# Global Responsible Investment and Stewardship Policy and Principles

First Sentier Investors

# Contents

# 1.0 Introduction

## 1.1 Our purpose and beliefs

**First Sentier Investors (FSI) is a global fund manager with experience across a range of asset classes and specialist investment sectors. We are stewards of assets managed on behalf of institutional investors, pension funds, wholesale distributors, investment platforms, financial advisers and their clients worldwide.**

Our purpose is to deliver sustainable investment success for the benefit of our clients, employees, society and our shareholder and our vision is to be a provider of world-leading investment expertise and client solutions, led by our responsible investment principles and based on a culture driven by our core values: Care, Openness, Collaboration and Dedication.

We recognise that as allocators of capital, stewards of our clients' assets and as active shareholders in companies on their behalf, the individual and collective decisions we make as investors have far-reaching implications. We also acknowledge that there are significant current and emerging systemic issues across the global economy and society that require a deliberate and long-term investment focus. While our business is to protect and enhance the value of our clients' assets, we are aware of our wider responsibilities, such as upholding the quality and integrity of the financial markets we invest in and the allocation of capital to investments that contribute to a sustainable economy and society, improving outcomes for all. We believe that an emphasis on stewardship underpins the quality of our investment process, is in our clients' best interests and is part of our broader social licence to operate.

Whilst each team has its own distinct investment process, they all share a commitment to responsible investment and stewardship (RI). Together we aspire to be a global leader in responsible investment and stewardship practices and believe that our diverse investment teams are a key strength in achieving that aim.

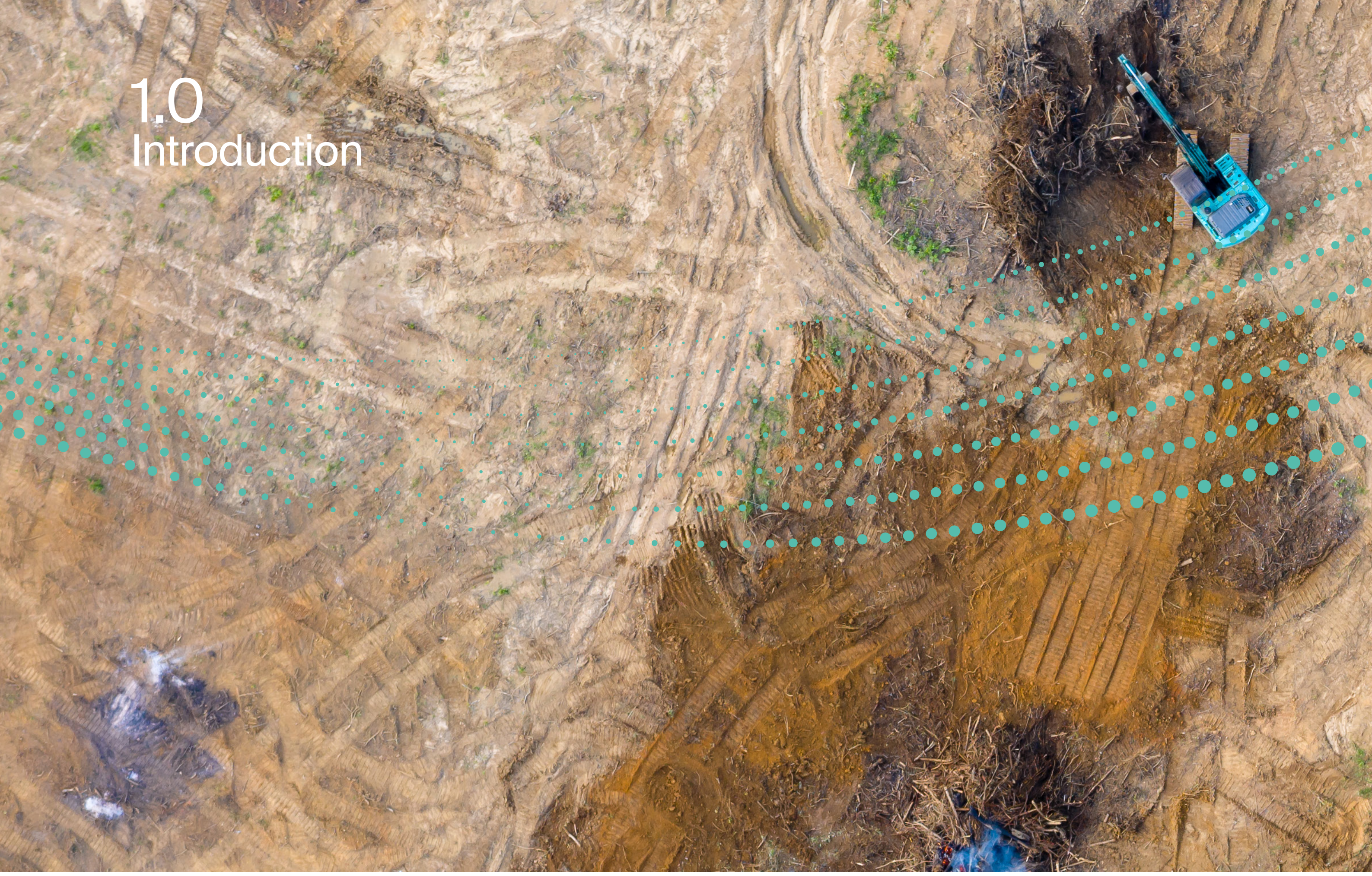
As a firm, we believe that:

- Environmental, Social and Governance (ESG) issues are sources of long-term risk, opportunity and return, therefore considering ESG issues leads to better analyses and investment decisions.
- The execution of ownership rights can increase performance and lower risk over time, therefore assets with well-managed ESG factors will produce higher risk-adjusted returns over the long term.
- Integrating ESG enhances the quality of our investment processes as ESG issues, when poorly managed, will create long-term material impacts for society and the environment.

Sustainability in investing is broader than only considering ESG factors. This document sets out the group-wide requirements that all of our investment professionals are expected to meet and recognises that responsible investment practices continue to evolve and that appropriate approaches to responsible investment and stewardship will differ between asset classes, industries, and individual investments.

These Principles[1] have been approved by FSI's Global Responsible Investment Steering Group and are reviewed at least every two years.

1. These Principles should be construed as a "policy" for the purposes of compliance with the EU Shareholder Rights Directive II




## 1.2 What Responsible Investment & Stewardship means to the FSI group

RI often focuses on the consideration of ESG factors in investment decision-making and active ownership practices. While this is critically important, we believe that effective and credible approaches to responsible investment must rest on foundations of a strong stewardship culture and mindset, knowledgeable and engaged people, high quality investment processes and responsible and ethical business conduct.

The following Principles guide all investment professionals when confronted with issues not specifically covered in this document:

- Excellence in RI is key to being a world-class asset manager that clients can trust.
- Companies that recognise their responsibilities for environmental stewardship, positive societal engagement and strong corporate governance can reduce investment risk, take advantage of opportunities and add value over time.
- It is part of our fiduciary duty to proactively assess ESG factors throughout our investment process and to be active owners of our clients' assets.
- Engaging with companies in order to achieve positive ESG outcomes will deliver better value with lower risk over the long-term.
- As active owners of our clients' funds, we must exercise the ownership rights and vote every share where we have the ability and authority to do so.
- It is our responsibility to work in support of and for the benefit of our clients at all times, and to engage constructively with them, consultants, our peers, regulators and other stakeholders to:
  - Encourage long-term investing and sustainable high quality financial markets;
  - Encourage the allocation of capital to sustainable business activities;
  - Contribute to the development of higher industry standards of responsible investment and stewardship practices; and
  - Measure and report on the ESG outcomes of our investments as evidence of our approach to responsible asset management.

# 1.0 Introduction

## 1.3 Systemic ESG Issues of Concern

Our commitment to RI research and analysis on systemic and material issues of importance to ourselves and our clients enables us to make more informed decisions that not only benefit our clients and over time the broader market, but our environment and our society. We support the Sustainable Development Goals (SDGs) as a framework for identifying these issues and believe that investors have an important role to play in allocating capital towards meeting these goals. In addition, we believe that the SDGs serve as a good framework for measuring how our investments and how we as an organisation contribute to sustainable development, which is a priority for us moving forward.

Whilst ESG issues of concern will vary between investment teams and individual investments, at firm level we are currently focused on the following four key themes: climate change, human rights and modern slavery, biodiversity and diversity. We report on why these issues are important to us and the progress we are making in these areas in our annual responsible investment report.

### Adverse Sustainability Impacts

In order to ensure that we achieve sustainable investment success, it is important that our investment teams identify whether an investment decision will have a negative impact on the sustainability objectives of their portfolios by integrating ESG factors into the investment analysis, evaluation and decision making processes.

Our investment teams commit that for every active equity and fixed income investment the corresponding issuer will be assessed for relevant adverse sustainability impacts and the results of this assessment documented. This analysis does not currently extend to derivatives.

Adverse sustainability impacts include climate and other environment related indicators, social issues including workplace and human rights concerns, anti-bribery and corruption matters and will be informed by current and emerging regulation and best practice standards including the EU Sustainable Finance Disclosure Regulation (SFDR).

Where adverse sustainability impacts are identified, investment teams shall engage with the company in accordance with the commitments made under section 3.2.2 of these Principles. Engagement may be undertaken directly, as part of collaborations with other investment institutions or via engagement services provided by third parties.

### Our approach to climate change

We support the science of climate change and are committed to reducing greenhouse gas emissions across our investment portfolios in line with a target of net zero emissions by 2050 (or sooner) and across our business operations in line with a target of net zero emissions by 2030 (or sooner). As investors, we understand this will impact different assets in different ways, both in relation to their contribution to climate change in the form of greenhouse gas emissions, but also their exposure to changes occurring in the physical environment and changes occurring in the regulatory and operating environment. We report in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and encourage the companies that we invest in to do the same.

The key elements of the FSI Responsible Investment Strategy directly related to climate change are set out in our Climate Change Statement, available at:

https://www.firstsentierinvestors.com.au/content/dam/web/australia/responsible-investment/au-climate-change-statement.pdf

# 1.0
# Introduction

### Our approach to biodiversity

Biodiversity is an important issue that cannot be considered in isolation from climate change. The impacts of climate change such as temperature rises and increases in extreme weather events are already having substantial impacts on biodiversity. At the same time, biodiversity conservation is critical to addressing climate change, making these issues mutually dependent, and is also important for food production, soil conservation, water quality and human health. Two areas that we are particularly focused on are deforestation and pollution prevention.

### Deforestation

We recognise the vital role that forests play in mitigating climate change and protecting biodiversity and forest reliant economies. We also recognise the negative climate impacts from deforestation driven by the over exploitation of high-risk commodities such as palm oil, soy, cattle and timber. We believe that unsustainable practices pose significant environmental, social and investment risks. This includes exposure to derivatives linked to these high-risk commodities.

FSI does not wish to provide capital to supporting unsustainable business activities that contribute to deforestation, fail to protect high value forest and/or land or systematically violate land rights or the rights of local communities. Therefore, where FSI believe that our clients' capital may be exposed to such activities, we will engage with companies with the expectation that they will eliminate such exposures within their direct activities and supply chains. FSI will also encourage and expect companies to adopt and participate in internationally accepted standards and certification programs.

### Pollution Prevention

The widespread contamination of the environment with plastic is both an environmental risk and a human health issue as plastic pollutes our food and water supplies. FSI expects the companies it invests in to take steps to prevent and reduce pollution.

For example, plastic is a growing pollutant damaging biodiversity in the terrestrial, freshwater and marine environments. FSI are engaging companies to minimise their own plastic use as well as post-consumer waste.

### Our approach to Human Rights and Modern Slavery risks

Human rights violations are unacceptable. Corporations have legal, moral and commercial responsibilities to respect human rights and manage the human rights impacts of their operations. They are not only expected to meet their human rights responsibilities, but may face reputational, legal or other consequences if they fail to do so. As an investor in these businesses, it is imperative that we fully understand these risks and seek to mitigate them on behalf of our clients.

The key elements of our RI strategy directly related to human rights and modern slavery are set out in our Human Rights Toolkit and Modern Slavery Toolkit, summaries of which are available in the Policies section on our website.

### Our approach to diversity

FSI believes that representation matters in business and recognises that diversity goes beyond gender, with factors such as race, religion, socioeconomic background, neurodiversity, industry background, sexuality and disability all being of importance.

FSI expects the companies it invests in to foster a diverse and inclusive workplace in order to create an environment of informed decisions and stakeholder engagement. We engage with companies across countries and industries on our expectations for greater diversity.

## 1.4 Regulatory requirements and industry codes

We operate a global business, and as a result we are subject to a range of regulatory requirements and industry codes across our operations. The key regions, regulatory requirements and industry codes that relate to and inform our RI activities include:

| | |
|---|---|
| Australia | • Corporations Act 2001 – Subsections 1013D(1), 1017BB(1) and 1017C<br>• FSC Standard 23: Principles of Internal Governance and Asset Stewardship<br>• Australian Sustainable Finance Initiative (ASFI) Roadmap<br>• APRA Prudential Guidance – CPG 229 Climate Change Financial Risks |
| Europe | • Sustainable Finance Disclosure Regulation (SFDR)<br>• Shareholder Rights Directive (SRD) II<br>• EU Taxonomy Regulation<br>• European Fund and Asset Management Association (EFAMA) Stewardship Code |
| Hong Kong | • Securities and Futures Commissions (SFC) Fund Manager Code of Conduct (FMCC) – Management and Disclosure of Climate Related Risks |
| Taiwan | • FSC ESG Fund Disclosure Rules |
| Singapore | • Monetary Authority of Singapore (MAS) Guidelines on Environmental Risk Management for Financial Institutions |
| UK | • FRC UK Stewardship Code 2020<br>• FCA - UK SDR and Green Taxonomy<br>• Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 |
| USA | • Stewardship Framework for Institutional Investors |
| Japan | • Japan Stewardship Code |
| Global | • Task Force on Climate-related Financial Disclosures (TCFD) |

2. In order to comply with the regulatory requirements of the US Federal Reserve Board, FSI US is held under MUFG Americas Holdings Corporation.

# 2.0 Internal Governance

## Over 50 people across our global organisation are part of our responsible investment and stewardship governance structure which includes the following key features:

- Responsible Investment Steering Group: chaired by our CEO, this group meets quarterly and is responsible for setting the direction and strategy for RI and approval of the policy framework.
- Specialist RI Team: this team engages with and coordinates the entire business to deliver the RI strategy. We are adding resource at this time, which currently consists of 5 FTEs located across our offices in Australia, Hong Kong and the UK, and reports into the Deputy CEO.
- Global Investment Committee: chaired by the CEO and including our Global Head of Investment Management, the committee meets quarterly and is responsible for monitoring the management of investment risks, including ESG risks and issues for investment teams and portfolios.
- ESG Impacts Committee: comprising representatives from each investment team (RI Representatives), the ESG Impacts Committee is a forum for identifying research areas to deepen our understanding of how ESG issues impact investment and business performance. The focus is on crosscutting issues that affect multiple investment teams, such as climate change and human rights risks and creating working groups to consider and deepen our knowledge of these issues. The ESG Impacts Committee meets on a biannual basis. The RI Representatives are a key pillar of our governance strategy.

We recognise our responsibility to be transparent and accountable, and report on our approach and progress both internally to the groups and committees listed above, and externally primarily through our annual responsible investment and stewardship report and our website, in addition to proactively providing our clients with regular RI activity & ESG performance updates.

# 2.0 Internal Governance

## 2.1 Remuneration and Sustainability Risks

FSI has a remuneration policy to ensure that an appropriate remuneration framework exists to support our strategic priorities.

The remuneration policy is designed to ensure employees are rewarded for behaviour that upholds a culture that aligns with the interests of our clients and shareholders. The remuneration policy motivates employees to achieve individual and corporate performance outcomes that deliver long-term sustainable results, enhance the client experience, adhere to legal and regulatory requirements, promote sound and effective risk management (including sustainability risks[2] for investment professionals through a Performance Framework) and avoid conflicts of interest.

We actively manage risks associated with measuring and delivering short-term and long-term performance. All activities are carefully managed within our risk framework, and individual variable remuneration outcomes are reviewed and may be reduced in the light of any associated performance and risk outcomes. For investment professionals, the risk framework includes an assessment of sustainability risks.

All employees are assessed against risk and behavioural standards to ensure that variable remuneration outcomes are based on both what was achieved (goals) and how it was achieved (values). The values assessment includes adherence to the firm's RI and Stewardship Principles.

## 2.2 Conflicts of interest

Conflicts of interest can arise from the interaction between different business units and affiliates of FSI, their clients, external parties and personal conflicts with employees. Conflicts can also occur between FSI and our shareholder, Mitsubishi UFJ Trust and Banking Corporation, a wholly-owned subsidiary of Mitsubishi UFJ Financial Group, Inc. ("MUFG").

Our overarching commitment to always work in the best interests of our clients is particularly relevant in a conflict of interest situation.

The following scenarios illustrate where perceived or potential material conflicts may arise in the ordinary course of our business:

- FSI clients who may be issuers of securities or proponents of shareholder resolutions.
- Strategic business partners, critical vendors or key distributor clients who may be issuers of securities or proponents of shareholder resolutions.
- Non-executive directors of our investment trust clients who may also serve as non-executive directors of investee companies.
- Employees/investors who may have a family, personal or professional association with an investee company.
- Securities of MUFG or FSI investment funds held in portfolios managed by FSI.
- MUFG or FSI board members who may serve as senior executives of investee companies.
- Significant MUFG investors or clients who may be issuers of securities held in funds managed by FSI.

2 "sustainability risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment. As per EU Regulation 2019/2088.

# 2.0
# Internal Governance

All employees are required to understand conflicts of interest, how they may arise and what should be done when conflicts are identified. The overarching approach to be followed by all employees on managing a conflict of interest is as follows:

Identify - Understand what a conflict is and how it may arise in relation to our day to day responsibilities and activities.

Act - Act in a manner aligned with the principles set out in FSI's policies and procedures to manage identified conflicts.

Report - All actual and potential conflicts must be recorded in their business unit's conflicts of interest registers.

Applying these Principles, which operate to protect and enhance the economic value of the companies in which FSI invests on behalf of its clients, aims to address the possible conflicts of interest that may arise through proxy voting or other situations as they may arise from time to time.

In the event a material conflict is identified in relation to proxy voting, the Business Head/Managing Partner or his/her nominee shall determine how to vote the proxy in consultation with Compliance, and in such cases shall keep adequate records to demonstrate that the resulting vote was not the product of the material conflict(s).

FSI maintains a Conflicts of Interest Register, which identifies actual and potential conflicts of interest that exist within the firm and the procedures and controls that have been designed to manage these conflicts. It is subject to annual review and approval by FSI's internal governance committees. It is the responsibility of each employee to identify and report potential conflicts as laid out in the firm's Global Conflicts of Interest Policy and Global Code of Conduct. Each employee must submit an annual declaration to confirm they have adhered to the firm's Global Code of Conduct. Training is provided on the Conflicts of Interest Policy during employee inductions and annually thereafter.

In recognition of this, FSI maintains and implements a conflicts of interest policy. This policy outlines how we define, monitor, escalate and resolve potential conflicts. Our conflicts of interest policy is available at:

https://www.firstsentierinvestors.com.au/content/dam/web/australia/responsible-investment/au-conflicts-of-interest-statement.pdf

## 2.3 Capacity building - Learning and development

We are committed to fostering a culture that supports principles of stewardship and responsibility and focusses on increasing employee knowledge and engagement with RI. FSI have a learning and development strategy which is built to support the development of four key internal stakeholder groups within the business:

- Leadership team and non-executive directors
- Investment professionals
- Distribution, marketing and product teams
- Operational teams

We provide tailored learning and development activities for each of the areas to meet their different requirements.

In addition to our formal training programme, investment team members receive practical training through participation in the ESG Impacts Committee and working groups and regular contact with the specialised RI team.

# 3.0 Responsible Investment Process

## 3.1 Integration of ESG issues into investment decision-making

The integration of ESG factors into the investment process is an integral component of our responsible investment practices.

Within FSI, there is not one standard approach to ESG integration. For some investment teams it is achieved through the inclusion of an ESG score or rating to refine their investment universe, for others it is integrated into the assessment of management quality and for others it is integrated into valuation methods. We supplement investment team analysis with external ESG research from Sustainalytics, MSCI, ISS and Reprisk. Each team's approach to ESG integration is articulated in our responsible investment and stewardship reports.

Our investment teams commit that:

- Every active investment should be assessed for relevant ESG risks and opportunities and the results of this assessment documented.
- ESG risks, including principal adverse sustainability risks that are relevant at both an operational level (e.g. pollution, human capital management) and at a strategic level (e.g. resource constraints, regulatory change), are considered in the investment analysis.
- ESG risks and opportunities and any changes regarding this are monitored by investment teams on an ongoing basis.
- Whilst ESG risks will exist for all investments, investments in companies that have a persistent record of poor quality governance practices and systematic breaches of environmental and social standards without remedy are not acceptable as they pose uncontrollable risks to our clients' capital.
- Where companies are confronted from time to time with social, environmental or corporate governance issues, investment professionals should establish the willingness and ability of the company to improve its practices prior to and post investment and seek to engage the company on any outstanding issues.
- Where material issues are identified which are not being appropriately addressed these will be raised with the company. If the company does not have a satisfactory response further engagement should be attempted and if issues are still not resolved, escalation measures such as votes against directors, collaboration with other investors or ultimately selling of securities will be considered.

## 3.2 Active ownership

We are committed to being active stewards of our clients' capital and to addressing systemic issues that present long term risks for our investments. To ensure that we do this effectively, we focus on contributing to collective goals and delivering real world outcomes through our active ownership activities. We recognise that we will achieve far greater impact on systemic risks when we work together with other investors and service providers. This commitment sits alongside our strong belief in the value that can be added to future returns through direct company engagement activities.

### 3.2.1 Industry collaboration and policy advocacy

We believe that it is our responsibility to engage in public policy debates and industry initiatives on RI topics in line with our clients' interests where we have relevant experience. Issues we will seek to engage and collaborate on include:

- Development of best practice
- Quality of markets
- Understanding of ESG factors as sources of risk and return
- Enhancing our clients' interests and awareness of ESG issues
- Policy and regulatory developments
- Implementation of standards for company reporting on material ESG issues

We take a leadership role on collaborative initiatives and working groups that meet these requirements and seek to align ourselves with organisations that share our values in relation to RI and being a responsible business. In addition to this, together with our shareholder, Mitsubishi UFJ Trust and Banking Corporation, we have launched the First Sentier MUFG Sustainable Investment Institute, which commissions thought leadership that aims to enhance industry awareness of sustainable investment, report on market trends and best practice, and promote a greater understanding of how such issues can impact long-term investment performance.

A full list of initiatives that we engage with and support is listed in our annual responsible investment and stewardship report.

### 3.2.2 Corporate Engagement

Engaging in an active dialogue with all companies or entities that we invest in is an important activity as it provides a key opportunity to improve our understanding of their business, and monitor material business issues including strategy, capital allocation and financials as well as their approach to environmental, social and governance matters, and enables us to influence them to improve these practices.

The breadth, depth and frequency of engagement will vary significantly based on a variety of factors including the risks and opportunities faced by the company, the opportunity and willingness to engage by the company, and the size or nature of the investment. Given the varying nature of the asset classes we manage, the geographies in which they operate and the size of our holdings, each of our investment teams' engagement approaches are tailored to individual companies and the specific issues in question. All of these factors will be taken into account by investment teams when prioritising and determining the scope of engagement activities.

Methods of corporate engagement that FSI utilise include sending letters to or attending meetings with the management and boards of investee companies, exercising voting rights as a shareholder, supporting and/or co-filing shareholder resolutions and collaborating with other investors to amplify our concerns on particular issues.

Our investment teams commit that:

- Where they are in a position to engage with a company's management and board they should do so with the objectives to:
    - Build a respectful, constructive and long-term dialogue with a company's management and board on the performance and strategy of the company (including on material ESG issues).
    - Understand the company's approach to managing key business risks and opportunities to support better investment decision-making.
    - Make clear expectations for improvements in the company's practices and the importance of the company demonstrating those improvements.
    - Raise any material ESG issues identified.
    - Emphasise our long-term investment horizon and avoid encouraging short-term behaviours by company management that aim to maximise corporate revenue without due consideration of the impacts on stakeholders, the environment and society.
    - Encourage and recommend companies to disclose their material ESG risks and performance in keeping with widely adopted and emerging global standards.
- Where a company is not recognising or addressing ESG concerns, an engagement strategy with defined SMART (specific, measurable, attainable, relevant and time-based) objectives and escalation points shall be developed. Escalation measures that may be pursued following intensive engagement are set out in section 3.1 above.
- All engagement activities must be logged with any issues raised to be documented for follow up. Progress against SMART objectives shall be reviewed periodically.
- Investment teams shall engage collectively with other teams and investors where appropriate subject to complying with fiduciary, market conduct and relevant regulatory obligations and where this does not involve sharing competitively sensitive information.

### 3.2.3 Proxy voting

We believe proxy voting is an important investor right and responsibility and should be exercised wherever possible. In addition, the ability to vote strengthens our position when engaging with investee companies and supports the stewardship of our clients' investments. Voting rights (along with other rights attached to shares, for example pre-emption rights) are a valuable asset which should be managed with the same care and diligence as other assets on behalf of our clients. FSI share holdings and voting eligibility are monitored by Glass Lewis.

FSI obtains recommendations from a selection of proxy voting advisers (currently Glass Lewis and Ownership Matters); however, our investment teams retain full control of their voting decisions and may not always follow the guidance issued by the providers. FSI will regularly monitor the performance of its proxy voting advisers. This review includes: organisation, security & cyber security, compliance & risk, governance, training & competency, disaster recovery, service delivery and business ethics.

The head of each investment team or delegate is responsible for ensuring that all company resolutions are reviewed and an appropriate and consistent recommendation is made in line with the corporate governance guidelines and principles as outlined in this document. Records of all votes cast are disclosed on our website www.firstsentierinvestors.com in the Responsible Investment section.

Where our clients wish to undertake voting directly for segregated accounts, we are committed to working closely with them to ensure companies are held to account on material ESG concerns. If a client wishes to override FSI voting decisions, we endeavour to implement these changes wherever feasible. For all pooled accounts, FSI maintains full voting responsibility.

#### Most significant votes

We will use best efforts to keep a record of the most significant votes, which we define based on the following criteria:

- Shareholder proposed resolutions
- Votes against management and abstentions;
- Where a client has brought a particular vote to FSI's attention; and
- High profile votes subject to a degree of controversy and/or public scrutiny.

# 3.0
# Reponsible Investment Process

The aggregated FSI entity level most significant votes will be collated and be published annually.

### Voting on environmental and social issues

Most engagement activity pertaining to environmental and social issues occurs directly with management of the company. Where an investment team has been engaging with a company on an environmental or social issue and does not feel that the company is making progress against the defined objectives outlined as part of the engagement strategy, the team shall consider supporting shareholder resolutions related to the issue and/or voting against directors. The investment team may also consider filing or co-filing a shareholder resolution.

The ESG guidelines and principles contained in this document shall be used to assist decision-making and company engagement activities across all our various funds. However, given the independent manner in which FSI's various funds are governed and managed, it is possible for managers to vote differently on and have different perspectives about company ESG performance.

Our investment teams commit that:

- They shall vote on all resolutions at company meetings where they have the authority to do so.
- When an investment team intends to vote against the company's recommendation on a substantial or contentious proposal, best endeavours should be made to inform the company beforehand to explain the reasons for the decision with a view to achieving a satisfactory outcome. The team shall also continue to engage with the company on the topic afterwards.
- Where a vote against a proposal is submitted, the reason for the negative vote shall be documented in the voting system.
- All votes shall be made in the best long-term interest of the unit holders and clients.
- Investment teams shall consider the merits of all resolutions put forward, regardless of the proponents of the resolution.
- Where there are multiple parts to a resolution, the investment teams shall consider both the individual merits of each part of the resolution, as well as the impact of the resolution as a whole.

See Appendix 1 for a list of examples of voting issues and our current position.

## 3.3 Investment screens

We do not generally use firm-level negative screens in our approach to responsible investment. In general we may choose to implement exclusionary screens at product level, or based on specific criteria requested via individual client mandates.

However, a key part of our approach to responsible investment includes commitments to:

- support and uphold fundamental principles of human rights;
- support international norms and standards enshrined in widely adopted treaties, conventions and codes of practice; and
- uphold the highest standards of environmental stewardship.

Exceptionally, where a company's activities conflict with these commitments, we may implement a company-wide ban on investment (in both equity and debt) in certain sectors or companies. Such a decision is taken by the RI Steering Group taking into account the factors outlined above, together with our fiduciary duty, client sentiment and long-term sustainability and investment risk.

Two critical areas where we have implemented this are on investment in companies involved in the manufacture of certain types of controversial weapons (anti-personnel mines, cluster weapons, biological and chemical weapons, depleted uranium, certain nuclear weapons and white phosphorus munitions), and companies whose primary business is the manufacture of cigarettes and other tobacco products[4] . All investment teams (covering all products, regions and asset classes) are prohibited from investing in companies involved in the manufacture of these products. The RI team in collaboration with the compliance team manages the implementation of this policy.

The list of excluded companies is based on research from credible third parties. It is reviewed annually by the RI Team, endorsed by the RI Steering Group, issued to teams for implementation and published on our website.

3 This includes all companies that manufacture controversial weapons and entities that own more than 50% of controversial weapons manufacturers, with an effective 0% revenue threshold. This does not extend to minority investments, where a parent company owns less than 50% of a company.

4 This includes all companies that are involved in the production of tobacco and tobacco-based products, with an effective 0% revenue threshold. This does not extend to minority investments, where a parent company owns less than 50% of a company.

## 3.4 Asset class specific considerations

We have developed these Principles to universally apply to all investment teams and professionals but recognise that different asset classes, sectors and geographies provide unique opportunities for implementation and to demonstrate our strengths as responsible investors. Specifically:

- In addition to engagement with companies, fixed income and credit teams have opportunities to engage with counterparties, credit rating agencies, government, semi-government and supra-national issuers. Fixed income investors should be proactive in engaging with those parties who can influence long-term investment outcomes.
- The Igneo Infrastructure Partners team takes significant ownership stakes in portfolio companies, with lead or co-lead shareholder roles and in many cases 100% ownership. This ensures board representation and enables the team to engage directly with all portfolio companies and proactively manage all aspects of the business, including ESG performance. The team has developed specific ESG guidelines in line with these RI and Stewardship Principles.
- The nature of systematic investment strategies may limit the ability to have the level of ESG analysis and engagement committed to by other investment teams under sections 3.1 and 3.2.2. However they have a range of unique opportunities to identify and address ESG issues, and are expected to:
  - Develop signals that incorporate responsible investment principles.
  - Exercise their ownership rights, particularly as they relate to proxy voting and engagement, and develop their own policy in line with these RI and Stewardship Principles.
  - Engage with companies either directly or by considering collaborative engagement opportunities (either internally with other investment teams or externally).
  - Produce relevant research and other thought leadership that can support clients to incorporate ESG and other non- financial factors in their investment mandates.
- Multi-asset / macro strategies tend to invest in other funds or derivatives. Whilst they do not have as much opportunity to exercise these RI and Stewardship Principles over the underlying assets as other teams they are expected to:
  - Develop their own capability documents in line with our RI and Stewardship principles, supported by producing relevant research and welcoming all industry, investor and academic research as part of our commitment to support clients to incorporate ESG and other non-financial factors in their investment mandates.
  - Exercise their ownership rights, particularly as they relate to proxy voting where equities are directly held and develop their own policy/approach in line with our RI and Stewardship principles.
  - Consider the impact of ESG and other issues at the macro level, particularly as they relate to countries, regions and sectors of the economy and incorporate these into their investment decision-making.
  - Consider the effect of derivatives and other financial instruments on the underlying markets/assets.
  - In selecting underlying managers, ensure they meet high standards of professional conduct, stewardship, and responsible investment discussed in this policy.

# Appendix 1
# Proxy voting guidelines

**The following is a non-exhaustive list of illustrative examples of voting issues and our current position:**

## Board

- Directors/non-executive directors – boards should comprise of a majority of independent directors. We consider independence of a non-executive director to mean that they have not been former executives of the relevant company for a minimum of five (5) years and do not have a family or close personal relationship with an executive of the company.
- New directors – there should be a formal and transparent procedure for the appointment of new directors to a board. The Chairman and a majority of the members of the Nomination Committee should be non-executive, independent directors.
- Number of board appointments – non-executive directors must balance their number of board appointments with their personal ability to provide a meaningful contribution to each board. Similarly, executive directors who have outside directorships need to ensure that their contribution to their current employer is not diminished.
- Removal of directors – we will vote against changes to company constitutions that weaken the position of non-executive directors on the board.
- Retirement by rotation – with the exception of the Chief Executive, we expect all directors to seek re-election, with one third seeking election each year.
- Division of roles – the role of Chairman and Chief Executive should be split. We will vote against board changes involving the Chief Executive becoming Chairman or executive directors becoming non-executive unless there is a clear majority of independent directors.
- Executive/board misconduct – we will vote against the appointment of a new director or the re-appointment of an existing director to a board, where we consider their qualifications and experience are inadequate or for instances of executive misconduct.
- Diversity – we expect that companies are able to demonstrate diversity of gender, age, ethnicity, sexuality and thought across their organisation and at board level. We are a member of the 30% Club Investor Working Group in Australia and our investment teams actively engage with companies to help achieve the objectives of this group. Where a company has no female directors, following unsuccessful engagement we will vote against any newly appointed male directors.
- Audit and remuneration committees – members of audit and remuneration committees should be non-executive directors. Members of both committees should be listed in annual reports and identified on the notice of re-election of directors.

## Ownership & Shareholder rights

- Political donations – we do not support companies making political donations and will vote against any donations made to political parties.
- Shareholder rights – in general, we will not support resolutions that propose: changes to the corporate structure that curtail shareholder rights (for example, the right to call a special meeting, a shortened notice period for meetings or the right to nominate director candidates); or changes to the capital structure that could dilute shareholders' voting and/or economic rights.

## Remuneration

- Remuneration – we expect remuneration structures to be simple, long-term oriented, aligned with shareholder value/return, to encourage responsible risk taking and to the extent relevant embrace broader notions of 'success' (for example, contribution to corporate culture and sustainability outcomes).
- Disclosure – we support the principle that there should be full disclosure of directors' total remuneration packages, including share options, fringe benefits and retirement benefits. We expect appropriate justification for levels of remuneration and the link of these to company objectives and performance from the Chairman of the Remuneration Committee.
- Termination payments – we believe that payments on termination of executive directors' contracts should not be excessive. In the case of poor performance, a statement of justification should be given. We may write to the Chairman of the Remuneration Committee to ask for details of compensation payments to departing executives if they are not published. Disclosure of any contingent liabilities should be made.

## Environmental and social

- Environmental and social risks – we believe that well governed companies have appropriate environmental and social risk policies and management procedures in place. As part of the governance process, we expect boards to have oversight of these risks and policies, and executive management to be able to publicly report on these risks and their management and indicate where appropriate the potential impact on company earnings.
- Climate change – we support the global transition to net zero emissions in line with the goals of the Paris Agreement. We expect companies to enable and support the transition to a low carbon economy and be transparent about how they are preparing for this outcome. We will support climate-related proposals that request actions or additional disclosure in line with these statements where we feel that the company is not making sufficient progress.
- Lobbying – we will vote against the Chair of companies that actively lobby against climate policy in support of the Paris Climate Agreement. We will also vote against company memberships of organisations, trade groups and think tanks that deliberately and systematically lobby against climate policy in support of the Paris Climate goals.

Last Update Date: March 2022

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