



Environmental Report 2022

Corporate Operations

nikko am
Nikko Asset Management

NIKKO ASSET MANAGEMENT GROUP

ENVIRONMENTAL POLICY

Objective

Nikko Asset Management Group (Nikko Asset Management Co., Ltd. and its subsidiaries hereafter collectively referred to as the “Nikko AM” or “we”) is a leader in the Asian financial services industry serving clients around the world. Our fiduciary duty as an asset manager and our pursuit of corporate sustainability are two sides of the same coin. With sustainability at the core of everything we do, we recognise the threat that climate and environmental-related risks pose to our world. As part of our responsibility to all our stakeholders including the communities we operate in, we are committed to creating a culture of environmental consciousness among our colleagues, ensuring this consciousness is embedded in the firm’s strategy and ultimately minimizing our negative impact on the environment.

Scope

This policy covers Nikko AM’s commitment to environmentally conscious practices in relation to our business operations. Policies related to incorporating environmental, social and governance (“ESG”) issues in our investment process and our investment approach to climate change are described in our Commitment to Responsible Investing and Position Statement on Climate Change respectively.

Nikko AM’s Commitment

In line with our support for the UN Sustainable Development Goals (“SDGs”) and international commitments including Japan’s declarations to achieve carbon-neutrality by 2050, Nikko AM strongly believes in mitigating the environmental impact of our corporate activities. We focus on the following areas:

Compliance with regulations

Nikko AM commits to complying with the relevant environmental laws and regulations of the regions we operate in, and adopting environmental best practices in our business operations.

Reducing our greenhouse gas emissions

Nikko AM has established a process to measure, assess and offset our greenhouse gas emissions every year, and has been certified “carbon neutral” since 2018. Going forward, by the year 2030, we aim to reduce our emissions per employee by 40% compared to our 2019 level¹. We will launch various initiatives to achieve this goal and monitor and disclose our progress regularly.

Improving resource efficiency

Nikko AM commits to eliminating waste to reduce greenhouse emissions associated with manufacturing, transportation and disposal of the products we use. We will practice the “3R’s” of reduction, reuse and recycling across our operations.

Environmentally conscious vendor selection and procurement

Nikko AM aims to prioritise the selection of environmentally conscious vendors and service providers across our business and procure sustainable supplies from vendors where available.

Minimising single use plastics

Nikko AM commits to minimising the use of single use plastics in the workplace, to reduce the greenhouse gas emitted during the production of these plastics and to prevent microplastics from polluting our marine environment.

Promoting biodiversity in our natural environment

The protection of biodiversity is crucial for the sustained well-being of the communities Nikko AM operates in. We aim to play our part by supporting external initiatives in areas such as ocean biodiversity, reforestation and natural habitat conservation that are consistent with our goals.

Reporting and disclosure

Nikko AM is committed to the transparent disclosure of our environmental data. Nikko AM supports the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) and publishes an annual TCFD report in accordance with these recommendations. We also discuss our environmental activities in our Sustainability Report each year. We aim to continually enhance our reporting standards going forward.

Training and advocacy

Engagement with our colleagues across regions and departments is crucial to the success of Nikko AM’s environmental initiatives. We will keep our colleagues up to date with our goals through frequent internal communications. We will invite external experts to educate our colleagues on environmental

issues and provide opportunities for colleagues to participate in environment-related initiatives. As a firm, we will support external initiatives that are consistent with our goals.

Ownership

The Global Corporate Sustainability function, which includes the Corporate Sustainability Department is responsible for this policy and its administration. Amendments and abolition of this policy shall be made in consultation with the Corporate Sustainability Advisory Council, a body that includes senior management of our global entities and outside advisors, and the approval of the Global Executive Committee.

Corporate Operations

We recognise the threat that climate and environmental-related risks pose to our world, and believe that we have the responsibility to minimize the environmental impact from our operational activities. Since 2010, when we first laid out our environmental policy, we have been committed to proactively taking environmental issues into consideration in the course of our business.

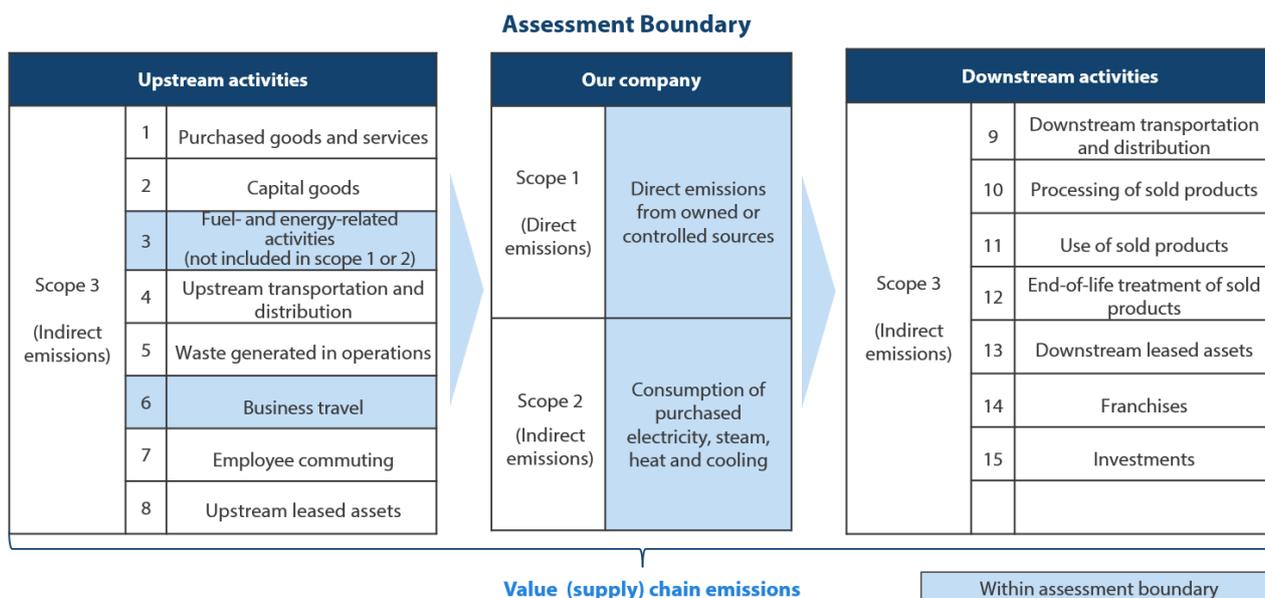
Governance

The Global Corporate Sustainability function, which includes the Corporate Sustainability Department, drives the efforts to consider environmental impact from our operational activities. The function regularly reports to and consults the Corporate Sustainability Advisory Council, a body that discusses corporate sustainability issues at a global level and includes representatives of senior management.

Group-wide Carbon Emissions

We have been measuring, assessing and offsetting the Group's direct greenhouse gas emissions since 2018. Our CO₂ equivalent emissions are calculated and assessed based on our firm-wide energy consumption and transportation data by a UK-based third-party consultant, Carbon Footprint Ltd.

The assessment covers our Scope 1, 2 and select items in Scope 3 emissions as highlighted in the Diagram 1 below. In particular, for Scope 3 we choose to include indirect emissions from business travel since they constitute a material portion of our overall footprint. Additional methodology information is presented in the Annex at the end of this report. For our 2021 assessment, we have added the emissions of our Luxembourg and Germany offices.



- Scope 1: Direct GHG emissions from owned or controlled sources of a company
- Scope 2: Indirect GHG emissions from the generation of purchased electricity, steam, heat and cooling consumed by a company
- Scope 3: All other indirect emissions that occur in a company's value chain (15 mutually exclusive categories)

Source: Greenhouse Gas Protocol Technical Guidance for Calculating Scope 3 Emissions, Ministry of the Environment,

We have found that our total GHG emissions and emissions per employee for 2021 are as follows.

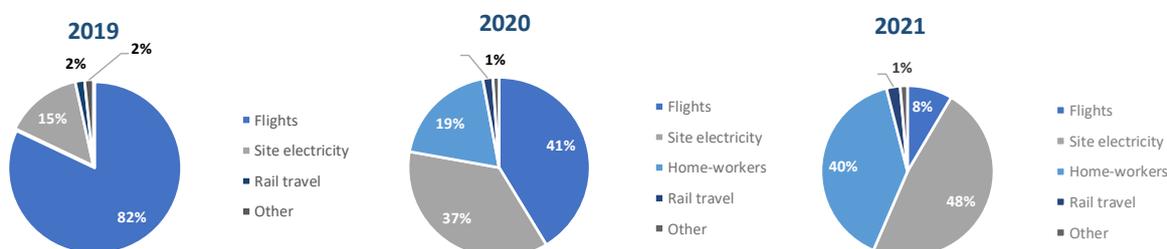
Diagram 2: Breakdown of Nikko Asset Management Group Carbon Footprint

NAM Group Carbon Footprint	2019 (Baseline year)	2020	2021	% change from baseline year
Total Tonnes CO2 Emissions	5,469.6	1,822.8	1,127.3	-79.4%
Tonnes of CO2 / Employee	5.9	2.1	1.2	-79.4%

The most significant factor in the reduction of the total emissions is attributed to reduced travel due to the COVID-19 pandemic and restrictions on travel. Emissions due to travel reduction decreased by 79.4% in 2021

since the baseline year, 2019. While onsite electricity also decreased by 36%, this was more than offset by the incremental energy usage by employees working from home.

Graph: Breakdown of Group-wide Carbon Footprint



"Other" includes gas consumption and taxi, rental car, and bus travel.

*Past performance is not indicative of future results.

The graphs below represent the percentage contribution of each element of Nikko AM's carbon footprint for the past three years, including our baseline year, 2019.

Diagram 3: Carbon Footprint Assessment by Scope and Source Activity

Scope	Activity	2019 Tonnes CO2e	2020 Tonnes CO2e	2021 Tonnes CO2e	% Change from Baseline Year
Scope 1	Site gas	8.6	8.0	10.0	16.5%
Scope 2	Electricity generation	785.3	624.3	502.0	-36.1%
Scope 3	Home-workers	N/A	352.6	446.6	N/A
	Flights	4,491.7	755.8	95.2	-97.9%
	Rail travel	95.3	32.5	28.9	-69.6%
	Electricity transmission & distribution	40.1	29.4	24.6	-38.7%
	Taxi travel	23.9	10.8	12.8	-46.6%
	Non-controlled site electricity	N/A	5.9	4.8	N/A
	Hire cars	18.6	3.6	2.5	-86.4%
	Employee owned car travel (grey fleet)	4.2	N/A	N/A	N/A
	Bus travel	1.9	0.0	N/A	N/A
	Ferry travel	N/A	N/A	<0.1	N/A
Scope 3 Sub Total		4,675.7	1,190.5	615.3	-86.8%
Total tonnes of CO2e		5,469.5	1,822.8	1,127.3	-79.4%
Tonnes of CO2e per employee		5.9	2.1	1.2	-79.4%

Including full time staff & directors, contract and part time staff of Nikko AM Group (As of 31 Dec)

*Past performance is not indicative of future results.

The diagram below shows our emissions split by each office. Aside from actual onsite energy and transportation usage, location specific factors such as the renewable energy mix of the national electricity grid influence these figures.

**Diagram 4: GHG Emissions per Office
(Location-based)**

Site name	GHG emissions (tCO2e)	
	total per office	per person
Tokyo	799.31	1.31
Singapore	127.26	0.85
London	63.81	0.89
Auckland	23.97	0.68
New York	50.49	1.68
Edinburgh	16.73	1.39
Hong Kong	32.27	2.93
Luxembourg	8.37	0.84
Sydney/Melbourne	7.44	N/A
Germany	3.17	1.06

*Note: Sydney/Melbourne are only included up to March 2021.

*Past performance is not indicative of future results.

Separately, Tokyo headquarters have been recording and analysing various environmental metrics over several years. During 2021, there was a significant decrease in the amount of copy paper purchased, as a result of approximately 70% of our employees working from home.

The Tokyo office building facility monitors and actively works to minimize energy consumption through the recycling of rainwater and wastewater, use of natural and efficient lighting, and the promotion of solar power generation.

Diagram 5: Environmental Performance of Nikko AM Tokyo Headquarters

	Units	FY2019	FY2020	FY2021	% change from previous FY
Power usage	1,000 kWh	1,007	869	851	-2.1%
Total energy consumption	GJ	13,710	12,149	11,702	-3.7%
Copy paper purchase per capita	Sheet	457	114	108	-5.3%
Stationery green purchasing ratio	%	13.6	9.5	20.6	116.8%

Environmental performance of Nikko AM Headquarters in Tokyo, Japan during the one-year period between April to March of the following year.

*Past performance is not indicative of future results.

Carbon Emissions Offset Projects

Based on the assessment, we offset all of our emissions by purchasing carbon credits of certified projects that help reduce carbon emissions elsewhere in the world. To offset our 2021 emission, we purchased carbon credits from the following project. With this, Nikko AM has been certified as carbon neutral by Carbon Footprint Ltd.

[Methane Gas Capture and Electricity Production at Kubratovo Wastewater Treatment, Sofia Bulgaria](#)

The project in Sofia, Bulgaria is both a methane emissions reduction and an electricity and heat production project, whereby methane produced on the wastewater treatment plant will be captured and used in CHP gas engines for electricity and heat production. Its objective is to capture methane emissions and to maximise generation of electricity and heat from the gas engines thereby reducing the electricity demand of the plant produced from fossil fuel and heat from burning of diesel fuel. Electricity not used for own consumption will be supplied to the grid. In addition, by transforming the existing low tech sludge treatment process there will be a reduction by almost 50% in the volume of sludge transported to landfill, reducing the GHG emissions from transportation. The credits to this project are Gold Standard Verified Emission Reduction certified.

GHG emission reduction efforts

We will continue to offset our greenhouse gas emissions through carbon credits. However, it is most important that we strive to reduce our firm's emissions through internal efforts and offset only what we cannot reduce. While the reductions in our emissions compared with our baseline year 2019 were significant in 2020 and 2021, we are very much aware that they were achieved under abnormal circumstances of the pandemic. As the world gradually normalises, we need to apply what we learned through this period and suppress the rebound of our greenhouse gas emissions.

We believe having a clear long term reduction target will help us achieve this. As such, in 2021 we revised our [Environmental Policy](#) to include a commitment to set a specific carbon emissions reduction target, as well as encompass commitments towards broader environmental issues. As part of the revised policy, we have set a group-wide goal to reduce our greenhouse gas emissions per employee by 40% by the year 2030, vis-à-vis our 2019 levels¹.

¹Includes direct and indirect emissions in Scopes 1 and 2 (fuel combustion and consumption of purchased electricity) and certain indirect emissions in Scope 3 (transmission and distribution of energy and business travel not included in Scopes 1 and 2) as defined by the Greenhouse Gas Protocol

Focusing on our two main sources of greenhouse gas emissions, electricity usage and business travel, we seek ways to increase energy efficiency and reduce energy usage, switching to renewable energy where

possible and reviewing business travel plans.

To address electricity usage in our Tokyo office, which accounted for about 15% of our total carbon footprint in 2019, we will be entering a “green electricity contract” from FY2022, similar to green tariffs we already have in countries like the UK. This should effectively reduce the market-based emissions from the Tokyo office to zero.

As for other reduction of energy usage, nearly half of our Japan-based employees and most in our international offices have switched to secure laptops. Switching from office desktops to laptops reduces electricity usage, as they are more energy efficient than desktops of same performance and are typically not turned on around the clock like office desktops.

Energy efficiency	Normal power consumption	Maximum power consumption
Desktop	10W	86W
Laptop	6W	65W

*Source: Nikko AM. The table shows the power consumption disclosed by the manufacturer of a typical PC used at Nikko AM. The actual figure will vary will make and usage.

Also, we take to consideration that the information and communications technology ecosystem we greatly depend on has measurable GHG emissions. Thus, we have begun switching our external websites with an energy efficient design, with our Asia site being the first release. [link](#)

As for business flights, we recognise the fact that travel is necessary for our business and the low levels we saw in 2021 will not last once the world opens up. That said, we would like to suppress the rebound so that we are still on the path to our long-term reduction goal. As a first step to raise awareness among our employees, we plan to incorporate a field in the approval form for overseas trips to enter the carbon footprint of each flight, using a designated carbon calculator. The aim is to help our employees better understand how each flight adds up to our total carbon footprint.

Employee Education and Awareness Efforts

During 2021, the COVID pandemic made it difficult to organize any in-person events or activities. Working with the Japan Environment Group, a group of volunteers within the company who are passionate about environmental issues, we invited various external speakers to conduct online webinars to educate and raise awareness among our employees on the most recent environmental topics:

- A beverage company to talk about a reusable tumbler made from wood derived from forest thinning. All Japan employees received the tumbler as a part of a “Sustainability Package”.
- A recycling business that addresses food loss by reprocessing leftover food into healthy animal feed thus adding economic value to food that would otherwise go to incinerators. The webinar included a virtual factory tour to observe the recycling process.
- A forest conservation organization that collaborates with local communities to conserve forests and develop products to utilise Japanese lumber. The speaker talked about the global warming issue and what we can do as individuals.
- An Australia-based Japanese architect specialising in zero carbon architecture. The architect explained his emphasis on connecting to nature and “humanising” the urban environment.

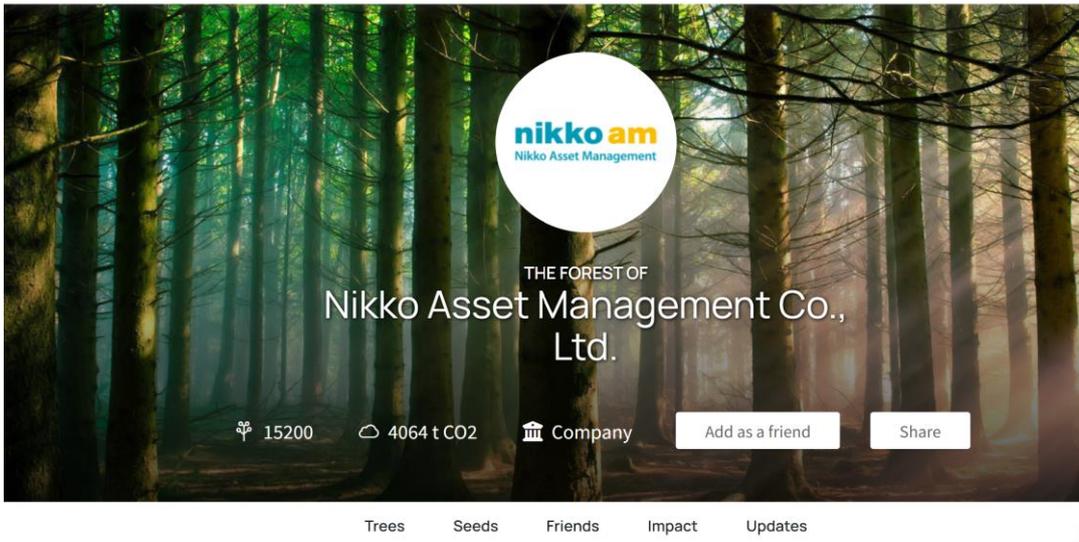
Direct Positive Impact

In May 2021, the London Office moved locations and the Nikko AM EMEA Sustainability Group used the opportunity for charitable giving. The group worked with a local charity which takes donated furniture and equipment from businesses and repurposes them for use in schools across the UK. The London office was able to donate 56 desks and 86 chairs which the organization says will benefit as many as 50 schools. Reuse of office supplies not only is positive for the environment but also supports such community causes.

At the end of 2021, the Tokyo office made its annual donation of disaster stockpiles. As we did the previous year, the Japan Environment Group partnered with a non-profit organisation whose purpose is to deliver overlooked social resources to those in need and to identify organisations that will deliver the goods to the ones needing them the most. As we anticipate a steady flow of stockpiled food and water that needs to be replaced, we will ensure they do not go to waste by planning ahead and donating as much as possible regularly.

In 2021, we also partnered with Tree-Nation, a non-government organization based in Europe to start a reforestation project. Tree-Nation provides an extensive online platform that enables individuals and companies to donate and plant trees in various projects around the world. “The Forest of Nikko Asset Management” was launched with 11,200 trees pledged to the Usambara Biodiversity Conservation Project in Tanzania and the Trees for Tigers Project in India. This initial contribution will reforest 7.19 hectares with 11,200 trees that are projected to absorb 3,424 tonnes of CO2 over their lifetimes. (Source: Tree-Nation)

Going forward, we plan to make additional contributions to the Forest of Nikko AM as a part of our ongoing efforts to tackle global climate change. [link](#)



Source: Tree-Nation

Annex

Methodology

Carbon Footprint Ltd (CFL) has assessed the greenhouse gas emissions (GHG) of Nikko Asset Management group based on a dataset provided by the company. CFL’s report has been prepared in accordance with Part 1 of ISO 14064:2018. The GHG inventory, report or statement has not been verified. The carbon footprint appraisal is derived from a combination of data collection by the company and computation by CFL’s analysts using the 2020 conversion factors developed by the UK Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). These factors are multiplied with the company’s GHG activity data to derive the equivalent CO₂ emissions. CFL has selected this preferred method of calculation as a government recognized approach and uses data which is realistically available, particularly when direct monitoring is either unavailable or prohibitively expensive. Emission factors used for non-UK sites are listed below.

Diagram 6. Emissions Factors for Non-UK Sites

Country	Factor year	Source
Japan	2018	Climate Transparency Report (2019)
Singapore	2018	Singapore Energy Market Authority (2018)
Australia	2019	Australian Government
New Zealand	2018	NZ Ministry for the Environment (2019)
United States	2018	US EPA (2020)
Hong Kong	2019	Hong Kong Electric Company

CFL confirms that the methodology used to quantify the carbon footprint meets the following principles:

- a) *The subject and its boundaries have been clearly identified and documented.*
- b) *The carbon footprint has been based on primary activity data unless the entity could not demonstrate that it was not practicable to do so, in which case an authoritative source of secondary data relevant to the subject was used.*
- c) *The methodology employed minimised uncertainty and yielded accurate, consistent and reproducible results.*
- d) *Emission factors used are germane to the activity concerned and current at the time of quantification.*
- e) *Conversion of non-CO₂ greenhouse gases to CO₂e has been based upon the 100-year Global Warming Potential figures published by the IPCC or national (Government) publication.*
- f) *Carbon footprint calculations have been made exclusive of any purchases of carbon offsets.*
- g) *All carbon footprints have been expressed as an absolute amount in t CO₂e.*

There are no CO₂ emissions from the combustion of biomass to be considered within this report. Within the calculation of Nikko AM Group's carbon footprint, there are no business processes resulting in the reduction of greenhouse gases from the atmosphere to be deducted from the calculation.

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