

## **Mitsubishi UFJ Asset Management (UK) Ltd. Integration of Sustainable Risks in Investment Decisions**

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 (the ‘Disclosure Regulation’ or ‘SFDR’) requires financial market participants managing investments of financial instruments that are marketed in the EU to have on their websites:

- information about their policies on the integration of sustainability risks in their investment decision-making process,
- information on how remuneration policies are consistent with the integration of sustainability risks, and
- information on whether and how they consider adverse sustainability risks impact at entity level.

### **Integration of Sustainability Risks in the Investment Decision-Making Process**

Mitsubishi UFJ Asset Management (UK) Ltd. (‘MUFG: AM (UK)’) largely sub-delegates investment management activities to Mitsubishi UFJ Trust and Banking Corporation (‘the Trust Bank’). In order to maintain consistency between approaches regarding the integration of sustainability risks into investment decision-making processes, MUFG: AM (UK) has chosen to adopt and advocate the Trust Bank’s approach to Sustainable Investing.

The Trust Bank and MUFG: AM (UK) approach to managing sustainability risks falls into the framework of the Mitsubishi UFJ Financial Group, Inc. (‘MUFG’) policies and guidelines for sustainability and corporate social responsibility, in particular MUFG AM Sustainable Investing Policy.

As part of their Sustainable Investing approach, the Trust Bank and MUFG: AM (UK) consider sustainability risks, as defined by SFDR, by identifying material environmental, social and governance (ESG) issues. Two criteria are used to identify Material ESG issues: one is to consider the ESG factors that risk harm to the long-term value for the investee companies – including sustainability risks; the second is to consider the opportunities that create long-term value or growth for the investee companies.

The Trust Bank monitors the ESG risks of investments by using a proprietary ESG score for all potential and actual investments. The score allows evaluation of the overall risks and opportunities that investments face in terms of ESG and sustainability. Analysts and managers can therefore take informed investment decisions by looking at a unified metric.

Additionally, the Trust Bank and MUFG: AM (UK) apply a negative screening to systematically exclude companies active in certain sectors from the investment universe of the portfolios they manage. Such sectors include the manufacturing and distribution of anti-personnel landmines, cluster munitions and biological and chemical weapons.

More information is available by following the links below:

[MUFG: AM \(UK\) Sustainable Investing page](#)

[The Trust Bank's Approach to Sustainable Investing](#)

[MUFG AM Sustainable Investing Policy](#)

### **Remuneration Policy and Sustainability Risks**

SFDR requires financial market participants to integrate information on the consistency of their remuneration policy with the integration of sustainability risks, in accordance with Art. 5 of the SFDR.

The integration of sustainability risks in governance structures and executive remuneration has been identified as a material ESG issue by MUFG: AM (UK). The Group Remuneration Policy does not create incentives for taking excessive sustainability risks. MUFG: AM (UK) compliance team ensures that such incentives are not provided to fund managers.

Sustainability risk management is considered as part of each relevant individual's performance, including the adherence of MUFG: AM (UK) personnel to our Sustainable Investing Policy and Stewardship. Any unethical behaviour infringing internal policies is investigated and actioned for possible disciplinary measures.

### **No Consideration of Sustainability Adverse Impacts**

- MUFG: AM (UK) does not consider the adverse impacts of its investment decisions on sustainability factors.
- In order to measure the accurate and meaningful adverse sustainability impacts, MUFG: AM (UK) believes it is essential to have access to a standardised measurement of sustainability factors.
- MUFG: AM (UK) intends to consider such adverse impacts of our investment process, when standardised measurement of those factors are available.

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