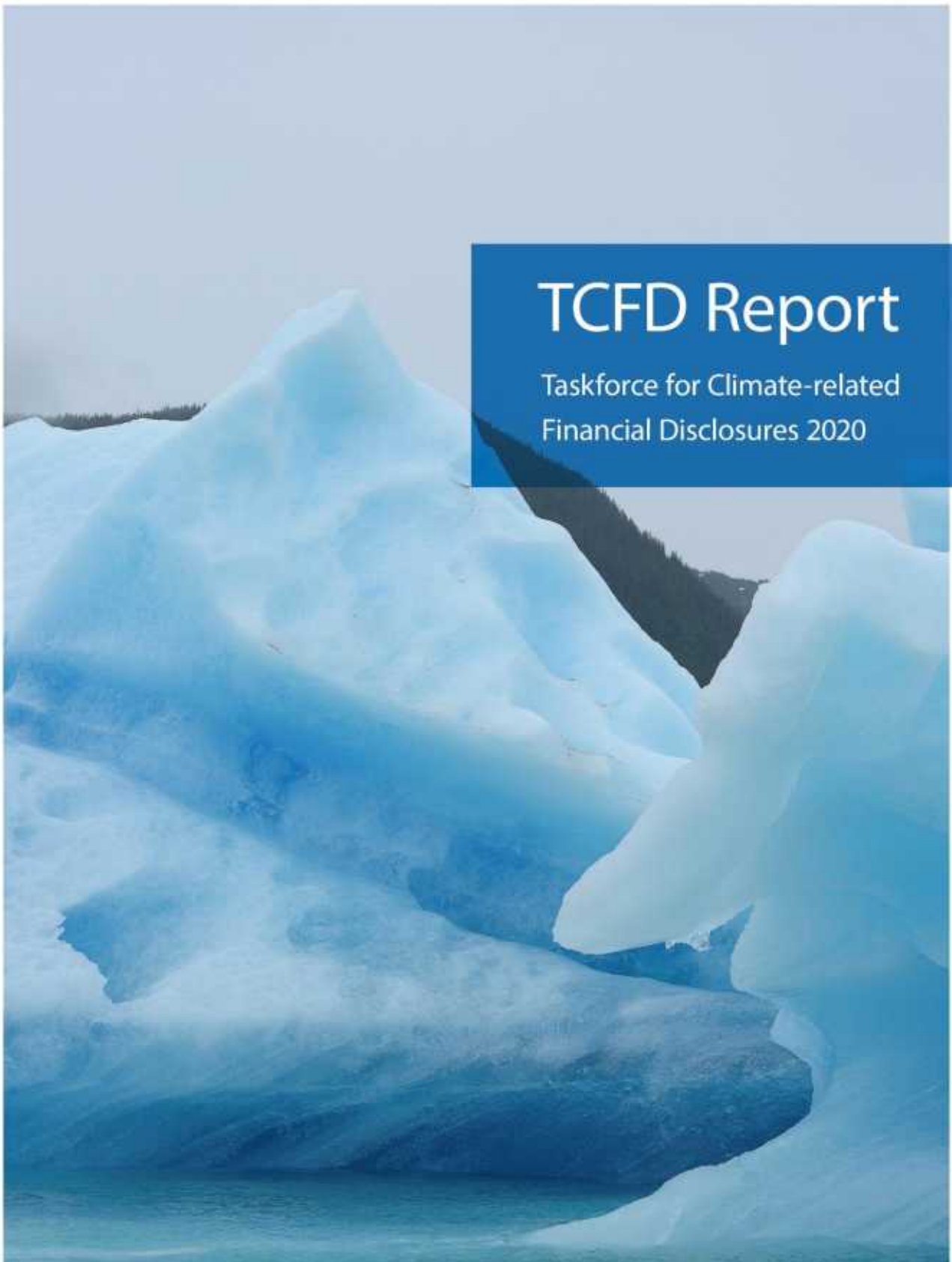




TCFD Report

Taskforce for Climate-related
Financial Disclosures 2020

I. Investments

Nikko Asset Management Position Statement on Climate Change

Nikko AM recognises climate change as one of the greatest challenges the global community faces, and considers it our fiduciary duty to address it in managing our clients' assets.

We support global initiatives in order to address climate change, such as the Paris Agreement and Sustainable Development Goals (SDGs), and this position statement sets out our stance on climate change. It should be read in conjunction with our "Commitment to Responsible Investing" and our latest "Climate-related Financial Disclosure Report".

1. Enhance in-house analytical capabilities

Our investment approach focuses on 'ESG integration'. Thus, we continually strive to recognise, understand, and improve various methodologies of assessing the risks and opportunities of climate change in our clients' portfolios. This includes appreciating the scientific implications of those methodologies as well as the structural changes in the business environments for the investee companies we analyse.

2. Collaborate with the investment community

We believe collaborative relationships can help to accelerate common goals in the investment community, such as mutual learning among participants in the Global Investor Coalition on Climate Change and policy engagement through the 2021 Global Investor Statement to Governments on the Climate Crisis.

3. Active stewardship

We believe that active dialogue and exercising voting rights on climate change, where appropriate, can lead to positive outcomes for the investee companies, our clients and our firm as well. We participate in relevant corporate engagement activities such as the Climate Action 100+, to communicate our expectations to investee companies.

4. Report on our activities

We are an early adopter of the Task Force on Climate-related Financial Disclosures (TCFD) initiative in 2018. Where our clients have specific requirements on reporting, we are proactive in addressing such needs.

In line with TCFD recommendations, we encourage our investee companies to take the following steps:

- Identify material climate change risks and opportunities in a range of scenarios, including sub-2°C scenarios, over appropriate time horizons.
- Integrate material climate change risks and opportunities into their overall business strategy and risk management.
- Disclose their management policies and processes toward the goals, and the resultant performances based on the above activities.

This Position Statement will be revised to reflect our continuing capability enhancement in the sustainable and responsible investing space.

Governance

We firmly believe that companies' ESG initiatives, including climate change issues, should not be separated from investment decisions. It is our fiduciary duty to evaluate climate change risks and opportunities when making investment decisions on behalf of our clients.

Fiduciary & ESG Principles are the most important guiding themes for Nikko AM as an asset management company. The ESG Global Steering Committee governs the fulfilment of ESG commitments and is chaired by the Global Head of Investment, who is also a member of the Global Executive Committee (GEC). The Steering Committee is mandated by the GEC and reports its activities to the Board of Directors at least once a quarter.

The ESG Global Steering Committee comprises investment team leaders around the world, who are responsible for ESG implementation in their teams' investment processes. The Steering Committee is responsible for evaluating and improving the effectiveness of our approach to ESG implementation based on the six Principles of the PRI.

ESG specialists also support the investment teams, primarily through building and refining in-house analytical capabilities, with the aim of making it easier for all investment professionals to integrate ESG to the fullest extent into their investment processes.

At Nikko AM's operations in Japan, the ESG framework is also supplemented by our company's stewardship and voting rights governance structure, consisting of the Stewardship and Proxy Voting Committee (Voting Committee) and the Stewardship and Voting Rights Policy Oversight Committee (Oversight Committee). The Voting Committee is responsible for guidance related to Nikko AM's stewardship activities, including formulating its stewardship policy, as well as amendments of the proxy voting policy. The Oversight Committee consists primarily of Nikko AM's independent board of directors in Tokyo, and is an independent body with oversight authority, responsible for monitoring whether Nikko AM's company engagement and exercise of voting rights are in line with its policies and truly meet the interests of investors in its Japanese operations. The Oversight Committee is also fully integrated into Nikko AM's governance structure and is required to report its activities and decisions to the Board of Directors.

Strategy

Where appropriate to the asset class, investment strategy and client requirements, individual investment teams may take specific ESG policies and procedures pertaining to their investment philosophy and process into account.

In 2019, we developed our Position Statement on Climate Change to reinforce our commitment and outline our approach to climate change. The statement contains the four building blocks of our strategy, and addresses all areas of impact under The Investor Agenda.

We strongly encourage our investment professionals to take advantage of various opportunities (training, meetings with experts, participation in external seminars, etc.) to expand their knowledge on ESG. Based on the expertise gained through such activities, our strategy for climate change is to conduct a comprehensive analysis of potential and existing investee companies by taking ESG factors into account, depending on the asset class, investment strategy and client requirements. The investment horizon of our major active strategies is medium to long-term in accordance with our clients, such as pension funds, sovereign wealth funds, insurance companies

and banks, who have correspondingly long-term outlooks and are increasingly concerned with climate change. We recognise long-term macro level mega trends such as demographic shifts while we acknowledge the level of uncertainty that must be reflected in our evaluation of individual companies. This is best illustrated by the examples of how we integrate climate change considerations into the investment processes (see the Risk Management section).

Climate change is an issue that potentially impacts all sectors on different time scales. Some impacts are direct, such as carbon tax policies, while others are indirect, such as the effects on ecosystems and biodiversity. Beyond known impacts, we also acknowledge that systemic impacts may arise from the increased instability of the physical systems as the global average temperature rises. Although estimates of the impact of global climate change exist, there is currently a high level of uncertainty about the impact at a more granular level. As an asset manager that thoroughly researches companies to seek out as-yet-unknown value, below are some examples of the impacts we consider:

- Regulatory and operating environment, which influences the degree of adaptation and vulnerability of companies to climate change
- Physical impact on business activities, which differs across industries and locations
- Social pressures from stakeholders, which may influence consumers' product selection and supply-chain management

In addition to integrating climate change considerations across our portfolios where appropriate to the asset class, investment strategy and client requirements, we work with clients to provide low-carbon investment solutions aligned with their specific investment beliefs. For example, our Green Bond strategy invests in securities that finance climate change mitigation and adaptation projects, ensuring the highest level of transparency for investors who want to avoid "greenwashing". Launched in 2010, the strategy targets global AAA-rated sovereigns, supnationals and agencies (SSAs) with the strongest sustainable development credentials, such as bonds issued by the Asian Development Bank and European Investment Bank.

Risk Management

In this section, we describe our processes and tools for assessing and managing the risks and opportunities of climate change in light of the four components of Nikko AM's climate change strategy.

1. Enhance in-house analytical capabilities

Our in-house capabilities in ESG integration have secured us mandates that meet stringent ESG criteria. We have also applied climate-related research tools such as carbon footprinting, shadow pricing and exposure to specific assets considered to be at higher risk of being stranded assets.

We use external ESG research to augment our research. The ratings can highlight companies deemed to be high risk, which serves as a catalyst for more in-depth analysis and debate on such holdings within our investment team, and within a broader audience through our ESG Global Steering Committee. We also believe that improvement of high risk companies will have opportunities to generate better performance than low risk companies, so that the organisation's commitment to do the right thing cannot be easily captured by a rating alone.

We generally do not apply blanket exclusions based on climate change factors, unless directed by our clients. We prefer active engagement and exercising voting rights as an effective ESG and stewardship tool for the investment process, for our clients, and for the broader economy and environment. We believe that exclusions based on formulaic filters to determine climate risks are often myopically-focused and inflexible, and fail to capture the future potential of companies to respond to the transition to a low-carbon economy.

We believe that thorough research and vigorous debate within the teams, as well as direct engagement with companies to get a first-hand appreciation of the issues, are still the best ways to evaluate ESG factors and judge their impact on investment outcomes. We also recognise that climate-related impacts are complex and uncertain, so we need to keep abreast of scientific findings and information, as well as regulatory and stakeholder responses.

We are actively exploring research tools to monitor the resilience of portfolios under a range of climate-related scenarios, including scenarios below 2°C. Some of the tools are promising in circumventing issues (such as selective coverage and poor quality of company disclosures) by procuring data from industry research.

2. Collaborate with the investment community

The magnitude of uncertainty and impact of climate change warrants collective action to develop solutions. We promote and implement best ESG practices embedded in the six Principles for Responsible Investment through collaboration, for example, by serving as the chairperson of the UN PRI Japan Network in 2012 and 2013.

In 2018, The Investor Agenda, which outlines investors' climate change measures to achieve the goals set out in the Paris Agreement, was launched, making Nikko AM the first asset manager headquartered in Asia to commit to addressing all four impact areas of the agenda. Concurrently, we also became an active participant in the Asia Investor Group on Climate Change (AIGCC), one of four regional climate change investor groups that form the Global Investor Coalition on Climate Change. The Group takes an investor's approach, seeking to always address the implications of climate change from the perspective of a responsible, long-term institutional investor. AIGCC represents the Asian investors' perspectives in the evolving global discussions on climate change and the transition to a greener economy.

We are an investor signatory to the CDP (previously known as Carbon Disclosure Project), a non-profit organisation that drives global disclosure of environmental data for companies, cities and states. We are also a signatory to the Climate Action 100+, which was launched at the One Planet Summit in December 2017 and collaboratively engages companies to reduce emissions. We participate in the collaborative engagement led by the PRI Palm Oil Investor Working Group (IWG), seeking to learn and share ESG issues linked with sustainable palm oil.

We recognise the systemic risk that climate change poses, and that it requires coordinated policy action and clear signals for a smooth transition to a low-carbon economy. We are a signatory to the 2021 Global Investor Statement to Governments on the Climate Crisis, which aims to achieve the goals of the Paris Agreement, accelerate private sector investment into the low-carbon transition, and commit to improve climate-related financial reporting.

We participate actively in forums and events, publish [thought leadership articles](#) available on our website, media or external academic websites, and engage a wide range of stakeholders including

clients, members of the investment management industry, policy makers and civil society.

In Japan, we have been a member of the Japan TCFD Consortium since its launch in 2018, and have participated in discussions around best practices for climate-related financial disclosure. We are also a signatory member of the Principles of Financial Action towards a Sustainable Society (for the 21st Century). This initiative gathers a broad range of financial companies as signatories to discuss sustainability in the context of the finance industry within Japan. The Japanese Ministry of the Environment acts as the secretariat, and the workshops regularly feature discussions between representatives of government agencies, employees of listed corporations, and financial professionals.

3. Active stewardship

Active dialogue with our investee companies, including on ESG and climate change where material, is a tool that spurs companies towards sustainable value creation. The exercise also deepens our understanding of the company, including the quality of the management and its future direction, which we evaluate and adjust our investment holdings as appropriate.

We are working with other investors through the Climate Action 100+, which calls on companies to improve their governance and financial disclosures on climate change in line with the TCFD, and curb emissions across the value chain.

In order to further enhance our engagement with investee companies, in 2017 we established the Active Ownership Group within the Japanese Equity Fund Management Department, and have been engaging with companies in both our active and passive investment strategy portfolios.

By engaging with investee companies, we seek to gain a deeper insight into the business environment, share our understanding with the company of the challenges it faces, and promote the enhancement of corporate value over the medium to long term. As part of this engagement, we emphasise dialogue on the company's management systems and their initiatives related to climate risks and opportunities. In addition, in March 2021, we published Nikko AM's Key ESG Themes for Japanese companies, which includes Action for a Decarbonized Society, on our website to clearly disclose to investee companies what we believe drives growth in investment returns over the medium to long term.

Given the spectrum of companies we engage with across asset classes, geographies and teams, below are a few examples to illustrate how we discuss climate change issues with our investee companies.

- Japan Equity: A trading company

For a trading company involved in the natural resource business, one material ESG issue is the risk of a future decline in demand for fossil fuels (i.e. stranded assets). We have evaluated that the



We participate in the Climate Action 100+. Companies on the initiative's focus list are making progress, with almost half of them establishing commitments to reach net-zero emissions by 2050 or sooner (Source: Climate Action 100+).

company has limited downside risk, given that the ratio of the resource business to net income is low, and the impact on equity capital is minor even if we assume all related assets are stranded assets. In regards to the governance system, the company established a Sustainability Promotion Committee as an advisory body to the Management Council to deliberate on important policies and measures, as well as report and supervise important initiatives to the management and the Board of Directors. The company has a Climate Change Policy, which sets out a group-wide target to become carbon neutral by 2050. In regards to the development of interests in thermal power generation and fossil energy, in principle, the coal power generation business will not engage in new development projects, and the coal mine development business will be limited to the share of production currently agreed upon. Lastly, to expand business opportunities related to climate change, the company is expanding the supply of renewable energy in the power generation business and promoting the production of CCS (Carbon dioxide Capture and Storage) and CO₂-free hydrogen. Based on these initiatives, we concluded that the company is managing climate-related risks and promoting opportunities, under the appropriate governance structure.

- Global Equity : Provider of meal kits

With the ambition “to provide the most sustainable food solution at scale to our customers across all the markets we are operating in,” this company should be recognised as being at the forefront of such innovation and playing a part in solving our planet’s problems. However, there is a disconnect between the company’s core purpose and the way that the company is perceived by external rating agencies, investors and consumers. The company does not rank in the top group of ESG rankings by ISS, MSCI or Sustainalytics. For consumers, packaging waste directly associated with meal kits has been the primary concern.

We engaged with the management team to draw the company’s attention to this problem and to understand how a solution might be reached. Management acknowledged that it needed to work harder to communicate its sustainability initiatives to its stakeholders. The month following our engagement, the company hosted its Capital Markets Day, which featured sustainability as a core component. Management took the opportunity to educate the market on its three core pillars of sustainability, (1) tackling food waste, (2) reducing carbon emissions and (3) addressing sustainable packaging initiatives.

It also announced quantitative and detailed environmental targets for 2021. The establishment of such goals evidences the company’s long-term commitment to sustainability. We believe that our engagement with management was key, and provided support for the company on its journey to improving ESG practices.

- Asia ex-JP Equity : REIT company

We engaged with the company management on its green targets. The company currently has a target for 2030 to reduce energy usage intensity by 30%, GHG emission intensity by 30% and water usage intensity by 60%. We suggested to management that they should be more ambitious

and aim for net zero carbon. Management explained that the targets were set some time back when the Singapore government put out environmental standards. They informed us that they

are currently in the process of re-evaluating the targets and that they believe it is possible to achieve net zero. While it was noted that the more ambitious target would cost a couple of million Singapore dollars, the management answered that they will consider Nikko AM's suggestions. They went on to explain that in order to achieve this more aggressive target all buildings needed to be low energy, so they can increase efficiency for high rise stacked buildings. They noted that if they cannot increase efficiency beyond a certain point, then they will need to reduce usage, and made it clear that they were not keen to buy renewable certificates to offset their emissions.

We also engaged with the management on the company's carbon accounting process. They explained that they use a conversion factor from energy used to derive a carbon footprint, but currently do not have specific tracking beyond that. They are also working to improve reporting of their carbon accounting to align with the TCFD recommendations and track the carbon emissions relative to the aforementioned targets, and collaborating with an external consultant to improve their overall sustainability reporting.

- New Zealand Equity: REIT company

We engaged in one of our listed property investees on their TCFD reporting. The company has started climate-related disclosures on its FY2020 annual report, which are in line with TCFD guidelines. The company has three commitments to reducing its carbon profile:

- 1) A \$2m investment to reduce emissions from HVAC systems
- 2) Currently net zero for Scope 1, Scope 2 and selected Scope 3 emissions (waste and business travel)
- 3) Transparency for stakeholders on the firm's climate impacts (via the TCFD disclosures)

Through this engagement, we are able to start tracking how the company fares going forward, as we are able to incorporate progress into our research and decision.

- Global Credit: A Government-owned utility Issuer

We evaluated a bond issued by North America's leading hydropower producer. The issuer provides utility services whereby it generates, transmits and distributes electricity to residential, commercial, institutional and industrial users within Canada and other parts of North America. The bond issued helps to provide proceeds for major clean energy projects specifically hydro-electricity and solar. It ranked highly within our team's proprietary ESG scoring with a clear focus on clean, renewable, and reliable energy and lowering greenhouse gas emissions. Therefore, we felt it provided a clear opportunity to provide capital to help the region's effort to mitigate climate change whilst fitting well into the Global Unconstrained portfolio. The purchase supports Nikko AM's commitment to green finance and align a flagship portfolio with an effort to help mitigate climate change.

Access to issuers helps to gain insight into current trends and provides the team an opportunity to ask specific ESG questions. We engaged with this specific issuer and were impressed with its investment agenda. Through engaging with issuers as part of our research, we are able to fully understand if the issuer is in line with our Global Fixed Income Team's ESG agenda and upholding global standards. When we are monitoring our portfolio, we will make sure an issuer is on track

and not deviating from its industry peers.

- Asia Credit: An energy company

As part of our investment analysis, we covered an energy company that is active in coal mining and power generation activities. The company has set clear goals for its medium-term strategy to invest in decarbonization measures and technologies, and develop new business-lines to materially reduce its reliance on coal-related activities within a set time frame. The company's proactive stance is viewed positively and compares favourably against its regional peers in terms of strategy to transition to a low-carbon society. Despite the company's exposure to coal, we expect the company's transition strategy to gradually bear fruit and improve its environment credentials within our ESG assessment.

- New Zealand Fixed Income: A property company

As part of the team's research on green bond issuance, we engaged with a listed property company's management over their climate change initiatives. The company is seeking to be net carbon-negative by 2030. They support low-carbon and alternative transportation by providing appropriate infrastructure in the company's buildings such as end of trip facilities in offices where possible to encourage people to use non-motorised transportation options. We see this as a positive and as a result have participated in the green bond issuance, which was widely sought after by a combination of retail and institutional investors.

As part of our active stewardship, we have also developed detailed proxy voting policies and guidelines, exercise our voting rights accordingly, and disclose them on our website. In addition, we also have supplemental policies that are tailored to each market. As appropriate, we are supported by external corporate governance and proxy voting advisers, who provide proxy voting analysis and recommendations. We note, ultimately the decision on how to exercise voting rights is determined by Nikko AM.

4. Report on our activities

This report serves as our third TCFD report, covering January to December 2020, and will be updated annually. This transparency reflects our commitment to engage and develop our internal capacity, and promote greater collaboration within and beyond the investment community.

Metrics and Targets

The TCFD has recommended the use of weighted average carbon intensity, while acknowledging the challenges and limitations of current carbon footprint metrics. The chart below shows the weighted average carbon intensity (WACI) of nine funds representing our in-house active equity

strategies and their respective benchmarks as of December 2020.

Weighted average carbon intensity (WACI) for Nikko AM's Representative Active Equity Funds

Representative Funds	Benchmark	Portfolio WACI	Benchmark WACI
		(tCO ₂ e/US\$M Sales)	(tCO ₂ e/US\$M Sales)
Global Equity	MSCI ACWI	25.9	155.3
Asia Equity (ex Japan)	MSCI AC Asia ex Japan	66.7	239.3
China Equity	CSI 300	118.2	219.4
New Zealand Equity	S&P/NZX 50 Index Gross with Imputation	128.7	120.8
Japan Equity Growth	TOPIX Total Return Index	69.3	84
Japan Equity Fundamental Value	TOPIX Total Return Index	131.4	84
Japan Equity Core	TOPIX Total Return Index	47.9	84
Japan Equity Research Active	TOPIX Total Return Index	52.1	84
Japan Equity Enhanced Index	TOPIX Total Return Index	79	84

Note: WACI is calculated using MSCI ESG Research and defined as Scope 1(direct) + Scope 2(indirect) greenhouse gas emissions normalized by sales in USD.

A survey by the U.S. Sustainability Accounting Standards Board (SASB) concluded that 68 out of 77 industries have been significantly affected in some way by climate risk. However, even when companies acknowledge that they have experienced or highly expect to be affected by physical climate risks, companies' disclosures of quantitative information on the magnitude and cost of the estimated risk is still limited (only 21% of companies in the study).

We are actively exploring climate scenario analysis research tools, particularly those supported and listed by PRI. The field is rapidly developing research tools that address different climate risks, including transition and physical risks. We learned from leading scientists that while the impacts of climate change are more clearly defined as global trends, there still remains a high degree of uncertainty at the regional and company levels where they can be most readily applied. We are committed to investigating these evolving research tools to boost our analytical capabilities, as part of our fiduciary duty to deliver sustainable value for our clients.

II. 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 and outside advisors.

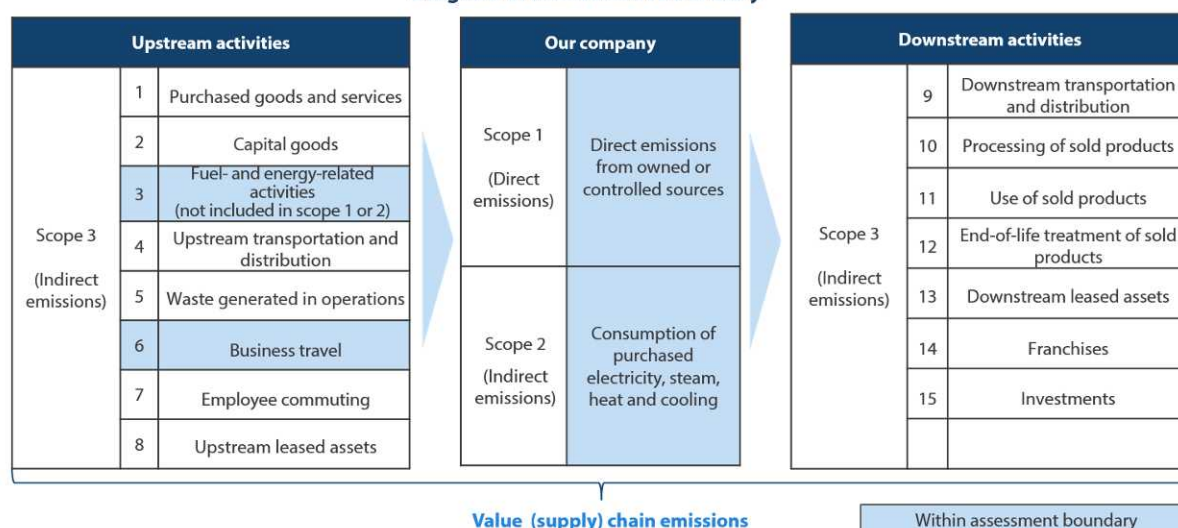
Group-wide Carbon Emissions

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 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 2020 assessment, we have added two items: data for our offsite servers, and an estimate of the additional electricity used as a result of employees working from home due to the global COVID-19 restrictions on travel and office-based working.

Diagram 1. Assessment Boundary



- 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 CO2 emissions, emissions per employee, and emissions per billion yen of revenue for 2020 are as follows.

Diagram 2: Breakdown of Nikko Asset Management Group Carbon Footprint

NAM Group Carbon Footprint	2019	2020	% change on previous year
Total Tonnes CO2 Emissions	5,906.90	1,822.80	-69.1%
Tonnes of CO2 / Employee	6.36	2.10	-66.9%
Tonnes of CO2 / JPY Billion Revenue	58.43	15.74	-73.1%

*2019 data: all employees of Nikko AM Group (As of 1 Jan 2020)

*2020 data: full time employees and permanent employees of Nikko AM Group (As of 31 Dec 2020)

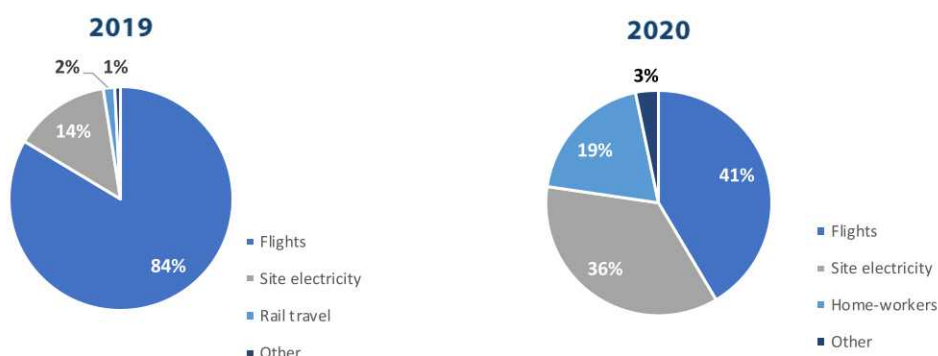
The most significant factor in the reduction of the total emissions is attributed to reduced travel due to the COVID-19 pandemic and restrictions on travel. Emissions due to travel reduction decreased by 85% in 2020. While onsite electricity also decreased by 26%, this was more than offset by the incremental energy usage by employees working from home.

Diagram 3: Carbon Footprint Assessment by Scope and Source Activity

Scope	Activity	2019 Tonnes CO2e	2020 Tonnes CO2e	% Change on Previous Year
Scope 1	Site gas	8.55	8.00	-6.4%
Scope 2	Electricity generation	785.30	624.26	-20.5%
Scope 3	Flights	4,929.09	755.79	-84.7%
	Home-workers	N/A	352.56	N/A
	Rail travel	95.31	32.52	-65.9%
	Electricity transmission & distribution	40.06	29.41	-26.6%
	Taxi travel	23.93	10.77	-55.0%
	Non-controlled site electricity	N/A	5.87	N/A
	Hire cars	13.35	3.61	-73.0%
	Employee owned car travel (grey fleet)	4.19	N/A	N/A
	Bus travel	1.86	0.02	-98.9%
Scope 3 Sub Total		5,107.79	1,190.54	-76.7%
Total tonnes of CO2e		5,901.64	1,822.80	-69.1%
Tonnes of CO2e per employee		6.35	2.10	-66.9%

The graphs below represent the percentage contribution of each element of Nikko AM's carbon footprint for 2019 and 2020. Although our emissions as a result of our domestic and international air travel have dropped from over 80% in 2019 to almost 40% in 2020 due to COVID-19 restrictions, it remains the largest contributor to our carbon footprint.

Graph: Breakdown of Group-wide Carbon Footprint



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

The diagram below shows our emissions split by each office. We recognize that offices with a smaller number of employees will generally have higher per headcount emissions. 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

Site name	GHG emissions (tCO ₂ e)
	total per office
Tokyo	1,180.68
Singapore	191.30
London	133.07
Sydney/Melbourne	120.32
Auckland	28.36
New York	88.26
Edinburgh	45.92
Hong Kong	34.90
Total	1,822.81

Separately, the Tokyo headquarters has been recording and analysing various environmental metrics over several years. During 2020, there was a significant decrease in the amount of copy paper purchased, as a result of approximately 70% of our employees working from home. Meanwhile, the firm conducted a survey three months into the work from home situation to understand the environmental impacts related to the working from home. The survey showed that the majority of our employees had not printed material at all while 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. In the near future, the building owner plans to offer tenants the option to choose renewable energy electricity. This is something we will be keen to consider in order to reduce our carbon footprint from onsite electricity.

Diagram 5: Environmental Performance of Nikko AM Tokyo Headquarters

	Units	FY2016	FY2017	FY2018	FY2019	FY2020	% change from previous FY
Power usage	Thousand kWh	1,029	1,057	1,092	1,007	869	-13.7%
Total energy consumption	GJ	13,441	13,807	15,191	13,710	12,149	-12.8%
Copy paper purchase per capita	Sheet	614	548	496	457	114	-75.1%
Stationery green purchasing	%	65	58.8	54.5	13.6	9.5	-30.2%

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

*Carbon dioxide emissions have been calculated based on the greenhouse gas emissions calculation set by the Tokyo Metropolitan Environment Securement Code.

**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. With this, Nikko AM has been certified as carbon neutral by Carbon Footprint Ltd. To offset our 2020 emissions, we funded two projects.

1. [The Thailand VP Biosupply Wastewater Treatment and Biogas Utilization Project](#)

The project captures methane at a Thai starch plant using closed anaerobic wastewater treatment facilities. Prior to this treatment, the starch plant treated its wastewater through cascading open lagoons. The combination of atmospheric and water temperature led to methane generation from the organic content in the wastewater. The methane captured through this treatment is used to fuel the existing boiler in the plant, replacing heavy fuel oil. The project not only improved local air and water quality, but the project and revenues from the carbon credits have generated jobs and supported educational activities for the local community.

2. [The Brazilian Amazon REDD+ Reducing Deforestation Project](#)

REDD+ is a framework created by the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP) to guide activities in the forest sector that reduces emissions from deforestation and forest degradation. This project is a mechanism to create financial value for the carbon stored in the forests and invest in low-carbon paths to sustainable development. The objective is being achieved by managing the land in the form of a "private conservation reserve", developing and implementing a management plan. This includes a rigorous monitoring and inspection plan that will actively involve trained local settlers living within project boundaries. Forest regeneration is a medium-term goal, which will increase the sequestered carbon, improve forest connectivity and the recovery of the local ecosystem.

The contribution to these communities are also in alignment with our firm's sustainability focus area of reducing inequalities.



Carbon
Neutral
Organisation



Environmental Policy revision and GHG emission reduction target

While we will continue to offset our greenhouse gas emissions, it is most important that we strive to reduce our firm's emissions through internal efforts. As such, we have 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.

The revamped Environmental Policy is based on the eight commitments below.

- 1. Compliance with regulations**
- 2. Reducing our greenhouse gas emissions**
- 3. Improving resource efficiency**
- 4. Environmentally conscious vendor selection and procurement**
- 5. Minimising single use plastics**
- 6. Promoting biodiversity in our natural environment**
- 7. Reporting and disclosure**
- 8. Training and advocacy**

Specifically, by the year 2030, we aim to reduce Nikko AM's group-wide greenhouse gas emissions per employee by 40% compared to our 2019 level.¹

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

The full environmental policy can be found at: <https://en.nikkoam.com/environment-policy>

While the reductions in our emissions were significant in 2020, we are very much aware that they were achieved under abnormal circumstances. As the world gradually normalises, we are conscious that 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.

We will address our two main sources of greenhouse gas emissions, electricity usage and business travel, by reducing energy usage and increasing efficiency, switching to renewable energy and reviewing business travel plans. This will be combined with internal employee education and engagement. We will report on progress in future editions of this report.

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:

- The subject and its boundaries have been clearly identified and documented.
- 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.
- The methodology employed minimised uncertainty and yielded accurate, consistent and reproducible results.
- Emission factors used are germane to the activity concerned and current at the time of quantification.
- 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.
- Carbon footprint calculations have been made exclusive of any purchases of carbon offsets.
- 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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