

Nomura Asset Management Europe KVG mbH

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**Explanation of non-compliance with SFDR's principal adverse impacts regime**

**10 March 2021**

This document sets out disclosures by **Nomura Asset Management Europe KVG mbH** ("**NAM EU**," the "**Firm**"), in respect of the principal adverse impacts of our investment decisions on sustainability factors.

The EU Sustainable Finance Disclosure Regulation ("**SFDR**") requires the Firm to make a "comply or explain" decision whether to consider the principal adverse impacts ("**PAIs**") of our investment decisions on sustainability factors, in accordance with a specific regime as outlined in SFDR. The Firm has decided not to comply with that regime at present. The firm is therefore required to publish and maintain on our website a statement to explain our reasons for not complying with the PAI regime in SFDR, and information as to whether and when we intend to comply with such regime.

**Non-compliance with the PAI regime in SFDR**

The Firm has carefully evaluated the requirements of the PAI regime in Article 4 SFDR, and in the latest draft Regulatory Technical Standards which were published in February 2021 (the "**PAI regime**").

The Firm is supportive of the policy aims of the PAI regime, to improve transparency to clients, investors and the market, as to how financial market participants integrate consideration of the adverse impacts of their investment decisions on sustainability factors. However, we have chosen not to comply with the regime for the time being – with the main reason being to await more clarity on the reporting requirements that have only just been published in the latest draft Level 2 Regulatory Technical Standards (Level 2 RTS) in February 2021. As explained in the Firm's Sustainability Risks Policy, it has a robust ESG and Responsible Investment framework which includes ongoing engagement with, and data collection from, our investee (and potential investee) companies and other issuers, so whilst the Firm is well practised in obtaining the type of data that will be required under Level 2, it prefers to wait for further regulatory and industry developments before formally committing to the requirements of Article 4 part 1(a) SFDR. In addition, certain products may involve portfolio management strategies where it is not possible to conduct detailed diligence on the principal adverse impact of investment decisions on sustainability factors, such as:

- passively managed or tracker strategies;
- the client may have instructed us not to comply with the PAI regime, as a matter of commercial preference;

The Firm will monitor the development of the regulatory technical standards and formally re-evaluate the decision once the regulatory technical standards are finalised.

Notwithstanding our decision not to comply with the PAI regime, the Firm also wishes to re-affirm our overall commitment to ESG matters. For detailed information, please refer to our ESG sustainable investment disclosure on our website <https://www.nomura-asset.eu/responsible-investment/esg-sustainable-investment/>