

Global Responsible Investment Policy Advocacy Principles

September 2023

1. Introduction

At First Sentier Investors (FSI) Group, which includes investment teams FSSA Investment Managers, Igneo Infrastructure Partners, Realindex Investments and Stewart Investors, 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 can have far-reaching implications. We 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. Our business is to enhance the value of our clients' assets. We do this partly through considering Environmental, Social and Governance (ESG) issues as we invest and engage with companies. We are also 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. In order to achieve this, we recognise the need for clear and ambitious public policy covering sustainable finance regulation and real economy outcomes.

As a responsible investor, we believe policy advocacy¹ is an extension of our engagement responsibilities and an essential tool for promoting positive change and shaping the direction of sustainable finance policy development and reform. As a signatory to the UK Stewardship Code, we are committed to engaging with regulators and policymakers to improve the functioning of financial markets and address systemic risks, inter alia systemic environmental and social risks. Our Policy Advocacy Principles serve to support our overall responsible investment (RI) and stewardship approach and also support the alignment of our corporate sustainability goals with our RI goals.

The UN Principles for Responsible Investment describe policy engagement as engagement with policymakers conducted as part of investors' approach to RI. Policy engagement can be conducted directly or indirectly through third parties, working groups or collaborative initiatives.

2. Sustainable Finance Policy Advocacy Approach

2.1 What will we set out to achieve?

At FSI, we support the need for and establishment of sustainable finance policies and regulation. Our goal is to support policies that enable the delivery of capital to sustainable businesses and enhance transparency to investors through disclosure and as a result will minimise the opportunity for greenwashing.

We support global consistency, convergence and interoperability of regulations and policy directives on issues such as alignment of taxonomies, national adoption of recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD), and adoption of reporting under the International Sustainability Standards Board (ISSB). More recently, we are seeing a shift in policy design from voluntary disclosures to mandatory disclosure requirements. We support the continued development and global alignment of mandatory disclosures.

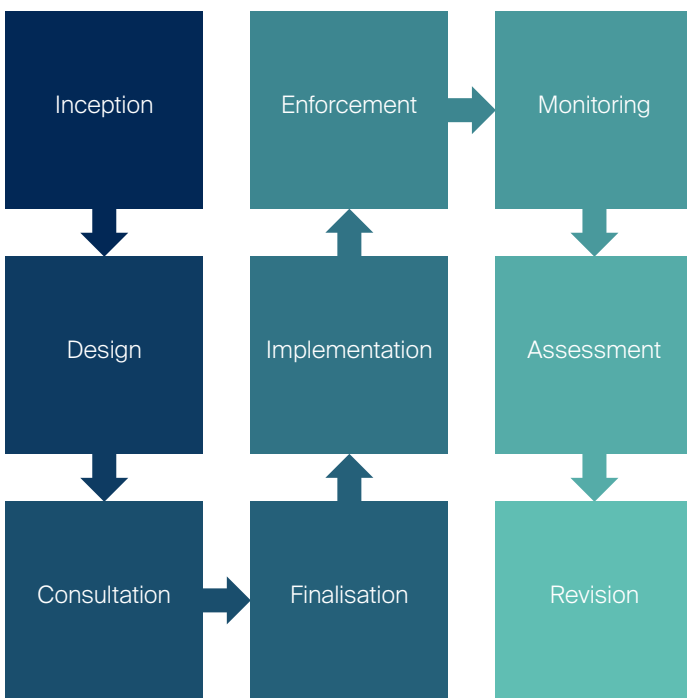
As a fiduciary, our advocacy will ultimately always consider our clients' best interests.

1. Policy advocacy may include lobbying activities such as communications with government officials for the purpose of influencing government action. Where lobbying activities are conducted, FSI will adhere to regional lobbying laws and other applicable laws and/or regulations.

2.2 When will we engage?

We will aim to engage with policymakers on the design of green taxonomies (a classification system defining environmentally sustainable activities), ESG product label regimes, sustainable finance transparency frameworks and corporate ESG disclosure requirements. Engagement may occur across the different stages of the **policy life cycle**, from inception through to revision, as shown below.

Sustainable Finance Policy Lifecycle



Source: UN PRI Sustainable Finance Policy Engagement Handbook 2022

Real Economy Policy Advocacy Approach

Our policy advocacy in relation to real economy policies is centred around our four RI focus areas: climate change, human rights and modern slavery, nature and biodiversity, and diversity. We will engage on these issues with the objectives set out below.

Climate Change

Why is policy advocacy on this topic important? In order to transition to a low carbon economy, we need to have alignment between regulatory frameworks and climate goals. This often includes market-based instruments (such as carbon pricing), regulatory intervention and targeted support for innovation and emerging technologies that will enable the transition.

When will we engage? We will engage with the objective to create the right policy settings to enable us to meet our firm level targets to reduce greenhouse gas emissions across our investment portfolios in line with a target of net zero emissions by 2050 (or sooner), in line with the Paris Agreement and global efforts to limit warming to 1.5°C, and across our business operations in line with a target of net zero emissions by 2030 (or sooner). We will actively advocate for policies that focus on the social dimension of climate change and that support a just and orderly transition towards a more resilient, low-carbon economy for workers and communities. We are also supportive of initiatives that seek greater climate-related transparency from companies such that investors can better understand climate risks and opportunities.

Human Rights and Modern Slavery

Why is policy advocacy on this topic important?

Government action is critical to addressing issues relating to human rights and modern slavery. Whilst there has been progress in recent years, the action required falls far short of what is needed to address these issues.

When will we engage? Human rights due diligence will be a focus area for our policy advocacy efforts. We are supportive of initiatives that seek to identify, prevent, mitigate and account for adverse human rights impacts in a company's own operations and value chains.

Nature and Biodiversity

Why is policy advocacy on this topic important? Nature and biodiversity is a systemic issue – our financial system depends on our planet's ecosystems. As policy and regulation help drive the climate change agenda forward, it can help halt nature loss. We believe that as investors, we have an important role to play in achieving real world outcomes on nature through policy advocacy and in sharing our expertise, views and lessons learned with industry peers and stakeholders.

When will we engage? We will advocate for policies that encourage better disclosures on nature-related risks, opportunities, impacts, dependencies. We also advocate for speedy government actions to end plastic pollution, as well as the development of a legally binding global agreement to end plastic pollution.

Diversity

Why is policy advocacy on this topic important? We believe that diversity and inclusion are important for building a healthy and equitable society and contribute to long-term business success. There are also business risks that arise from a lack of diversity, including a tendency towards 'groupthink', less opportunity for innovation, and a limited ability to meet the needs of diverse stakeholders.

When will we engage? To date, FSI has focused on improving diversity by means of direct engagement with companies. However, we are open to considering wider policy advocacy activities in the future. Issues that we will engage on include: mandatory reporting of gender pay gaps, and board/senior management gender splits. While these measures are mandated in some regions, there are many where they are not. In time, we would also like to see policy that fosters better reporting on diversity beyond gender, such as the racial, socio-economic background, neurodiversity and disability diversity of organisations and intend to engage on these issues. Enhancing transparency on these issues can encourage companies to address them more seriously.

3. How will we engage?

We will seek to identify opportunities to engage with policy makers where we can add value and expertise. Our intention is to be consistent in our messaging through our engagement process, based on a clear articulation of our views and reasoning to support those views. Our policy engagement will include both direct and indirect forms, for example:

Direct:

- Public responses to policy consultations
- Completion of online surveys
- Participation in industry roundtables
- Face to face meetings with Policymakers

Indirect:

- Actively participating in, leading and/or supporting responses from industry associations

4. Transparency

We commit to publicly disclosing our policy engagement and consultation responses on our website where possible.

This Policy shall be reviewed at least biennially by the Global Responsible Investment Executive Committee to ensure that it remains relevant and appropriate.

Appendix – Industry Association groups²

EUROSIF

- Eurosif actively contributes to public policy and research at a European level, surrounding sustainable investment issues and the obstacles that sustainability-oriented investors face. <https://www.eurosif.org/>
- FSI is a contributor to policy groups

Financial Services Council (FSC)

- The FSC is a peak body which sets mandatory Standards and develops policy for more than 100 member companies in one of Australia's largest industry sectors, financial services.
- FSI is a member of the Fund Management Board Committee
- FSI is a member of the Investment Expert Group
- FSI is a member of the ESG Working Group
- <https://www.fsc.org.au/>

Investors Against Slavery & Trafficking (IAST) APAC

- IAST APAC is a collaborative investor-led initiative, with the focus of engaging with companies in the Asia-Pacific region to promote effective action in finding, fixing and preventing modern slavery in operations and supply chains.
- FSI Global Head of Responsible Investment is Chair of IAST APAC
- <https://www.iastapac.org/>

Investor Group on Climate Change (IGCC)

- The IGCC is a collaboration of Australian and New Zealand institutional investors focused on the impact of climate change on investments.
- FSI is a member
- <https://igcc.org.au/>

Responsible Investment Association Australasia (RIAA)

- RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand. Its mission is to promote, advocate for, and support approaches to responsible investment that align capital with achieving a healthy and sustainable society, environment and economy.
- FSI is a member of the Human Rights Working Group, the Nature Working Group and the First Nations Peoples' Rights Working Group
- <https://responsibleinvestment.org/>

Task Force on Climate-Related Financial Disclosures (TCFD)

- TCFD was created by the Financial Stability Board (FSB) to develop recommendations on the types of information that companies should disclose in appropriately assessing and pricing risks related to climate change. The ISSB will assume oversight responsibilities of TCFD monitoring from the FSB in 2024.
- FSI is a supporter
- <https://www.fsb-tcfid.org/>

Taskforce on Nature-related Financial Disclosures (TNFD) Forum

- TNFD consists of 40 individual members that are collaborating to develop a framework that helps financial institutions and companies to incorporate nature-related risks and opportunities into their strategic planning, risk management and asset allocation decisions.
- FSI is a forum member
- <https://tnfd.global/>

The Investor Agenda

- The Investor Agenda is a collaboration between seven major groups working with investors, drawing on expertise from across the investor landscape to set out clearly joint expectations in investment, corporate engagement, investor disclosure and policy advocacy.
- FSI is a signatory to the annual investor statement
- <https://theinvestoragenda.org/>

UK Investment Association

- UK Investment Association is the trade body and industry voice for UK investment managers that develops initiatives relevant to the investment industry and works closely with government bodies to peers to shape industry-related policies.
- FSI is a member of the Sustainability & Responsible Investment Committee
- <https://www.theia.org/>

2. Correct as of 19th September 2023

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To the extent this material contains any ESG related commitments or targets, such commitments or targets are current as at the date of publication and have been formulated by the relevant investment team in accordance with either internally developed proprietary frameworks or are otherwise based on the Institutional Investors Group on Climate Change (IIGCC) Paris Aligned Investment Initiative framework. The commitments and targets are based on information and representations made to the relevant investment teams by portfolio companies (which may ultimately prove not be accurate), together with assumptions made by the relevant investment team in relation to future matters such as government policy implementation in ESG and other climate-related areas, enhanced future technology and the actions of portfolio companies (all of which are subject to change over time). As such, achievement of these commitments and targets depend on the ongoing accuracy of such information and representations as well as the realisation of such future matters. Any commitments and targets set out in this material are continuously reviewed by the relevant investment teams and subject to change without notice.

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