EUROPEAN
COMMISSION

Brussels, 6.4.2022
C(2022) 1931 final

ANNEX 4

**ANNEX**

***to the***

**Commission Delegated Regulation (EU) .../...**

**supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports**

*ANNEX IV*

**Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Product name:** NicheJungle Japanese Orphan Companies SDG Fund **Legal entity identifier:** 635400C64YEVVDYEZO18

# Environmental and/or social characteristics

**Did this financial product have a sustainable investment objective?** *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

| ☐ **Yes** | ☒ **No** |
|---|---|
| ☐ It made **sustainable investments with an environmental objective:** ___% | ☒ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, had a proportion of 100% of its assets, excluding cash and derivatives, invested in sustainable investments |
| ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy | ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy |
| ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy | ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy |
| | ☒ with a social objective |
| ☐ It made **sustainable investments with a social objective:** ___% | ☐ It promoted E/S characteristics, but **did not make any sustainable investments** |

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

**To what extent were the environmental and/or social characteristics promoted by this financial product met?**

The Japanese Orphan Companies SDG fund was launched on 3 October 2022. At the end of the reporting period the fund was invested in 169 securities that represented on average 93% of the Net Asset Value of the Fund. The average weight of the equity component was 89.7% of the Assets in the year of reporting.

The Investment Manager carried out ESG analysis on the stock included in the portfolio. The percentage of company subjected to internal ESG analysis was 100% of the investee companies.

Since the inception, the sustainability team started the engagement with 100% of the companies that became part of the portfolio. More details on the engagement activity carried out, which is one of the fund's focus elements, can be found in the section *"What actions have been taken to meet the environmental and/or social characteristics during the reference period?"*

During the same reporting period, the financial product was on average 3% invested in corporate and government bonds. In relation to government bonds, the Investment Manager did not invest in any country that appears in sanction lists or that the Investment Manager deems not to be investable based on scores published via the Freedom in the World report (Freedom House), Global Peace Index (Institute for Economics and Peace) and Women, Business and the Law index (World Bank). The financial product was also invested in three corporate bonds of Japanese companies in the financial and industrial sectors on which ESG analysis was performed.

- ***How did the sustainability indicators perform?***

| ***Indicator*** | |
|---|---|
| Exclusion filter | 100% |
| Company subject to internal ESG analysis | 100% |
| % of investee companies which the Investment Manager engaged upon the minimization of their negative impact and their functionality to SDGs | 100% |

- ***…and compared to previous periods?***

The percentage of company by weight which was subject to exclusion filter in 2023 remained at 100% as this is a prerequisite of the fund.

The companies subject to internal analysis in 2023 increased slightly, to 100%, compared to 93% in the previous reporting year. The fund was launched in October 2022, and therefore, by the end of 2023, all holdings within the portfolio has reached full ESG coverage.

The engagement rate of 100% has remained consistent with the previous reporting period. The investment managers continue to aim for constructive dialogue with portfolio companies to encourage improvements in any sustainability practices that are deemed weak. This engagement process follows and records the progress made by the investee company over time with the objective of promoting environmental and/or social characteristics.

***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

The sustainable investment that the financial product partially intends to make is attained by investing mainly in securities issued by companies that produce a positive impact instrumental to the achievement of the SDGs as defined by the United Nations. The contribution to the achievement of the SDGs is implemented through an internal review of the company and its business. The investment manager utilizes a proprietary process developed internally to verify whether and to what extent (measuring the impact) the companies are instrumental to the achievement is based on 3 steps: *Exposure to SDG business*, *SDG repercussions* (the impact of the business on the achievement of the SDGs) and *Business growth* (whether and how much the company is investing in the SDG business, making it grow).

The percentage of investee companies with a positive SDG score, based on the Investment Manager proprietary methodology, was 100% of the investee companies.

***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The Investment Manager had ensured that the sustainable investments held in the portfolio did not cause significant harm to any environmental or social objective through ESG analysis, together with the analysis of principal adverse impacts (PAI).

*How were the indicators for adverse impacts on sustainability factors taken into account?*

The Principal Adverse Impact (PAI) indicators were considered at two levels:
- on the one hand, they were integrated into the internal analysis of each security monitored in the ESG analysis.
- in addition, they were used to analyse not only the intensity recorded for each factor, but its dynamics. The Investment Manager focus has been on the path undertaken by the investee company in terms of negative impact reduction, both from an environmental and social point of view.

The Investment Manager did its best to collect and compile Principal Adverse Impact (PAI) indicators, but in several cases the investee-reported data were difficult to collect or not available. It should be noted that the fund invests in companies that are based outside the European Union. These companies are

also characterised by their small size and are often still in an embryonic stage in terms of their approach to sustainability issues.
In order to increase the coverage of PAI, the investment manager stimulated the investee company on PAI regulation and the disclosure of data not reported in corporate sustainability documentation.

*Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

At the moment of purchase, the Investment Manager verified to the best of its knowledge that the Fund investments were aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This assessment was done via direct contact with the investee companies and by the controversy analysis.
Sub-Fund investments were then continuously monitored. During the period under review, the monitoring activity led to one investee company to being frozen in the portfolio, pending a better understanding of the material issue / controversy emerged and the remedies taken by the investee companies. The controversy surrounded charges of big rigging, violating anti-monopoly laws. An engagement activity was consequently carried out on this company, which has not yet yielded positive results. Thus, further action will be carried out into the following year. However, in the case that action fails to yield desired results, a liquidation procedure for the investment will be enacted.

## How did this financial product consider principal adverse impacts on sustainability factors?

The Investment Manager ensured that the sustainable investments held in the portfolio do not cause significant harm to any environmental or social objective through the analysis of principal adverse impacts (“PAI”), as referred to in Annex I of the SFDR Delegated Act.

The following PAI on sustainability factors were considered:
- Mandatory Environmental indicators (PAI 1-9, Table 1) and Optional Environmental Indicator (PAI 7, Table 3);
- Mandatory Social and employee matters indicators (PAI 10-14, Table 1).

For what concerns a description of the adverse impacts and the procedures put in place to mitigate those impacts, please refer to the Investment Manager PAI Impact Statement.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period 31/12/2022 - 30/12/2023 as of 30/12/2023, EUR

## What were the top investments of this financial product?

| Largest investments | Sector | % NAV | Country |
|---|---|---|---|
| Endo Manufacturing | Consumer Discretionary | 1.17% | *Japan* |
| Zenitaka | Industrials | 1.14% | *Japan* |
| United | Information Technology | 1.08% | *Japan* |
| Komaihaltec | Industrials | 1.06% | *Japan* |
| HONDA 0.750 01/17/24 | Bond | 1.02% | *Japan* |
| DEGV 06/21/23 | Bond | 1.01% | *Germany* |
| Koike Sanso Kogyo | Industrials | 1.00% | *Japan* |
| Sintokogio | Industrials | 0.98% | *Japan* |
| Trinity Industrial | Industrials | 0.97% | *Japan* |
| Akita Bank | Financials | 0.94% | *Japan* |
| Kyokuto Kaihatsu Kogyo | Industrials | 0.94% | *Japan* |
| Yamanashi Chuo Bank | Financials | 0.92% | *Japan* |
| Nittetsu Mining | Materials | 0.89% | *Japan* |
| Kikukawa Entrprs | Industrials | 0.88% | *Japan* |
| Origin Limited | Industrials | 0.88% | *Japan* |

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period 03/10/2022 - 30/12/2022 as of 30/12/2022, EUR

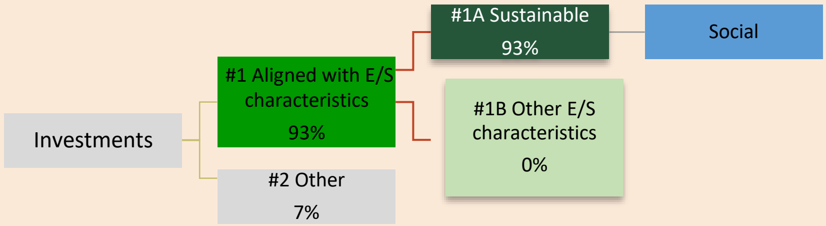
| Largest investments | Sector | % NAV | Country |
|---|---|---|---|
| German tree bill | *Government bond* | 2.36% | *Germany* |
| Akita Bank | *Financials* | 1.56% | *Japan* |
| Honda Fin | *Corporate bond industrial* | 1.32% | *Japan* |
| Mitsubishi UFJ Fin | *Corporate bond financial* | 1.20% | *Japan* |
| Sumitomo Mitsui Fin | *Corporate bond* | 1.20% | *Japan* |
| Yamanashi Chuo Bank Ltd | *Financials* | 1.20% | *Japan* |
| Sintokogio | *Industrials* | 1.10% | *Japan* |
| Bank Of Iwate Ltd | *Financials* | 1.01% | *Japan* |
| Hyakujushi Bank | *Financials* | 0.98% | *Japan* |
| Pacific Metals Co Limited | *Industrials* | 0.97% | *Japan* |
| Komaihaltec | *Industrials* | 0.97% | *Japan* |
| Endo Manufacturing Co Ltd | *Industrials* | 0.95% | *Japan* |
| Zenitaka | *Industrials* | 0.95% | *Japan* |
| Bank Of Saga | *Financials* | 0.90% | *Japan* |
| Tomoe Corp | *Industrials* | 0.87% | *Japan* |

## What was the proportion of sustainability-related investments?

The investments of the Financial Product that attained the promoted environmental or social characteristics during the period covered by the periodic report were on average 93% of the Net Asset Value of the fund. Within this category, 100% of the Fund’s equity investments were Sustainable Investments with a social objective.

**Asset allocation** describes the share of investments in specific assets.

### *What was the asset allocation?*




**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The other investments – 7% of the Net Asset Value of the Fund – included cash and currency hedging derivatives that were used by the portfolio management for liquidity and hedging purposes.

### *In which economic sectors were the investments made?*

| Sector | Sub-Sector | Avge Weight |
|---|---|---|
| **Industrials** | | **43.18%** |
| | Construction & Engineer | 15.76% |
| | Machinery | 14.50% |
| | Electrical Equipment | 3.55% |
| | Trading Co & Distrib | 3.26% |
| | Building Products | 2.34% |
| | Commercial Serv & Supply | 0.99% |
| | Ground Transportation | 0.85% |
| | Professional Services | 0.81% |
| | Marine Transportation | 0.69% |
| | Industrial Conglomerates | 0.39% |
| **Financials** | | **10.61%** |
| | Banks | 10.61% |
| **Materials** | | **11.09%** |
| | Metals & Mining | 4.10% |
| | Chemicals | 3.38% |
| | Containers & Packaging | 3.11% |
| | Construction Materials | 0.49% |

| | | |
|---|---|---|
| **Consumer Discretionary** | | **9.68%** |
| | Automobile Components | 4.02% |
| | Distributors | 1.63% |
| | Text, Apparel & LuxGoods | 1.26% |
| | Leisure Products | 1.17% |
| | Diversified Consumer Services | 0.67% |
| | Specialty Retail | 0.59% |
| | Household Durables | 0.33% |
| **Cash & Equivalents** | | **6.93%** |
| **Consumer Staples** | | **5.66%** |
| | Food Products | 3.01% |
| | Consumer Staples Distribution & Retail | 2.03% |
| | Personal Care Products | 0.62% |
| **Information Technology** | | **4.89%** |
| | Electronic Equipment, Instruments & Components | 1.87% |
| | Software | 1.43% |
| | Semiconduct & Semi Equip | 0.64% |
| | Communications Equipment | 0.49% |
| | Technology Hardware, Storage & Peripherals | 0.46% |
| **Communication Services** | | **2.72%** |
| | Media | 2.05% |
| | Entertainment | 0.67% |
| **Bond** | | **3.39%** |
| **Health Care** | | **1.09%** |
| | Pharmaceuticals | 0.76% |
| | Biotechnology | 0.33% |
| **Real Estate** | | **0.53%** |
| | Real Estate Management & Development | 0.53% |
| **Energy** | | **0.22%** |
| | Energy Equip & Services | 0.22% |

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities are** activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

**To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Fund does not commit to invest a minimum proportion of sustainable investments with an environmental objective aligned with the EU Taxonomy.
Since the invested companies are based in Japan an area outside the EU that has not adopted disclosure on environmental taxonomy, the percentage of investee companies the percentage of environmentally sustainable investments aligned with the EU Taxonomy was 0% of the Fund’s net assets

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

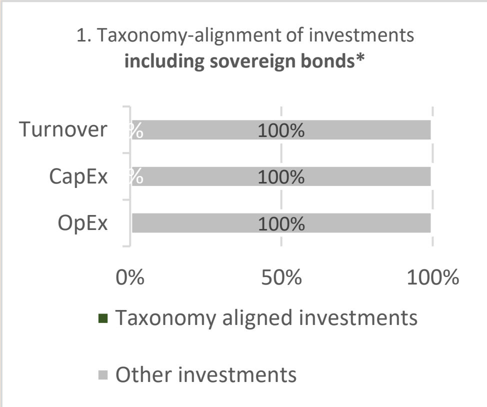
**Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?**

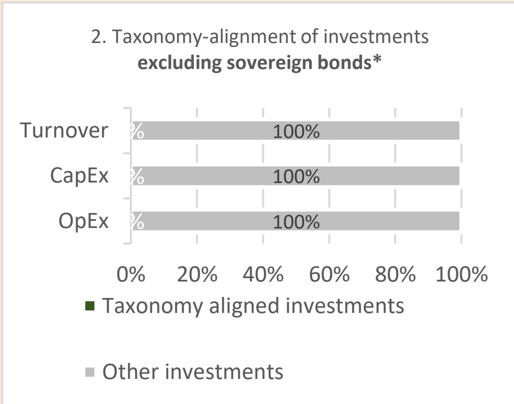
☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No

***The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.***




**For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

***What was the share of investments made in transitional and enabling activities?***

*Not applicable*

***How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?***

*Not applicable*

**What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?**

*Not applicable*

---

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

### What was the share of socially sustainable investments?

The Fund socially sustainable investments were on average 100% of its assets, excluding cash and derivatives, pursuant to Article 2(17) SFDR.

### What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

The “other” investments included cash and currency hedging derivatives that were used by the portfolio management for liquidity and hedging purposes. There were no specific environmental or social safeguards applied to this part of assets.

## What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The actions taken to fulfil the sustainable objective were:

1. **Analysis.**

   As a prerequisite for the fund, all potential investee company’s business must be analysed to assess whether and to what extent it was functional to achieve the Sustainable Development Goals (SDGs). This implies collecting information about the growth and the investments of the SDG related businesses of the company.

   Further analyses are also conducted for the good governance practices, sector exclusions, and to exclude violations of UN Global compact principles.

   An ESG analysis, which must be updated annually for all investee companies, ensures that the funds promote sustainable characteristics. Furthermore, an analysis of principal adverse impacts (“PAI”) ensures that the Sustainable Investments held in the portfolio do not cause significant harm (DNSH) to any social objective promoted by the fund (i.e. SDGs). This is a dynamic analysis focused on the improvements of the environmental and social PAI factors of investee companies together with their sustainability reporting.

   Depending on the company’s size and level of sustainability disclosure, different ESG analysis approach is used to provide a fair scoring system which is inclusive to companies which are still at the early stage of their sustainability journey. This is in the form of a simplified internal ESG analysis for those with a low sustainability base (companies which do not publish a sustainability report), or in the form of a full internal ESG analysis for companies with a high sustainability base (companies which have published a sustainability report following globally acknowledged sustainability reporting frameworks and do not have proper Refinitiv ESG data coverage), or through Refinitiv ESG score when accurately available (when the peer selection is considered proper).

The Do No Significant Harm principle is also methodically applied to the existing portfolio through the monitoring of controversies and violation of UN Global Compact. Once an issue is encountered the stock is immediately frozen and the company is contacted to understand the materiality and any remedies in place. If it turns out that any relevant UN Global Compact Principles have been violated in a material way, the Investment Manager expects the company to fix the violation, to change its procedures and to substitute the high-level management in charge of the related function as a forward-looking approach. In the case that engagement does not yield the desired results within 18 months since the controversy came to light, a divestment process will be enacted.

**2. Engagement.**

Engagement has been started with 100% of investee companies. As the Fund is primarily focused on investment in Japanese Companies that mainly belong to the small cap category, where information on ESG practices and sustainability efforts is often not readily available with even several of them at a very embryonic stage in sustainability, engagement is used an essential tool to understand a company's current standing on ESG practices and commitment to sustainable business operations.

Through internal ESG analysis, the weakest companies in terms of sustainability disclosure and practises are identified to steer the direction of engagement. Companies which do not meet the internal minimum ESG score threshold of BBB are considered the top priority of constructive engagement to understand the strategies adopted by management to improve sustainability levels from an environmental and social perspective.

Engagement is conducted in the form of video calls and surveys where among others, the following topics were especially touched upon: carbon footprint, renewable energy use, improving sustainability reporting, and board gender diversity. All engagements are recorded and tracked to analyse the progress made by the investee company over time.

The Investment Manager maintains a strong perspective on the significance of fostering positive engagement attitudes and establishing long-term relationships with the firms within the portfolio. Therefore, if a firm which does not meet the minimum ESG criteria shows no progress in willingness to improve sustainable business practices from constructive engagement, the Investment Manager will divest the associated stocks within 18 months of their addition to the portfolio.

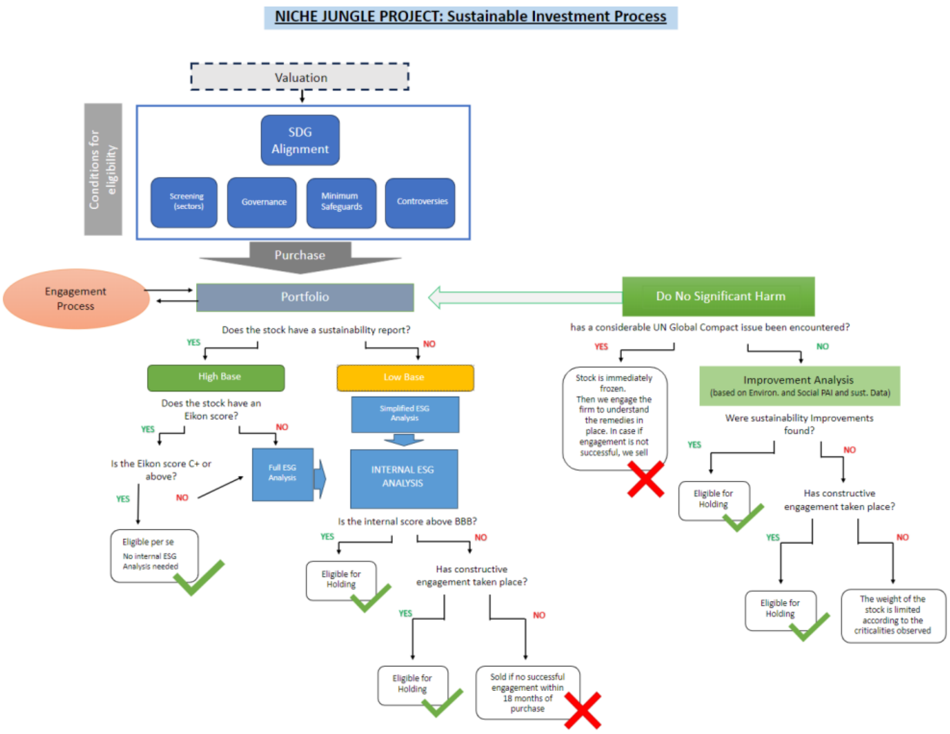
In terms of results, the ongoing engagement process saw a constructive engagement response of about two thirds of the investee companies (in term of NAV weight) since inception. Two stocks in the portfolio were sold during the year because the companies did not want to engage with the investment manager.

While all the companies' businesses in the portfolio are instrumental to the achievement of the SDGs, the engagement also includes the promotion of the Sustainable Development Goals ("SDG") contribution declarations where it has not been explicitly made by the firm.

**3. Sustainability integration within the investment lifecycle**

The results of the improvement analysis, together with the firms ESG score and response to engagement is displayed on the fund monitoring system for the Investment manager to be able to consider the sustainability function to incorporate into the investment strategy.

Hence, together with a bottom-up financial and business analysis, the investment manager takes into consideration the companies ESG score, response to engagement, and PAI and sustainability reporting related improvements to allow informed, sustainability integrated decisions on the weight of the stock in the portfolio. The lack of sustainability improvements and/or constructive engagement, will weigh on the portfolio exposure to the stock.




**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

**How did this financial product perform compared to the reference benchmark?**

- ***How does the reference benchmark differ from a broad market index?***

*Not applicable*

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

  *Not applicable*

- ***How did this financial product perform compared with the reference benchmark?***

  *Not applicable*

- ***How did this financial product perform compared with the broad market index?***

  *Not applicable*