

MUFG Japan Equity All Cap Core Fund (the "Sub-Fund")

SUSTAINABILITY-RELATED DISCLOSURES

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1. Summary of the SFDR Disclosure:

(a) No sustainable investment objective

The Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investments.

(b) Environmental or social characteristics of the financial product

The Sub-Fund aims to construct a portfolio which has high levels of contribution to Environmental, Social, and Governance (ESG) characteristics.

(c) Investment strategy

The investment team of the Sub-Investment Manager (the "Investment Team") has adopted a proprietary ESG scoring methodology which enables the Sub-Fund to primarily invest in companies that demonstrate high levels of contribution to the above promoted characteristics. The proprietary ESG scoring methodology enables the Investment Team to grasp the ESG risks of investee companies in an effective and objective manner and consider them in the investment decisions, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

(d) Proportion of investments

The minimum proportion of investments aligned with the environmental and social characteristics promoted by the Sub-Fund is expected to be 50%. The Sub-Fund will only seek direct exposure to investee companies for the purpose of attaining its promoted environmental and social characteristics.

(e) Monitoring of environmental or social characteristics

The dedicated ESG team independent from the Investment Team of the Investment Manager (the "ESG Development Office") measures the attainment of the Sub-Fund's environmental and social characteristics on regular basis and monitors and updates the proprietary ESG scoring of each investee company.

The ESG Development Office also reassesses the internal ESG scores on a quarterly basis.

(f) Methodologies for environmental or social characteristics

The Investment Team considers ESG Scores and materiality of ESG issues of the investee companies through the implementation of a proprietary binding ESG scoring methodology.

(g) Data sources and processing

The ESG Development Office leverages on multiple external data providers to attain the environmental and social characteristics promoted by the Sub-Fund. The data is processed from each source on a quarterly basis and kept in the ESG Development Office database.

(h) Limitations to methodologies and data

The proprietary ESG scoring methodology relies on few external ratings.

The assessment of ESG scoring can be subjective and includes data from third parties, which may include their own qualitative judgement. However, as the ESG scoring methodology provides mechanisms to limit subjective bias, this does not affect the achievement of the environmental or social characteristics of the financial product.

(i) Due diligence

Due diligence is carried out during the stock selection process based on four areas, after the identification of stocks with high ESG scores. The Investment Team considers the business model, business sustainability, the resolution of ESG issues, and corporate governance by the investee companies.

(j) Engagement policies

Engagement with investee companies is at the core of the Sub-Fund's investment process.

The Investment Team considers competitive advantage, management capability, strategy, and ESG management and approach of the investee companies.

(k) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

2. No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

3. Environmental or social characteristics of the financial product

The Sub-Fund aims to construct the portfolio which primarily consists of companies that demonstrate high levels of contribution to ESG issues. This assessment will be conducted quantitatively using a proprietary ESG scoring methodology.

The main environmental and social characteristics which are promoted by the Sub-Fund are as follows.

1) Environmental characteristics:

- The management of environmental / climate change risk and opportunities.
- The reduction of greenhouse gas (GHG) emissions.
- Circular economy, waste and pollution management.

2) Social characteristics:

- Health and safety.
- Human rights and diversity.
- Supply chain.
- Human capital.

3) Governance:

- ESG governance and board diversity.
- Misconduct & corruption.
- Data risk management.
- ESG disclosures and reporting.

4. Investment strategy

The Sub-Investment Manager focuses on stocks with attractive earnings outlook but whose share prices have yet to form commensurate with their potential, based on meetings with the management, due diligence, and fundamental research analysis.

The Investment Team conducts evaluations that combine financial analysis and non-financial analysis, including ESG. In a model that analyses the gap in equity capital costs, the Investment Team calculates discount factors relative to the sector and market average based on the financial elements that have a high correlation with equity value (equity capital cost), and non-financial elements, including ESG. Non-financial elements also includes information from the proprietary ESG scoring methodology. After identifying potential investments based on financial criteria, the Investment Team and sector analysts follow a process to ensure that the candidates are identified in terms of financial, organizational and ESG criteria:

- 1) The Investment Team proceeds to an ESG screening of the companies in their watch list, using the proprietary ESG scoring methodology, as described in the above. Companies obtaining an ESG score below the set threshold are excluded from the list of investment candidates, and companies obtaining the proprietary ESG score of 50 or higher out of 100 are retained for

further analysis. The ideal objective is to invest in candidates which rank in upper tier in terms of ESG performance.

- 2) Further field work research is then conducted by Investment Team and sector analysts in order to assess their business model, business sustainability, resolution of ESG issues, and corporate governance. This contributes to identifying companies that are able to achieve earnings growth through the resolution of ESG issues
- 3) Finally, the Investment Team engages with the management teams of companies in the final pool of investment candidates to qualitatively assess ESG management & approach, growth strategy, financial strategy, corporate governance, and disclosure policy.

Based on the results of this process, companies are selected to build the portfolio of equities. Ultimately, the Investment Team will construct the portfolio with a minimum of 50% of assets invested in companies with the proprietary ESG score of 50 or higher out of 100. Every quarter, ESG scores of the portfolio companies are reviewed.

The Sub-Investment Manager of the Sub-Fund has established a Responsible Investment Meeting under the Sustainability Committee which consists of the CEO, Executives, and Division Managers. The Responsible Investment Committee is composed of the business head of Asset Management Business and other investment related division managers. The Responsible Investment Committee will oversee all ESG initiatives in the Asset Management Business as a whole and will discuss a variety of ESG activities and report them to the Executive Committee and Board of Directors through the Sustainability Committee.

The Investment Team determines that invested companies are engaged in good governance practices. In support of this, the Investment Team undertakes a good governance practices assessment of investee candidates through the portfolio construction of the Sub-Fund, the below list is non-exhaustive and is mentioned for information only:

- **Sound management structures** – the following non-exhaustive indicators are considered: ESG governance, Board leadership, Board independence, Board experience, Board diversity, audit committee structure, independent nomination committee under the board, independent remuneration committee under the Board, Boards with more than one-third independent directors, cross-shareholdings and anti-takeover measures
- **Employee relations** – the following non-exhaustive indicators are considered: lost time incident rate (LTIR) trend, monthly overtime hours, employee turnover rate, occupational health and safety management system and conducting employee satisfaction surveys
- **Remuneration policies** – the following non-exhaustive indicators are considered: freedom of association policies, collective bargaining agreements, discrimination policies, and the independent remuneration committee under the Board.
- **Tax compliance:** tax compliance matters are monitored by the Investment Team through accounting and taxation indicators in the ESG controversies from Sustainalytics.

5. Proportion of investments

The minimum proportion of investments aligned with the environmental and social characteristics promoted by the Sub-Fund is expected to be 50%.

The remaining portion of the investment consists of investment which are not aligned with environmental and social characteristics, investment for which relevant data is not available, cash or financial derivative instruments.

The Sub-Fund will only seek direct exposure to investee companies for the purpose of attaining its promoted environmental and social characteristics.

6. Monitoring of environmental or social characteristics

The attainment of the environmental and social characteristics of the Sub-Fund is monitored by looking at the ESG score of each investment on a quarterly basis.

The internal ESG score, based on the elements described in point 3. Environmental and social characteristics of the financial product, is updated quarterly for each stock by the ESG Development Office, as the underlying ESG data is updated by external data providers or by the investee companies themselves. This helps ensuring that each investee company maintains the highest standards of policies, management systems and non-financial performance to contribute positively to the environment and society.

To measure the attainment of the Sub-Fund's environmental and social characteristics described above, the Investment Team monitors the proprietary scoring of each investee company. Responsibility for the maintenance of high scored investees in the Sub-Fund Portfolio lies with the Investment Team who regularly reviews the scores of investee companies to ensure that investments contribute to the strategy of the Sub-Fund. To meet this ambition, the Investment Team monitors the proportion of investments that scores higher than 50 out of 100, according to the proprietary ESG scoring methodology.

The Investment Team tracks the number of corrective actions taken by the fund where investments are scored lower. Any compliance breach that is identified may trigger an appropriate corrective action in the investment-decision process.

The following sustainability indicators are used to measure attainment:

- 1) Environmental characteristics:
 - The management of environmental / climate change risk and opportunities.
 - The reduction of greenhouse gas (GHG) emissions.
 - Circular economy, waste and pollution management.
- 2) Social characteristics:
 - Health and safety.
 - Human rights and diversity.
 - Supply chain.
 - Human capital.
- 3) Governance
 - ESG governance and board diversity.
 - Misconduct & corruption.
 - Data risk management.
 - ESG disclosures and reporting.

7. Methodologies for environmental or social characteristics

The attainment of the environmental and social characteristics of the Sub-Fund is monitored by looking at the ESG score of each investment on a quarterly basis, using the proprietary binding ESG scoring methodology which allows the Sub-Fund to primarily invest in companies that demonstrate high levels of contribution to the above promoted characteristics.

The proprietary ESG scoring methodology enables the Investment Team to grasp the ESG risks of investee companies in an effective and objective manner and consider them in the investment decisions. The database combines the proprietary research information, sector analysts' insights, and external data to evaluate the ESG scores of investee companies using both quantitative and qualitative approaches. The ESG score is given to each of the 2000 companies listed on the Tokyo Stock Exchange First Section (the TOPIX component stocks). These scores are updated every quarter. For investment candidates (see section 4. Investment strategy) the Investment Team considers the latest score before investing.

The ESG Development Office looks at environmental, social and governance aspects of these stocks (the 'Indicators / Evaluation items' listed in section 1. (b) Environmental and social characteristics of the financial product) and provides a grade for each of these aspects. Grades for each component are added up to obtain the total score out of 100. The weight of each component of the grade depends on the materiality of the aspect assess. Materiality of indicators is defined according to the assessment of global ESG issues, the external environment, and corporate trends. Materiality of ESG issues defers between manufacturing and non-manufacturing companies and is reviewed annually. In case of a change in ESG materiality after annual reviewing process in line with identification process of ESG materiality, the ESG score will adopt a new indicator. The turnover of indicators represents about 10% each year.

More information on materiality is available here: [Approach to Responsible Investment](#).

8. Data sources and processing

The Investment Team uses distinct external data sources to attain the environmental and social characteristics promoted by this Sub-Fund. Specifically, the ESG Development Office obtains data from multiple external data providers, such as Sustainalytics, CDP, Bloomberg, and Toyo Keizai.

The ESG Development Office is building a proprietary ESG database. The ESG scores which can be calculated for each investee company using this database is used for integration and screening. The criteria evaluated for the database are based on the external environment and corporate trends related to ESG, and they are generally reviewed every year.

The ESG Development Office gathers raw scores for each environmental, social and governance indicator from external data providers and proceeds to convert them into a mark integrating the materiality weight of the indicator (see section 7, Methodologies for further details on materiality) and matching the proprietary scoring, totaling 100 as a full score.

The data is processed from each source on a quarterly basis and kept into the ESG Development Office database.

9. Limitations to methodologies and data

An ESG scoring methodology is by nature limited by the fact that it gives an overview of the ESG performance of an organization covering various and different aspects. Companies may underperform in some ESG aspects but still receive one of the best scores of the universe if it performs well on other aspects. The Investment Team tries to overcome such limitations by emphasizing on certain aspects based on materiality and by adjusting to reduce the effect of biases, such as the size of the company.

The data underlying the ESG scoring relies heavily on ratings provided by Sustainalytics for the aspects that are evaluated (roughly 70% of all aspects use the rating from Sustainalytics). Sustainalytics ratings cover about 1,000 of the TOPIX stocks (the Sub-Fund research universe), representing about 95% of TOPIX stocks in terms of market capitalization.

The ESG Development Office gives a null score for each aspect where no data is available from external data providers or companies' disclosures.

The assessment of ESG scoring can be subjective and includes data from a third party, which may include their qualitative judgment.

However, as the ESG scoring methodology provides mechanisms to limit subjective bias, this does not affect the achievement of the environmental or social characteristics of the financial product.

10. Due diligence

Due diligence is carried out during the stock selection process based on four areas, after the identification of stocks with the highest ESG scores. This helps identify companies that can achieve earnings growth through resolution of ESG issues. The areas taken into consideration are the following:

1) Business sustainability

The Investment Team evaluates the sustainability of business through perspectives of the feasibility of mid-term business strategy, the room of potential growth, the disciplined continuous investment/R&D activities, and the stability of earning growth/cash flow/margin, etc.

2) Business model

The Investment Team analyzes the sustainability of business models by looking at several elements, including the strength and transparency of business model, the earning predictability, the quality of intangible assets (e.g. human resources) and the barriers to market entrance and threats from substitutes (e.g. brand power, durability to external condition)), etc.

3) Resolution of ESG issues

The Investment Team focuses on the social challenges the company faces and how it addresses them. The extent how the company's management team to be involved in the effort shall be paid attention.

4) Corporate governance

The Investment Team assesses the management capability, the persistence to corporate value, the clear vision or the corporate identity, the degree of the recognition of stakeholder balance and so forth.

The Investment Team engages with investment candidates through direct meetings with the companies' management team to actively discuss the above areas and gain confidence over the companies' respective strategies and management structures. Other engagement topics can cover ESG management & approach, growth strategy, financial strategy, corporate governance and disclosure policy.

11. Engagement policies

Engagement with investee companies is at the core of the Sub-Fund's investment process. Based on the stewardship code, the Investment Team regularly meets with the companies' management team to engage on themes such as the ones listed in section "Due Diligence": ESG management & approach, Growth strategy, Financial strategy, Corporate governance, and Disclosure policy. This last component of the engagement is particularly focused on the ESG characteristics of the investee company.

12. Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

The information referred to in Article 8 SFDR

The Sub-fund promotes environmental and social characteristics pursuant to Article 8 SFDR as set out in detail in the annex to the Sub-Fund's specifics contained in the prospectus of MUFG Global Fund SICAV, which can be obtained here: <https://www.waystone.com/our-funds/waystone-managed-funds/> .

The information referred to in Article 11 SFDR

Further information on the extent that the Sub-Fund's promoted characteristics were met for the Sub-Fund will be provided in the MUFG Global Fund SICAV's annual report.