coherent approach to our interaction with investee companies both before and after investing.

Broadly speaking, SMDAM (Tokyo) engage 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 any possible damage caused to them, encouraging their formulation, execution, and information disclosure of appropriate business strategies/visions in consideration of sustainability-related issues.

If, despite our 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 the stakeholder relationship, we will follow our internal escalation process in exercising voting rights on the investee companies.

The matter may be further escalated and be subject to the firm-wide investment exclusion/restriction in case of critically significant situations where no improvement is observed. Such matters shall be decided by the Executive Officer in charge of the Responsible Investment Section, based on our “Rules on Managing Unsuitable Investee Companies”.

Engagement on Climate Change

In March 2022, we became a signatory of the Net Zero Asset Managers Initiative, a global initiative of asset managers aiming to achieve net-zero green-house gas (GHG) emissions by 2050.

To this end, we will encourage investee companies to obtain SBT (Science Based Targets) certification, which is granted to companies with long-term plans consistent with requirements of the Paris Agreement, and will urge them to improve their ‘Carbon Disclosure Project’ (CDP) climate change scores, while considering investment exclusion as an option, focusing on sectors with high GHG emissions. Meanwhile, we will participate even more actively than we did in the past in collaborative engagements organised by domestic and global initiatives.

Global initiatives

To fulfill our stewardship responsibilities as a responsible institutional investor, we have become a signatory to and accepted various global initiatives, starting with the U.N. Principles for Responsible Investment (PRI). We work cooperatively with investors within and outside Japan and conduct engagement with our investee companies.

- U.N. Principles for Responsible Investment (PRI)
- Principles for Financial Action towards a Sustainable Society
- Japan Stewardship Initiative (JSI)
- ESG Disclosure Study Group
- Task Force on Climate-related Financial Disclosures (TCFD) and TCFD Consortium
- CDP
- Climate Action 100+ (CA100+)
- Net Zero Asset Managers Initiative (NZAMI)
- 30% Club Japan Investor Group
- ACGA (Asian Corporate Governance Association)



Signatory of:



More information regarding responsible investment, including our ESG and sustainability reports, can be found online at:

<https://www.smd-am.co.uk/responsible-investment/>

Related resources:

For both transparency and completeness, the following policies have also been made available for your information.



Engagement Policy

Link: https://www.smd-am.co.jp/english/corporate/responsible_investment/stewardship/engagement/



Proxy-Voting Policy

Link: https://www.smd-am.co.jp/english/corporate/responsible_investment/voting/

Designated reference benchmark

The Sub-Fund does not use a reference benchmark to attain its promoted environmental and social characteristics.

Version	Date	Details of change
1.0	28 May 2024	Initial document



Note: Further information relating to SMDAM's commitment to Sustainability and SFDR is available at:

Link: <https://www.smd-am.co.uk/sustainability/>

Disclaimer

“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.

This is a disclosure issued by Sumitomo Mitsui DS Asset Management (UK) Limited. Registered in England and Wales. Registered office 100 Liverpool Street, London, EC2M 2AT; registered number 1660184. Authorised and regulated by the Financial Conduct Authority.

The disclosures in this document are designed to comply with Article 10 of the Sustainable Finance Disclosure Regulation ((EU) 2019/2088) (“SFDR”) and Articles 24 to 36 of the Commission Delegated Regulation (EU) 2022/1288. The information disclosed is required by law to help you understand the sustainability characteristics and/or objectives and risks of this financial product. This document contains both product and firm-wide specific information for the strategy on sustainability-related aspects.

The information in this document is not intended to be investment advice, tax, financial or any other type of advice, and is merely a summary and an overview of the sustainability-related aspects of the Sub-Fund. This document should not be construed as an offer to purchase shares of the Sub-Fund. It is correct to the best of our knowledge at the date of issue. This document may not be copied, redistributed or reproduced in whole or in part without prior written approval from Sumitomo Mitsui DS Asset Management (UK) Limited.

For detailed information about the Sub-Fund please refer to the prospectus and the Key Information Document (“KID”). Financial information about the Sub-Fund is provided in the latest audited annual report or semi-annual report, whichever is newest. The KID, the prospectus and the most recent annual report and the latest semi-annual report, if published thereafter, are the only binding basis for the purchase of shares and investment decisions should be based solely on this. Documents can be obtained free of charge at Sumitomo Mitsui DS Asset Management (UK) Limited, and on <http://www.smd-am.co.uk/>.