



**First Sentier**  
Group



**Responsible Investment  
& Stewardship Report**  
2025

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Note: **Bolded** terms throughout the report are contained in the glossary for further explanation. They are bolded in their first appearance on the page, and not thereafter.

## Introduction from our CEO

Welcome to First Sentier Group's Responsible Investment and Stewardship Report 2025. This document outlines how we act as stewards of our clients' capital, as active, responsible investors with a focus on achieving investment excellence and real-world outcomes.

In this report, we explain how our firm operates, how we approach **market-wide** and **systemic risks**, and how our investment teams apply their **stewardship** beliefs to their investment decisions and activities. This report also aligns with the principles of the **UK Stewardship Code 2026** and the Aotearoa New Zealand Stewardship Code.

The interconnected risks of climate change, biodiversity loss, and impacts on human rights have intensified in 2025.<sup>1</sup> Extreme weather events are disrupting ecosystems and communities worldwide, undermining systems that rely on nature's stability.<sup>2</sup> Simultaneously, inequality is deepening,<sup>3</sup> driven by the escalating climate crisis, geopolitical tensions, and economic fragility. Escalating conflicts further expose vulnerable populations to exploitation and modern slavery, amplifying humanitarian risks across global supply chains.

The interdependence of these issues highlights the need for a financial system that is underpinned by well-functioning markets and an equitable and inclusive society. In our role as an active investment manager, we consider how we preserve the integrity of our financial systems, society and our planet through responsible **asset allocation** and active stewardship.

Beyond direct **engagement** and voting,<sup>4</sup> First Sentier Group continues to exercise influence through active participation in collaborative stewardship initiatives and engagements with policy makers. Our focus on strong stewardship, engagement and responsible allocation of our clients' capital allows our distinct affiliate investment teams to manage through volatility while addressing a range of complex global challenges.



As always, we welcome your feedback on our work. If you have any questions or comments, please contact [stewardship@firstsentier.com](mailto:stewardship@firstsentier.com).

A handwritten signature in black ink that reads "Harry Moore". The signature is written in a cursive, flowing style.

**Harry Moore**  
CEO, First Sentier Group

1 [New UN Report Warns of Global Social Crisis Driven by Insecurity, Inequality and Distrust | United Nations University](#)

2 [Building Economic Resilience to the Health Impacts of Climate Change | World Economic Forum](#)

3 [Oxfam's Global Inequality Report | Oxfam GB | Oxfam GB](#)

4 Direct engagement refers to engaging directly with key decision-makers in the companies in which we invest to understand their commitment and approach, including their attitudes towards sustainability. Proxy voting is a way for investors in a company to vote on important issues related to that company without having to attend the actual shareholder meeting in person (see page 33).

# About us and this report

01

# About us and this report

Our 2025 **Responsible Investment** and **Stewardship** Report is structured into the following four sections.

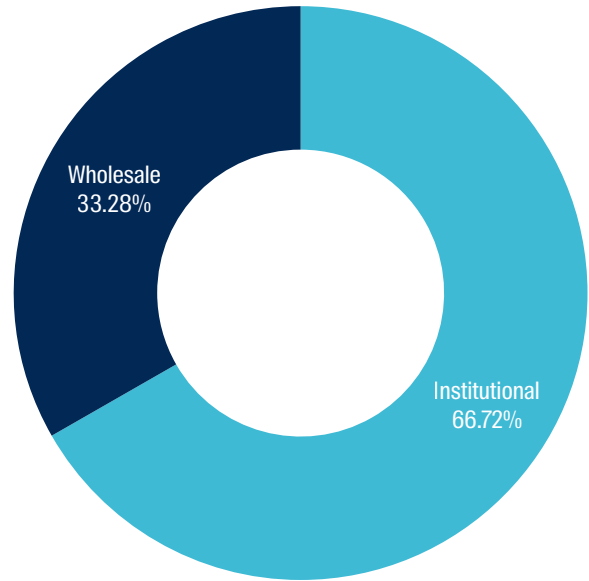
- 1 **Purpose and governance:** How we operate as a firm, encompassing our strategy, policies, and the ways in which we communicate our approach to clients.
- 2 **Identifying and responding to market-wide and systemic risks:** How we promote well-functioning markets through our work on our focus areas of climate change, nature and biodiversity, human rights and modern slavery, **policy advocacy** activities, and **thought leadership**.
- 3 **Investment approach – Stewardship and engagement:** How our investment teams integrate **environmental, social and governance (ESG)** and how we use and monitor our service providers.
- 4 **Engagement and voting:** How we apply our Responsible Investment (RI) and stewardship approach in action, with real case studies of our **engagement** and voting activities in 2025.

First Sentier Group (the Group) is a global asset management group and the home of investment teams AlbaCore Capital Group, First Sentier Investors, FSSA Investment Managers, Igneo Infrastructure Partners, RQI Investors and Stewart Investors.<sup>1</sup> All our investment teams operate with **discrete investment autonomy** and investment processes, according to their investment philosophies.

We are **stewards** of assets under management (AUM) of GBP £102.07 billion (as at 31 December 2025), across global and regional equities, cash and **fixed income**, listed and direct infrastructure, listed property securities and **alternative credit**, on behalf of institutional investors, pension funds, wholesale distributors and platforms, financial advisers and their clients.

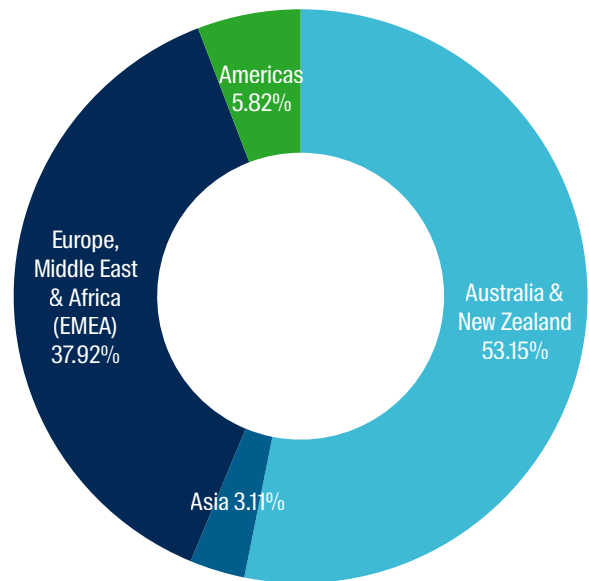
Each investment team integrates ESG considerations and approach stewardship in a way that is suited to their investment philosophy and style, meaning that teams may approach the same issues in different ways. This tailored approach allows the teams to make decisions in line with their investment objectives, while still benefiting from the resources and governance structures provided by the wider business.

AUM by client segment



Source: First Sentier Group, as at 31 December 2025.

AUM by region



Source: First Sentier Group, as at 31 December 2025.

1 As at 31 December 2025.

## Global investment capabilities by AUM

31 December 2025 (bn)				
	AUD	USD	GBP	EUR
<b>AlbaCore Capital Group</b>	<b>12.8</b>	<b>8.5</b>	<b>6.3</b>	<b>7.2</b>
<b>First Sentier Investors</b>				
<b>Australian Equities</b>				
Growth	18.5	12.3	9.1	10.5
Small and Mid-Cap Companies	4.2	2.8	2.1	2.4
<b>Total Australian Equities</b>	<b>22.7</b>	<b>15.1</b>	<b>11.2</b>	<b>12.9</b>
<b>Property and Infrastructure</b>				
Global Property Securities	1.2	0.8	0.6	0.7
Global Listed Infrastructure	7.3	4.9	3.6	4.2
<b>Total Property and Infrastructure</b>	<b>8.5</b>	<b>5.7</b>	<b>4.2</b>	<b>4.8</b>
<b>Fixed Income</b>				
Asia Fixed Income	4.6	3.1	2.3	2.6
Cash Management	45.7	30.5	22.7	25.9
<b>Total Fixed Income</b>	<b>50.3</b>	<b>33.5</b>	<b>24.9</b>	<b>28.5</b>
<b>Total First Sentier Investors</b>	<b>81.4</b>	<b>54.3</b>	<b>40.4</b>	<b>46.2</b>
<b>FSSA Investment Managers</b>				
Asia Pacific (APAC)	20.0	13.3	9.9	11.3
Global Emerging Markets	3.0	2.0	1.5	1.7
Greater China	8.4	5.6	4.2	4.8
India	0.8	0.5	0.4	0.4
<b>Total FSSA Investment Managers</b>	<b>32.1</b>	<b>21.4</b>	<b>15.9</b>	<b>18.2</b>
<b>Igneo Infrastructure Partners</b>	<b>35.3</b>	<b>23.6</b>	<b>17.5</b>	<b>20.1</b>
<b>RQI Investors</b>				
Global	10.7	7.1	5.3	6.1
Global Smalls	1.5	1.0	0.8	0.9
Emerging Markets	2.0	1.3	1.0	1.1
Australian	14.7	9.8	7.3	8.4
<b>Total RQI Investors</b>	<b>29.0</b>	<b>19.3</b>	<b>14.4</b>	<b>16.5</b>
<b>Stewart Investors<sup>2</sup></b>				
APAC	11.4	7.6	5.7	6.5
Emerging Market Equities	2.3	1.5	1.1	1.3
Indian Subcontinent	0.8	0.5	0.4	0.4
Worldwide	0.8	0.5	0.4	0.5
<b>Total Stewart Investors</b>	<b>15.3</b>	<b>10.2</b>	<b>7.6</b>	<b>8.7</b>
<b>First Sentier Group Total AUM</b>	<b>205.9</b>	<b>137.3</b>	<b>102.1</b>	<b>116.9</b>

Source: First Sentier Group as at 31 December 2025. Numbers have been rounded.

2 Stewart Investors managed funds transferred to the responsibilities of FSSA Investment Managers in November 2025, excluding the Worldwide strategies.

# Purpose and governance

# 02

# Purpose and governance

Our purpose is to deliver sustainable investment success for the benefit of our clients, our people, society and the shareholder.

Our philosophy and culture are based on a set of shared values:



**Care** – We care about our clients, society and each other



**Openness** – We are open with each other and to different ways of thinking



**Collaboration** – We collaborate to deliver the best solutions



**Dedication** – We are dedicated to being experts in our respective fields

Our firmwide purpose and strategy guides our approach to fostering a strong culture of **stewardship** across the firm. We believe that having a strong culture of stewardship requires an engaged workforce, made up of individuals who understand our vision and purpose, and apply it to their day-to-day activities.

**RI** is a whole of business issue, and a key pillar of our investment approach. **ESG** standards are important to our investment process, **security selection**, and **portfolio construction**. At a firm level, we are committed to playing a role in addressing **systemic risks** through a range of methods, including **collaborative engagement**, industry initiatives, **policy advocacy** and **thought leadership**.

## Our ESG investment beliefs

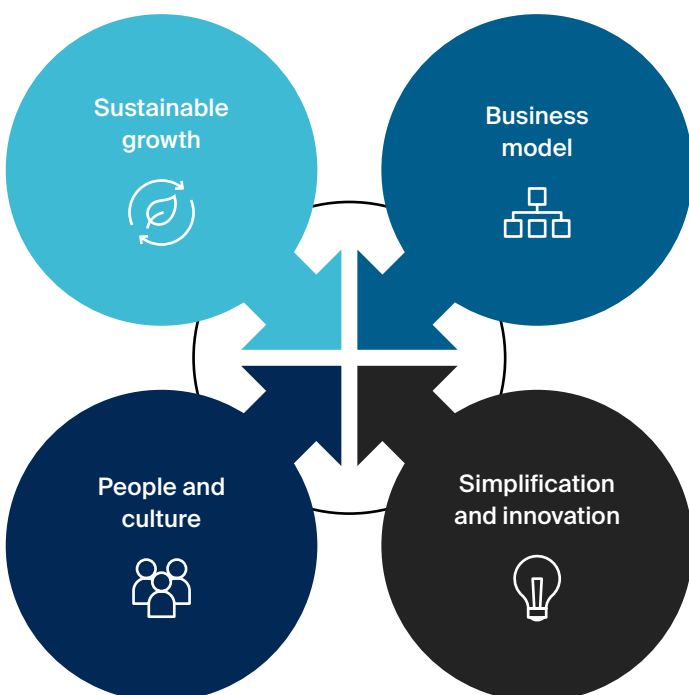
Given our diverse investment teams and investment processes, the specifics of how each team implements their approach to RI varies, however all teams share the following ESG investment beliefs:

- As a global asset manager, we have the opportunity and responsibility to allocate our clients' capital in a way that drives what we believe to be positive social and environmental outcomes within the context of our investment strategies;
- Incorporating ESG considerations as sources of long-term risk and opportunity into our investment approach can help us make better decisions, which can lead to stronger long-term investment performance for our clients; and
- As active owners, we can contribute to better outcomes on behalf of our clients and broader society.

## Strategy

Through our people, we aim to provide high quality, differentiated and relevant investment capabilities to deliver meaningful investment performance for our clients and our shareholder.

Our goal is to deliver distinct and quality products as a globally leading asset manager. Our strategic objectives cover four areas for 2025–2026 around:



## Governance, resources and incentives

Our governance framework is wide-ranging and in-depth. This structure ensures thorough oversight and accountability for effective **stewardship** in the business.<sup>1</sup>



First Sentier Group Governance structure as at 31 December 2025.

### Executive Committee

The Executive Committee (ExCo) serves as an executive management committee responsible for shaping First Sentier Group’s strategic direction, policies, governance and operations. The ExCo’s **RI** mandates include determining the Group’s long-term strategic direction for RI, including its goal and ambition; and determining, overseeing and where necessary, approving, the Group’s RI principles, policies and publicly stated commitments and disclosures.

### ESG Impacts Committee

This comprises 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.

### ESG Regulatory Advisory Group (ERAG)

The ERAG determines and provides oversight of First Sentier Group’s overall ESG governance framework, policies and adherence to global ESG regulations. The ERAG also approves the quarterly exclusions list covering controversial weapons and tobacco,<sup>2</sup> and escalates any decisions to the ExCo when necessary.

### Governance structure: AlbaCore Capital Group and Igneo Infrastructure Partners

Given the nature of the **asset classes** and the governance structures in place for their autonomous businesses, Investment Assurance reporting and oversight is provided on strategies managed by Igneo Infrastructure Partners (Igneo) and AlbaCore Capital Group (AlbaCore) at a high level with reporting up to the Executive Committee. The Investment Product Research and Assurance (IPRA) team undertake a combination of qualitative and quantitative research activities to support the ExCo in fulfilling its investment assurance activities. A true to label approach is used to assess funds managed by AlbaCore and Igneo, tailored to the nature of its underlying asset class and investment strategy.

1 The ExCo reports to the FSG Subsidiary companies, FSG Board, ARC, PRC.

2 Subject to certain qualifications as explained in our Global RI & Stewardship Policy [document](#).

## Governance structure: AlbaCore Capital Group

Investment vehicles and products managed by AlbaCore sit outside of the governance structures outlined above. This is consistent with the governance framework that exists between First Sentier Group and AlbaCore Capital Group.

The Group holds a majority ownership in AlbaCore. Pursuant to arrangements in place between the Group and AlbaCore, AlbaCore operates autonomously with respect to product governance and **ESG** matters. AlbaCore has a cross-departmental ESG Committee which meets regularly and is responsible for implementing AlbaCore's ESG and **responsible investment** approach.

## Governance structure: Igneo Infrastructure Partners

The funds managed or advised by Igneo have a different governance structure, which reflects the unique nature of the infrastructure **asset class**. Each fund has a board or similar top-level governing body that supervises and monitors fund activity.

These bodies are comprised of independent directors i.e. directors who are independent from (not employees of) First Sentier Group, as well as, in most cases, First Sentier Group representatives. These bodies and their delegates are ultimately responsible for oversight of **portfolio** and risk management, including with respect to responsible investment and the **stewardship** of the portfolio companies.

Each fund also has an Investment Committee, comprised of the most senior members of the Igneo team. The Investment Committee is responsible for evaluating investment opportunities – including their associated ESG risks and opportunities – and making investment (and **divestment**) recommendations and decisions. The funds also have an investors' representative group or advisory committee, a group of investors that play an advisory role during the investment process.

## Responsible Investment and Stewardship Strategy

The RI & Stewardship Strategy is carried out by the central RI Team, which provides support to all the investment teams at First Sentier Group. This specialist RI Team engages with and coordinates the entire business to deliver the RI strategy. This includes the integration of ESG factors into the investment process, collaborating with clients and broader stakeholders to enhance sustainable investment and

implementing ESG regulatory requirements. The team is currently located across the Group's offices in Australia, Ireland, and the United Kingdom (UK) and reports to the Chief Commercial Officer.

Every three years, we review the firm's RI strategy to ensure it remains robust and aligned with evolving markets, regulatory and client expectations. The review includes a market and peer scan covering regulatory developments, industry practice and emerging ESG themes, and assesses the RI framework at both firm and investment-team level. The outcomes of the review guide RI priorities, engagement activities and collaboration across the firm over the subsequent three-year period.

The [Global Responsible Investment & Stewardship Policy](#) and [Principles](#) documents are reviewed biennially, following a consultation process with investment teams and other stakeholders in the business. The Policy and Principles were reviewed in 2025, and were both approved in July 2025 by our Chief Commercial Officer. There was only one material change to the expectations for investment teams set out in 2.2 of the policy document: "Act in a manner consistent with applicable ESG-related regulatory requirements and keep sufficient records to demonstrate this." This is to reaffirm our ongoing commitment to keeping our policies aligned with evolving ESG-related regulatory requirements.

## RI Capabilities: Learning & Development, Data and Tools

### Learning and Development (L&D)

We are committed to fostering a culture that supports the principles of stewardship and responsibility and focusses on increasing employee knowledge and **engagements** with RI. The RI and Corporate Sustainability teams host a range of formal and informal sessions facilitated for different learning groups, to foster a sense of stewardship across the firm. The following sessions were hosted in 2025:

- Banking sector overview on understanding ESG risks and opportunities in the banking sector as essential for informed engagement discussions with investee companies (companies invested in).
- In alignment with our commitments under the Group's Reconciliation Action Plan,<sup>3</sup> we co-designed a two-part investor training series in collaboration with Ninti Kata Consultancy, led by Kuyani Arrernte, and Woman and First Nations leader, Erin Woolford.
- The Corporate Sustainability team held human rights training sessions across both the APAC and EMEA regions.

<sup>3</sup> [Reconciliation Australia](#) collaborates with organisations to develop Reconciliation Action Plans, which details a long-term strategy for organisations to take meaningful action to advance reconciliation. It uses a framework of Reflect, Innovate, Stretch and Elevate.

### ESG Service Providers

To support effective investment decision making and **stewardship**, we integrate **ESG** research and data from external providers into our investment systems and internal dashboards, with ESG insights made available to investment teams via platforms including FactSet, Aladdin and Bloomberg.

Our investment teams may also access ESG information from other sources such as sell-side broker research (research from brokerage firms or investment banks), reports, conferences, webinars hosted by industry specialists, and reports by other interested parties such as regulators, government agencies and non-governmental organisations (NGOs). We continue to source data from the Global Slavery **Index** and KnowTheChain **benchmark** data, which are key inputs into our modern slavery risk assessments for investments.

We subscribe to the following services (as at 31 December 2025):

- **Sustainalytics** – ESG Risk Ratings research, Product Involvement research, Global Standards Screening, Country Risk Ratings, Sustainable Finance Disclosure Regulation (SFDR) Principle Adverse Sustainability Impacts research and European Union (EU) Taxonomy research.

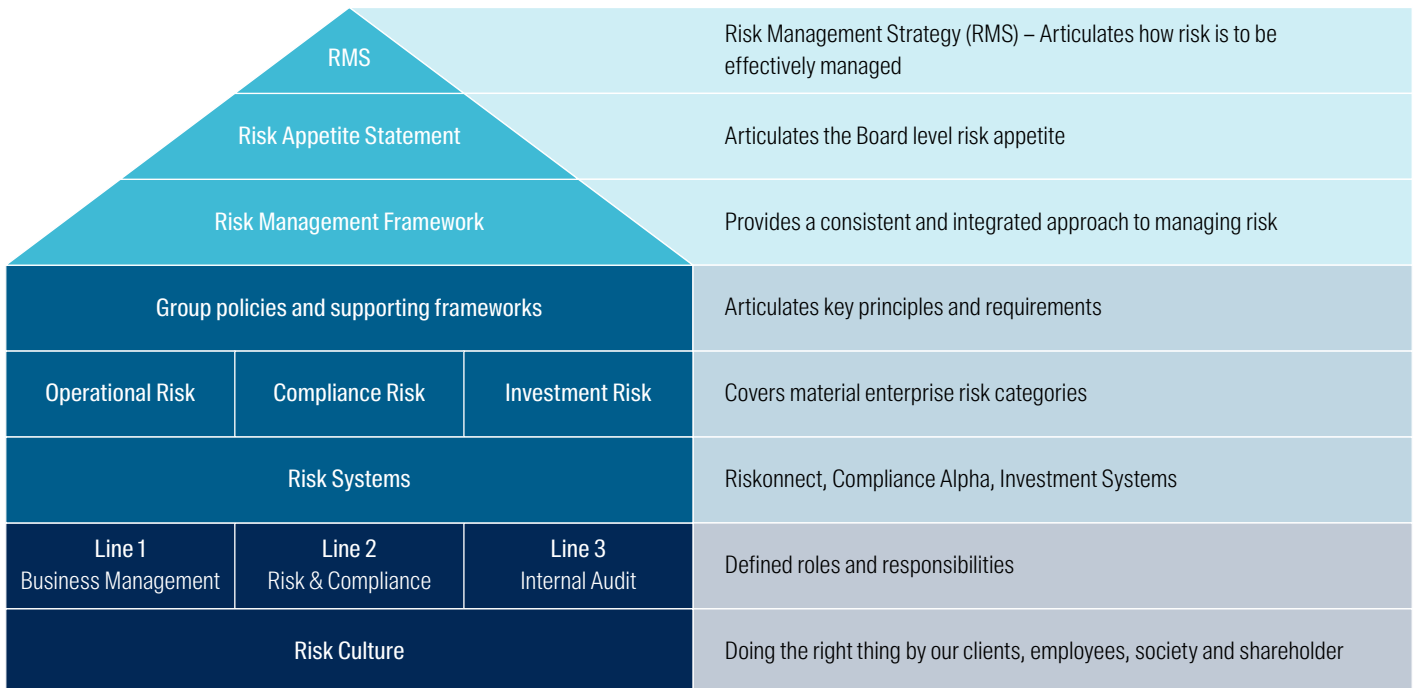
- **Institutional Shareholder Services (ISS)** – carbon and climate data and analysis, fossil fuel data, biodiversity data, corporate governance and director data.
- **RepRisk** – provider of intelligence on ESG controversies.
- **Glass Lewis** – provider of governance services including proxy vote management.

Our **RI** team has adopted a ‘System Stewardship’ workstream which helps connect firm-level policy, data, frameworks and collaborative levers to help investment teams respond to **market-wide risks** across climate and nature. As part of this workstream, we have been developing an artificial intelligence (AI)-Enabled Double Materiality Tool for investment teams. This tool is designed to support investment teams in identifying, prioritising and assessing sectoral material ESG issues, as well as query available toolkits, research and resources to support integration within investment process and targeted company **engagement**.

Details of how we hold service providers to account are on page 23.

### Review and assurance

The diagram below provides a holistic view of how risk management is embedded across the organisation:



## Risk Management Strategy (RMS)

The purpose of the RMS is to:

- Articulate how risk is to be effectively managed within First Sentier Group.
- Outline the key components supporting risk management in the Group.
- Clarify responsibilities and accountabilities in relation to the identification, management, monitoring and reporting of risks.

The Group's philosophy with respect to the roles and responsibilities for risk management can be articulated in the 'Three Lines of Accountability/Defence' model:

- **Line 1** – Business management: Responsible for identifying and managing risk and ensuring their activities are compliant with legal, regulatory, industry code and organisational requirements.
- **Line 2** – Risk support functions (Risk Management, Compliance, Investment Risk Oversight): Support the business in managing risks and achieving compliance, monitoring risk and compliance levels in the business and reporting on risk and compliance matters to management and governance forums.
- **Line 3** – Independent oversight by Internal Audit: Provide independent and objective assurance over risk management, control, and governance processes.

## Conflicts of interest

We have a fiduciary duty to act in our clients' best interests, treating them fairly and in good faith and avoiding foreseeable harm. Conflicts of interest can arise from the interaction between different business units and affiliates of the Group, our clients, external parties and employees, or can occur between the Group and our shareholder, Mitsubishi UFJ Trust and Banking Corporation, a wholly-owned subsidiary of Mitsubishi UFJ Financial Group, Inc. (MUFG). When these arise, it is essential that we have adequate arrangements in place to identify, evaluate and appropriately manage them. Our Global Code of Conduct (the Code) and Global Conflicts of Interest Policy (the Policy) make these obligations clear.

Examples of potential material conflicts of interest arising in the ordinary course of business include but are not limited to:

- Group clients who may be **issuers** of securities or proponents of **shareholder resolutions**.
- Employees/investors who may have a family, personal or professional association with an investee company.
- Securities of MUFG or the Group's investment funds held in **portfolios** managed by the Group.
- MUFG or Group board members who may serve as senior executives of investee companies.

Our employees must consider the impact of conflicts of interest as they carry out their day-to-day duties for the Group and report any they identify. To help employees identify them, induction and annual training is delivered, and the Policy also provides relevant guidance. Our employees must complete a certification confirming they have complied with both the Code and the Policy annually. We maintain a Conflicts of Interest Register, identifying the Group entity/entities impacted by the actual, potential and perceived conflicts of interest and the controls in place to manage the conflicts. The register is reviewed at least annually and in some jurisdictions there is a regulatory requirement for it to be approved by internal governance committees. Employees use a Compliance Alpha system to record and obtain approval for personal trading, gifts and entertainment and outside business activities where required. The requirements for each are outlined in our Compliance policies and monitored by our Compliance team.

Examples of the processes to address examples of conflicts of interest that may occur include:

- Directors are required to disclose any potential matter where they have a material personal interest as soon as possible after becoming aware of it. An assessment can determine the most appropriate management strategy to mitigate it.
- Qualifying team members may be permitted to invest into a fund managed by Igneo, resulting in a potential conflict of interest on voting matters. To manage this, units held by qualifying team members are non-voting as specified in the relevant Partnership Agreement, which is made available to all investors.



## Client and beneficiary needs

### Client communication

First Sentier Group recognises the importance of open and transparent communication to our clients about our **stewardship** and investment activities and outcomes to meet our clients' needs. To ensure transparent communication with our clients on our stewardship activities, our website contains a [live record of our proxy voting activity](#), quarterly reporting on our climate metrics for our Listed Equities teams, and over 140 **engagement** case studies.

In 2025, we developed a more structured and proactive approach to client engagement on **RI**.

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*In Australia, we commenced a 'Listening Tour', where we engaged with key clients to better understand their priority ESG challenges and material issues, as well as identify areas for potential collaboration.*

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Through targeted client discussions, we gathered insights into the topics and formats clients considered most valuable for 2025. These insights directly informed our programme of events and meetings, which included the following engagements:

- Organised sessions with a client to share our approach to physical climate risk assessments.
- In February, Churches, Charities and Local Authorities (CCLA) and Rathbones hosted an event, "From Risk to Remedy: An Investor's Guide to Addressing Modern Slavery". Sudip Hazra, Director at the First Sentier MUFG Sustainable Investment Institute (the Institute), delivered the keynote speech and introduced the Institute's report "[Modern Slavery & Remediation – An Investor's Guide](#)".<sup>4</sup> The other speakers discussed the role that investors can take in providing or enabling remediation to workers who have experienced modern slavery. The event was hosted in person and online, inviting interested stakeholders to attend globally.
- In June, we hosted a roundtable lunch in London exploring how adopting a siloed approach to responsible investment might cause us to overlook potential synergies and trade-offs across **ESG** issues, based on a [white paper](#).<sup>5</sup> The lunch was an interactive discussion among asset owners and broader stakeholders. We also hosted a roundtable on the same theme in Sydney, in collaboration with Responsible Investment Association Australia (RIAA) and Investor Group on Climate Change (IGCC).

4 Only available for professional audiences.

5 For institutional/professional audiences only.

# Identifying and responding to market-wide and systemic risks

03

## Identifying and responding to market-wide and systemic risks

Market-wide and systemic risks are important considerations for investment managers, particularly as these risks are diverse and often difficult to mitigate through portfolio diversification. As a firm, our four RI focus areas continue to be climate change; nature and biodiversity; human rights and modern slavery; and diversity, equity and inclusion.<sup>1</sup> Focusing on these primary areas has allowed us to concentrate our resources more effectively and improve First Sentier Group's visibility across these areas.

However, each of these areas present large, complex problems to address, and we cannot solve these issues alone. Climate change, for example, is driving natural disasters that exacerbate inequality. As we transition towards a low-carbon economy, we must also ensure it is a just transition which seeks to ensure that environmentally sustainable economies are promoted in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind.

In May 2025, we published a paper "[An integrative approach to Responsible Investment](#)".<sup>2</sup> This paper explains our holistic approach to **ESG** across our different investment teams, with case studies from First Sentier Australian Equities Growth, First Sentier Global Listed Infrastructure, FSSA Investment Managers, Igneo Infrastructure Partners and Stewart Investors.

The following section outlines how we have worked with internal and external stakeholders, to provide deep expertise across these areas, as well as contribute to **policy advocacy** and **thought leadership** across these focus areas in 2025.

### Focus area updates

#### Climate change and nature and biodiversity

Climate change and nature loss are deeply interconnected, with climate change acting as a major driver of biodiversity decline. The combined impacts of global warming<sup>3</sup> and overexploitation of natural resources are overwhelming **planetary boundaries**<sup>4</sup> and causing unprecedented damage to ecosystems on which we depend – underscoring the importance of our approach to systematically manage climate risk and enhance client outcomes.

#### Alignment with investments

Understanding how climate and nature-related risks and opportunities affect long-term value across different **asset classes**, and using this analysis to inform research, **engagement** and escalation.

As part of this approach we piloted our Nature and Biodiversity five-pillar framework across 17 priority food and beverage holdings, producing scorecards and an analysis workbook now used in research and engagements. From these findings, we wrote engagement letters and met with one company to discuss how it is addressing its material exposure. We are also developing combined nature and climate sector guidance for our investment teams to support deeper analysis across **portfolios**.

<sup>1</sup> These were our four focus areas during 2025, and are subject to change in 2026.

<sup>2</sup> For institutional/professional audiences only.

<sup>3</sup> [2025 was one of three hottest years on record, scientists say | PBS News.](#)

<sup>4</sup> <https://www.planetaryhealthcheck.org/>

High quality data underpins our work. We provided enhanced nature-related data to investment teams, including **portfolio**-level mapping using ISS Biodiversity Impact Assessment tool.<sup>5</sup> These insights inform targeted **engagement** and strengthen our Taskforce on Nature-related Financial Disclosures (TNFD) aligned disclosures (TNFD is a global framework that helps organisations identify, assess and disclose how their activities depend on and impact nature), and the related financial risks and opportunities.

We continue to enhance our net zero approach to provide support for our investment teams. Part of this process includes monitoring investment teams' progress against their net zero targets and helping prioritise companies for engagement that may be lagging in their transition. In 2025 we expanded this work to include measuring alignment with our Net Zero Investment Framework (NZIF) for sovereign bonds and direct infrastructure.

#### Industry initiatives and stakeholder collaboration

As part of our Australian Accounting Standard Board (AASB) S2 reporting (the Australian reporting standard that sets out how organisations should report climate related risks and opportunities and explain how climate change could affect their finances, strategy and operations reporting requirements), we engaged Canbury, a third party technology-enabled sustainability consultancy firm, to calculate our Climate Value at Risk metrics (a financial metric that assesses the potential impact of climate change on investment portfolios, helping investors manage risks and identify opportunities) across our portfolios. This supports the development of forward-looking scenario analysis which we will continue to embed into 2026.

#### Challenges and progress

While climate data quality is improving, physical climate and nature-related data<sup>6</sup> remains fragmented and often lacks the geolocation detail needed to assess **financially material** impacts across companies and supply chains. As industry data evolves, we aim to build a clearer picture of how climate and nature adaptation may shape future risks and opportunities.

As a global asset manager, we operate across diverging regional reporting regimes and continue to strengthen our dialogue with clients on expectations, actions and performance related to climate and nature.

#### Human rights and modern slavery

Heightened geopolitical tensions and global conflicts continue to amplify human rights risks for companies globally in both their operations and value chains. These risks represent both a profound ethical concern and significant reputational, regulatory, and financial challenges for both companies and investors.

As **responsible investors**, these developments have reinforced the need for robust human rights due diligence and active **stewardship**. We continued to use our leverage as a global asset manager by contributing to **policy advocacy**, collaboration with other investors and stakeholders, and company engagements.

#### Alignment with investments

Human rights risks in Conflict-Affected and High-Risk Areas (CAHRA)<sup>7</sup> has remained a key focus area for us, particularly as geopolitical instability and conflict continued to intensify around the world. These areas are risk multipliers, as they are characterised by threats such as armed conflict, widespread violence, political repression, weak rule of law and systemic human rights abuses. Companies with operations, suppliers or distribution networks in these environments face elevated legal, regulatory, operational and reputational risks. We have continued our partnership with Heartland Initiative, a specialist human rights advisory organization, to help us understand how our investment teams may be exposed to heightened risks in CAHRA. We used this to work with investment teams to identify and address CAHRA-related risks in their portfolios.

5 Tool from ISS that is designed to help investors assess the impact of their portfolios on biodiversity. It evaluates the potential impact of companies' business and supply chain activities on biodiversity, providing insights into the potential for biodiversity loss.

6 Location-specific, quantitative or qualitative data that measures an entity's exposure and vulnerability to physical impacts arising from nature degradation and ecosystem change, such as biodiversity loss, water stress, soil degradation, deforestation, and ecosystem collapse.

7 CAHRAs are regions characterized by the presence of armed conflict, widespread violence, or other risks of harm to people.

## Despite progress in supply chain mapping and upstream transparency, major gaps remain.

### Industry initiatives and stakeholder collaboration

First Sentier Group continues to convene and chair the Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC) initiative (further details on page 30). In 2025 we hosted an IAST APAC roundtable in Sydney and Melbourne on modern slavery risks in the clean energy transition. This event brought together asset owners and managers, with guest speaker New South Wales Anti-Slavery Commissioner Dr James Cockayne. First Sentier Group also hosted a breakfast briefing roundtable for directors on modern slavery with Australia's inaugural Anti-Slavery Commissioner Chris Evans, in collaboration with Stanton Chase. Additionally, we hosted human rights workshops at **RI** Australia and RI New Zealand conferences, as well as for students undertaking a Masters of Laws in Business Human Rights at Melbourne University.

We also continued to participate in the RIAA's Human Rights Working Group and contributed to RIAA's third update to its human rights in global value chains [toolkit](#).

### Challenges and progress

Despite progress in supply chain mapping and upstream transparency,<sup>8</sup> major gaps remain. Few companies we engaged with throughout the year assess downstream risks,<sup>9</sup> such as how products may be used in conflict zones, and most have limited visibility or controls over end-use. Most companies do not yet conduct on-site checks or audits of non-operated ventures, with on-site checks and audits only beginning to be introduced.

Heightened human rights due diligence in CAHRAs is rare, with many companies that we engaged with relying on standard policies and lacking clear escalation pathways or disengagement criteria. Grievance mechanisms<sup>10</sup> exist but are often inaccessible and unclear, especially in CAHRA. In most cases, reporting on grievances raised and how they were resolved is limited.

### Research by First Sentier MUG Sustainable Investment Institute<sup>11</sup>

The Institute is supported by First Sentier Group and Mitsubishi UFJ Trust and Banking Corporation (MUTB), a consolidated subsidiary of MUG. The Institute is separate from First Sentier Group and MUTB's investment teams, allowing it to consider topics from a wider investor perspective. Enhancing its quality of research, it has an external Academic Advisory Board providing guidance on the Institute's research agenda and adds academic rigour to its research output.

The Institute's research is available on its dedicated [website](#). The **thought leadership** pieces published in 2025 were:

- Integrating nature & biodiversity into investment – an asset owner perspective (produced by Pensions for Purpose)
- Sustainable Food Systems
- Climate Risk and Adaptation in Global Food
- Sustainable Lithium-ion Batteries: Investor Briefing
- Health & Global Food Systems: An Investor's Guide
- Low-Hanging Plumes: An Investor's guide to Methane

### Policy and wider industry engagement

First Sentier Group has engaged in policy issues and industry collaborations for a number of years. As a responsible investor, we believe **policy advocacy** 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.

Our approach to policy advocacy continued to be informed by our [Policy Advocacy Principles](#).

8 Upstream supply chain mapping is the process of identifying and documenting all activities, entities, and flows before an organisation's own operations.

9 Downstream supply chain mapping is the process of identifying and documenting all activities, entities, and flows after an organisation's products or services leave its control.

10 Processes that allow individuals or groups to raise concerns, complaints, or grievances about negative impacts they have experienced, and to seek resolution, remedy, or redress.

11 Only available for professional audiences.



Below are some examples of **policy advocacy** activities over 2025:

- The Group's Global Head of **Responsible Investment** participated in an investor roadshow in Canberra hosted by the IGCC. Discussions with ministers and policymakers centered on the importance of updating the Australian National Climate Risk Assessment, developing the first National Adaptation Plan, strengthening the nation's 2035 **Nationally Determined Contribution (NDC)**, and enhancing policy certainty and stability in key investor-related climate policy areas, particularly pathways to net zero.
- Submission to strengthening the Modern Slavery Act Australia: In July 2025, the Australian Government commenced public consultations in two streams. The first stream was inviting feedback on their public consultation paper to which we responded to. The second stream is through targeted consultations in 2026, which we are planning to also attend.
- Australian sustainable investment product labels: In July 2025, the Australian Government released a consultation paper on Sustainable Investment Product Labels asking for feedback regarding policy options for a possible sustainable financial product labelling framework in Australia. Leveraging our substantial experience engaging with investment product labelling, disclosure, and classification regimes globally, including regulatory frameworks across the EU and UK, First Sentier Group submitted a comprehensive response to the public consultation. Here, we advocated for a principles-based regime with clear and concise disclosure requirements.
- In August 2025, the TNFD released a discussion paper on the 'Identification, assessment and disclosure of impact and dependencies in financial **portfolios**' exploring the practical challenges financial institutions face in identifying, assessing and disclosing nature-related dependencies and impacts at the portfolio level. Drawing on our experience assessing corporates' nature-related dependencies and impacts, First Sentier Group provided feedback on methodological hurdles as well as data quality and coverage limitations.

# Investment approach – Stewardship and Engagement

04

## Investment approach - Stewardship and Engagement

Given the variety of assets we manage, the number of countries we operate across, and the size and nature of our holdings, ESG integration and stewardship can vary significantly depending on context. Our investment teams therefore apply a bespoke approach to assessing each individual investment, while operating within a consistent firm-wide responsible investment framework. We believe the diversity of approaches taken by our investment teams to tackle specific challenges is a key strength in achieving the Group's responsible investment objectives.

**Stewardship** is the overarching framework through which we exercise our responsibilities as long-term owners of capital.

**Engagement** and voting are key stewardship tools, giving us the ability to influence investee companies' strategy, governance and sustainability practices over time.

Active ownership has long been part of our fundamental approach to investment. Active ownership represents a proactive approach to investment that seeks to influence corporate behaviour and decision-making to enhance long-term value. Through exercising voting rights and engaging on issues related to factors such as: strategy, risk, performance, climate change, human rights and governance, we can undertake active ownership and stewardship.

*Active ownership has long been part of our fundamental approach to investment.*

### Why engagement matters

We believe actively engaging in dialogue with the companies or entities that we invest in is important as it provides key opportunities to improve our understanding of their business. In addition, it allows us to monitor material business issues including strategy, capital allocation and financials as well as their approach to **ESG** matters, which, in turn, may present us with an opportunity to influence them to improve these practices.

### Identifying and prioritising engagement

Engagement issues are identified through our investment teams' proprietary research processes, which are predominantly driven by company-focused research through their own disclosures, public information, and from service providers. The investment teams' engagement activities seek to support changes which will improve the quality of the companies they invest in, reduce risks, and enhance long-term returns for clients.

The breadth, depth and frequency of engagement can vary significantly based on a variety of factors, including the risks and opportunities faced by the company; the opportunity and the company's willingness to engage; and the size or nature of the investment.

### Common engagement principles

Given the varying nature of the **asset classes** we manage, the geographies in which they operate, and the size of our holdings, each investment team's engagement approach is tailored to individual companies and the specific issues in question. Despite these differences in approach the investment teams have also agreed to several common approaches. These include:

- seeking to build a respectful, constructive and long-term dialogue with a company's management and board;
- aiming to understand the company's approach to managing key business risks and opportunities to support better investment decision-making;
- making clear any expectations or preferences for improvements in the company's practices and the importance of the company demonstrating those improvements;
- emphasising our long-term investment horizon and avoiding 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; and
- encouraging and recommending companies to disclose their material ESG risks and performance in keeping with widely adopted and emerging global standards.



## Recording engagement and outcomes

Investment teams record **engagement** activity conducted throughout the year, including issues raised for follow up purposes. These engagement logs are the source of our case studies on pages 25–31 below.

As with all engagement activities, it can be difficult to accurately attribute success or failure to specific engagements. For example, other investors may well be engaging with management on the same issue at the same time, the timeframe between engagement commencing and resolving can be long, and the engaged company may claim any changes we were advocating were already in motion but not publicly disclosed. Nevertheless, we strongly believe that engagement is an important part of the investment process given our position as long-term **stewards** of investors' capital.

Below is a summary of each investment team's **ESG integration** and **asset class** engagement approach.

AlbaCore Capital Group <sup>1</sup> – Private Credit	
ESG integration	Engagement approach
<p>AlbaCore is committed to investing responsibly, by considering and integrating material ESG factors in decision-making. By incorporating material ESG factors in AlbaCore's investment process and business operations, we seek to meaningfully preserve the value of <b>portfolio</b> assets and protect the interests of investors.</p> <p>During the pre-investment due diligence stage, AlbaCore's investment team reviews potentially material ESG topics in relation to each proposed investment; these factors are considered by the Investment Committee prior to investment. The investment and ESG teams monitor potentially material risks following investment, where practicable and reasonable.</p> <p>For further information relating to ESG Integration in investment practice, please refer to AlbaCore's Responsible Investing &amp; ESG Policy.</p>	<p>AlbaCore believes that engagements with both portfolio companies and through external collaboration, forms part of its role to act responsibly and promote long-term economic objectives of investors and other stakeholders.</p> <p>Underpinning AlbaCore's engagement philosophy is sustainable value creation and risk reduction. Engagement supports informed decision making and helps protect the value of fund investments. As such, it is a formal and complementary part of the investment process.</p> <p>During 2025, AlbaCore's ESG team continued to develop and build out its engagement processes, including its inaugural Engagement framework. It is designed to support the investment team in engagement on ESG topics in a consistent and systematic manner, and provide support in determining relevant and material topics to discuss in accordance with AlbaCore's ESG risk matrix. Engagement may be undertaken during due diligence and portfolio monitoring to identify and monitor potentially material sustainability risks, including raising awareness about certain ESG topics and encouraging improved corporate sustainability practices among borrowers and sponsors. Where material issues arise, the investment team will seek to engage on an ongoing basis and escalates severe or regulatory concerns to the relevant portfolio manager and Investment Committee.</p>

1 AlbaCore is only available for institutional clients.

First Sentier Asia Fixed Income	
ESG integration	Engagement approach
<p>The team believes that ESG risks influence companies' ability to service their <b>long-term debt obligations</b>, and therefore ESG assessments form an integral part of the team's research process. The team's ESG assessments have an important bearing on an ESG Relative Valuation score that is assigned to every credit they review, in turn influencing <b>portfolio construction</b> decisions. Through this process, ESG risks are identified. Asian <b>issuers</b>, particularly those in more carbon intensive economies, also face both physical and transition risks<sup>2</sup> that factor as an important feature of any ESG assessment. Against a fast-evolving ESG landscape in Asia, the team emphasises both qualitative and quantitative research in determining an ESG assessment. This research is based on a combination of sources such as company engagements, company reports and third-party research. Material risks are identified by credit analysts as part of their fundamental analysis, and their assessment of issuers' resiliency and ability to adapt against identified ESG risks influence investment decisions across portfolios, both in terms of <b>security selection</b> and portfolio positioning.</p>	<p>Ongoing engagement is a core part of the research process, enabling the team to understand and, where appropriate, influence issuers on ESG, strategy and treasury matters. ESG concerns are recorded in an internal database.</p> <p>Engagement extends beyond company management and investor relations to counterparties, credit rating agencies and non-governmental entities. Engaging with government, semi-government and supranational issuers can be more challenging than engaging with corporate issuers as sovereign-related bonds tend to be tied to broader economic agendas.</p> <p>Individual private institutions, like First Sentier Group, may not wield sufficient influence in the context of a sovereign's national objectives. Nonetheless, the First Sentier Asia Fixed Income team engages proactively with stakeholders able to influence long-term investment outcomes.</p> <p>As fixed income investors lack voting rights, escalating issues relies on methods such as collaborative engagement, industry forums, issuer roadshows and investor days. A deterioration in ESG assessment may weaken credit quality, influencing relative value and position sizing. <b>Divestment</b> is a last resort.</p>

First Sentier Short Term Investments and Cash	
ESG integration	Engagement approach
<p>The team believes that ESG issues can have a significant bearing on default risk (the risk that an issuer will be unable to meet its debt obligations), and has observed that historically, poor corporate and regulatory governance can contribute to corporate failures. Consequently, ESG risks are identified as part of the team's credit research process to help manage default risks in the Cash and Short-Term Investments portfolios. Every investment the team owns has an <b>Internal Credit Rating</b>, and the analysts' ESG assessments influence Internal Credit Ratings, which in turn influences sizing and portfolio construction decisions. The ESG assessment is also a factor in determining whether portfolios participate in a new issuance (where a company, government, or other entity issues new securities to investors for the first time).</p>	<p>Ongoing engagement is a core part of the research process, enabling the team to understand and, where appropriate, influence issuers on ESG, strategy and treasury matters. The Cash and Short-Term Investments team does not have voting rights, so escalation methods rely on direct engagements, <b>collaborative engagement</b>, and providing feedback at industry events.</p> <p>Credit analysts can engage with companies on ESG in three methods:</p> <ol style="list-style-type: none"> <li>1. Direct engagement – which are at investor/earnings updates, at company sustainability days and/or upon a meeting request by the analyst;</li> <li>2. A firm-wide collaborative effort usually led by our <b>RI</b> team; and</li> <li>3. External collaborative engagements where the team joins a group of investors usually led by an external party.</li> </ol> <p>Most of the team's engagement is conducted on a direct engagement basis, with key insights recorded and logged in an internal database. Engagements primarily focus material concerns to the team, which in their view can have a material impact on a company's long-term financial performance and a security's spreads/margins (the difference in interest rates between a bond and a low risk reference rate), both positive and negative.</p> <p>The team has opportunities to engage with counterparties, credit rating agencies, and non-government entities.</p> <p>On an internal basis, an increase in ESG risks could result in a lower ESG rating, which feeds into the internal credit rating, and therefore influences the relative value assessment and position sizing in portfolios. The team may divest fully as a last resort.</p>

2 Physical risks are risks resulting from climate events and includes chronic impacts such as increased average temperatures, changes in precipitation patterns and sea-level rise, and acute catastrophic risks such as droughts, heat waves, tropical cyclones, wildfires, extreme precipitation, river and coastal flooding. Transition risk is the risk inherent in changing strategies, policies or investments as we work to reduce our reliance on carbon and a more climate-friendly future. These risks include policy and regulatory risks, technological risks, market risks, reputational risks, and legal risks.

**Igneo Infrastructure Partners<sup>3</sup> – Direct Infrastructure**

**ESG integration**

Igneo believes that managing ESG risks and opportunities is an important part of creating, protecting and enhancing long-term value in the infrastructure investments that it manages on behalf of its investors.

Igneo's **portfolio** companies typically operate large, physical assets, which can often have a significant impact on the environments and communities in which they operate (and be impacted by them). The team believes the infrastructure investments it makes can only be managed successfully – maximising the long-term value created for clients – if the material ESG risks and opportunities of those investments are identified and managed, alongside their commercial, financial, legal, technical and other material risks and opportunities.

In addition to risk mitigation, Igneo believes that improving performance on these issues in its portfolio companies can result in positive environmental and social impacts and thereby also be a source of material long-term value creation. A proactive approach to managing ESG issues is therefore integrated into the investment and asset management process, from initial screening and due diligence on new investment opportunities, through to the investment decision, asset management and exit (where applicable).

**Engagement approach**

The team targets shareholder positions in portfolio companies that allow them appropriate influence over company governance and strategy, including through board representation. This enables the team to monitor and influence ESG issues through engagement at board level and directly with the company management teams. They invest time to build strong relationships with management teams so they can proactively input to and provide support on these issues, among other aspects of the business plan.

**Listed Equities**

**First Sentier Australian Equities Growth**

**ESG integration**

ESG research is carried out by the First Sentier Australian Equities Growth team because it believes that ESG issues have the potential to materially impact earnings and valuations and, therefore, generate alpha (excess performance compared to the chosen benchmark which the fund tracks its performance against). As fundamental investors (a style of investing involving examining a company's financial statements and broader economic indicators), the team seeks to identify material financial and non-financial ESG issues and incorporate these into stock analysis. When relevant, the team incorporates ESG issues into **financial models** and analyst stock ratings.

The team believes that ownership and engaging with company management and boards for change is more effective than exclusions, and team members regularly meet with companies to discuss their approach to ESG issues. These meetings have a structured engagement agenda that includes topics such as climate change, companies' relationships with Indigenous peoples, modern slavery, and/or governance.

**Engagement approach (\*applies to each Listed Equities Team)**

For all active equity teams (teams that continuously monitor the performance of investee companies), company engagement is a key source of insight into ESG risks and opportunities. Analysing and assessing a company's ESG issues helps the investment teams to identify risks that may not show up in its financial statements.

Each team's approach to ESG engagement and escalation is tailored to the characteristics of their investment philosophy and process. Where a potential impact on a company's sustainability is identified, investment teams engage with that company, in line with the commitments described in the active ownership section of our Global Responsible Investment and **Stewardship** Policy and Global Responsible Investment and Stewardship Principles documents.

If the initial engagement isn't met with a satisfactory response, the investment teams have several escalation options:

- report the issue to the **RI** team who will escalate internally, for example by reporting to the Executive Committee
- write to or meet with the company's management or Board
- vote against directors they feel are not providing appropriate oversight
- consider filing or supporting a relevant **shareholder proposal**
- engage collaboratively with other investors
- make their views public
- reduce or divest the holding of the **issuer**

3 Igneo is only available for institutional clients.

**First Sentier Australia Small and Mid-Cap Companies (engagement approach for Listed Equities as above)**

**ESG integration**

As part of the team's investment process, each entity considered for investment is evaluated against six key criteria. One of these criteria is sustainability, which may include ESG factors, according to the sector and/or industry, as well as being influenced by entity-specific details. The emphasis placed by the team on a particular ESG factor in the assessment of the sustainability criterion is based on the team's assessment of the extent to which that factor is likely to have an impact on the returns of the relevant security over the long-term.

The team uses a proprietary methodology in assessing and monitoring entities in respect of the sustainability criterion and relies on internal qualitative research, which includes active company **engagement**. ESG matters are frequently raised with senior management, including board members, during the team's engagement with entities.

**First Sentier Global Listed Infrastructure (engagement approach for Listed Equities as above)**

**ESG integration**

The First Sentier Global Listed Infrastructure team invests in the shares of companies from around the world that own or operate infrastructure assets. The team views ESG factors as being fundamental to infrastructure companies, owing to their significant service obligations and moral accountability to the communities in which they operate.

ESG analysis is integrated into stock selection through the team's quality ranking model. The quality ranking model consists of 25 criteria that the team believes influence stock returns in general and infrastructure companies in particular. Within this model, ESG factors are captured both explicitly, through the respective scores assigned to the ESG criteria, and implicitly, where ESG factors are relevant to the other 22 quality criteria they consider. The team believes that integrating the consideration of ESG factors into their investment process in this way enhances decision-making and leads to stronger long-term performance outcomes for clients.

In addition to the engagement approach for listed equities as explain above, the First Sentier Global Listed Infrastructure team takes an active approach to proxy voting to convey their views to boards and management. Key topics include corporate governance, board composition and remuneration frameworks. The team also engages with companies to tackle challenges such as climate change adaptation, the energy transition and affordability. Through engagement, the team seeks to highlight areas for potential improvement, encourage disclosure on ESG issues, and commend companies that are making progress.

**First Sentier Global Property Securities (engagement approach for Listed Equities as above)**

**ESG integration**

The team believes that implementing ESG considerations into their investment process leads to better risk return outcomes, which will ultimately improve long-term returns for clients. ESG considerations have been directly integrated into the investment process since 2012.

The team has developed their own proprietary ESG assessment methods, including their own **ESG scoring**, rating and carbon analysis methodologies (analysis of a company's carbon characteristics and net zero forecasts). These are part of the team's full **ESG pre-due diligence** process and they are committed to continuous ESG disclosure.

The team does not rely on external ESG data providers for any stage of the investment process, they regard in-house ESG research and company dialogue as the most important sources of reference for ESG analysis. Voting is an important investor right and responsibility and the team participates in this independently.

**FSSA Investment Managers (engagement approach for Listed Equities as above)**

**ESG integration**

FSSA believes everyone in the team has a responsibility to incorporate ESG issues during their daily decision-making, and that there is no reason to separate the ESG and sustainability elements from its research process. Since the team's establishment in 1988, it has been consistent in its belief that the integration of ESG and sustainability factors is essential to the investment process. The team considers it to be prudent risk management and a fundamental part of its obligations to clients.

The team considers three main interrelated factors when assessing companies for potential investment: the company's management, business franchise and financials. ESG analysis is incorporated into all three of these areas. FSSA believes that ESG issues are effectively investment issues – and the challenges and opportunities arising from them can have a significant impact on a company's returns. As long-term investors, FSSA fully expects that companies will increasingly need to account for societal and environmental costs over the course of its holding period.

FSSA seeks to meet with companies and their management teams regularly. Each meeting is an opportunity to improve the team's understanding of the business and its sustainability objectives, and they frequently engage on material ESG issues. With this information, the team aims to improve the quality of its research, strengthen relationships with the management and improve the positioning of investee companies (companies the team is invested in). FSSA believes that a company's direction of travel is most important, and thus it closely tracks each company's response and progress to ESG challenges and opportunities.

### RQI (engagement approach for Listed Equities as above)

#### ESG integration

**Responsible Investment** and **stewardship** principles are important to RQI Investors' approach to investment management. The team integrates **ESG** considerations through a "four pillar" approach based on: risk controls (mainly through carbon reduction controls); using ESG data to identify alpha (excess performance compared to the benchmark) sources; stewardship activities including voting and **engagement**; and exclusions, as per First Sentier Group's exclusion policy and/or client mandates.

### Stewart Investors<sup>4</sup> (engagement approach for Listed Equities as above)

#### ESG integration

Stewart Investors' first investment strategy was launched in 1988, and its first dedicated sustainability strategy was launched in 2005. Stewart Investors strategies aim to achieve long-term capital appreciation by investing in high quality companies that both contribute to, and benefit from, sustainable development. A focus on sustainability is a natural extension of having a long-term investment horizon. The team seeks to address sustainability concerns and issues and improve sustainable outcomes by investing in companies achieving positive social and environmental outcomes, focusing on company stewardship and sound governance, avoiding businesses linked to harmful activities, and engaging and voting for change.

## Monitoring stewardship service providers

### Proxy advisers

Proxy voting is a mechanism that allows shareholders to vote on corporate matters without being physically present at a shareholder meeting (typically at annual general meetings (AGMs)). Instead of attending the meeting in person, shareholders can authorize another individual, known as a proxy, to cast their votes on their behalf. This process is commonly used in corporate governance to facilitate shareholder participation in important decisions, such as electing board members, approving mergers and acquisitions, or voting on executive compensation. Details of how our investment teams voted on these themes can be found on pages 33–34.

We use the proxy voting adviser Glass Lewis. To meet our business needs, all submissions are made via Glass Lewis to deliver our proxy votes. **Portfolios** are on-boarded to Viewpoint, an electronic proxy voting system offered through Glass Lewis.

While Glass Lewis will provide a recommendation on how to vote, our investment teams retain full control of all voting and engagement decisions (except as detailed below) and may decide not to follow recommendations made by these advisers. The investment managers, who have direct access to the proxy voting system, make the actual voting decision for each portfolio.<sup>5</sup>

Some of our clients wish to vote directly themselves, however often these clients will ask our advice prior to exercising their vote. Where clients take part in **securities lending** programmes,

the voting rights attached to those securities generally cannot be voted on by the party who has lent the securities. All securities held in First Sentier Group-managed funds are maintained by external custodians who monitor these shares for corporate actions (events initiated by a company that affect its shareholders). These corporate action decisions are notified to portfolio managers via the Northern Trust portal.

Each investment team is responsible for assessing voting resolutions and making an appropriate and consistent recommendation in line with corporate governance guidelines and principles. Our [Global Responsible Investment and Stewardship Principles](#) contain proxy voting guidelines. Every portfolio that is set up on the Glass Lewis voting portal can be monitored and audited for voting decisions to ensure alignment with our principles.

### Monitoring proxy advisers

To ensure that service providers are meeting the needs of the business, we undertake quarterly monitoring, to ensure they are performing in line with key performance indicators (KPIs). As part of this process, we review our proxy voting advisers on various metrics including security and cyber security, compliance and risk, governance, disaster recovery and business ethics.

Further to this monitoring, in 2025, we held discussions with Glass Lewis regarding proxy recommendations and policy review. Glass Lewis continues to perform well against KPIs, with no material service issues. These quarterly KPI-based meetings are in addition to regular supplier due diligence assessments we conduct.

<sup>4</sup> In November 2025, Stewart Investors' investment management responsibilities were transitioned to FSSA Investment Managers, excluding Worldwide strategies.

<sup>5</sup> The RQI team uses a bespoke ESG policy that is maintained by Glass Lewis. The investment teams will either manually vote or automatically vote in line with the Glass Lewis recommendations and override where necessary.

# Engagement and voting case studies

05

# Engagement and voting case studies

The following section provides examples of how our investment teams have put **engagement** principles into action in 2025.

## Case studies

### Engagement and escalation



#### Case study 1: Nature risk in infrastructure portfolios

**Team:** Igneo Infrastructure Partners  
**Theme:** Nature and biodiversity



#### Background

The rapid decline of nature and biodiversity is recognised as a 'twin crisis', unfolding alongside climate change. Igneo's **portfolio** companies both impact and depend on nature, and growing global regulatory momentum may affect these assets and Igneo as an investor.

#### Objectives

Igneo sought to understand and assess biodiversity impacts and risks across their global portfolio.

#### Approach

Applying the TNFD recommendations, Igneo assessed 21 portfolio companies across its global portfolio to identify nature and biodiversity-related risks, using the Locate, Evaluate, Assess and Prepare (LEAP)<sup>1</sup> framework and support from an expert consultant. The Igneo team took the following steps:

- **Locate:** The team mapped asset locations against nature-related datasets to assess the portfolio's interaction with nature, using external data sets and a proprietary

model from the external consultant. They deployed three core indicators to rank assets and identify priority locations: ecosystem integrity, biodiversity importance and water stress.

- **Evaluate:** The team used the Exploring Natural Capital Opportunities, Risks, and Exposure (ENCORE) tool to determine the assets' dependencies and impacts on nature, which provided ratings of each asset's dependence or impact on nature factors such as surface water or erosion control.
- **Assess:** The team used this information to create a 'red flag' risk ranking of all the assets. Assets with the highest number of red flags across the three Locate indicators and the highest ENCORE scores for dependencies and impacts were assigned highest priority.
- **Prepare:** From this information, the team could engage with the higher-risk companies on the topic of nature and biodiversity.

#### Outcome

The LEAP assessment identified which companies have assets associated with high nature-related impacts and dependencies. Key findings included:

- A high proportion of the portfolio's wind and solar assets are located in areas of high biodiversity integrity compared to their surroundings;
- 37% of the global assets are located within 1km of protected areas;
- Approximately 40% of the assets in the portfolio are located in areas classified as high water stress ( $\geq 40\%$  above baseline).

The team also reviewed portfolio companies' existing responses to nature-related impacts and dependencies, including WM New Zealand's Tiromoana Bush restoration project and Finerge's biodiversity-focused initiatives across Portugal and Spain, spanning habitat restoration, species conservation, wildfire recovery and enhanced environmental monitoring.

#### Next steps

The Igneo investment team commenced engaging with the identified high-priority companies during 2025. These engagements will continue in 2026 as the team progresses with identified companies and issues.

1 The LEAP framework from the TNFD provides a structured, location-based methodology for understanding how businesses and financial institutions interact with nature, and how those interactions translate into **financially material** risks and opportunities.



**Case study 2:**  
Nature risk at mining sites

**Team:** First Sentier Australian Equities Growth  
**Company:** South32 Limited  
**Theme:** Nature and biodiversity

**Background**

South32 Limited (S32) is a diversified metals and mining company. It owns a bauxite mine in Boddington, Western Australia alongside a native jarrah forest in an area that contains black cockatoos (a threatened species). Mining bauxite involves strip mining, which is relatively shallow mining of the top layers of dirt, closely followed by land rehabilitation. In late 2024 and early 2025, S32 received state and federal approval for a mine life extension project.

S32's proposed minesite extension has attracted controversy due to concerns about potential environmental impacts from mining in the area.

**Objectives**

The team sought to understand the way in which nature risks, including deforestation and social and environmental impacts, are being managed at the Boddington bauxite mine.

**Approach**

In July 2025, a member of the investment team visited the mine for a deep-dive on how environmental and nature risks are understood and managed at the mine.

S32 monitors flora and fauna at the mine closely and records impacts. It has developed a detailed approach to mine rehabilitation and has made improvements over time, aiming to restore the land to its natural state - a jarrah forest ecosystem. The company aims to return mined land to landforms and ecosystems similar to undisturbed areas. This involves diverse plantings and habitat for fauna, although challenges remain in matching pre-mining soil quality and species richness.

**Outcomes**

As a result of the site visit, the team has a much greater understanding of the company's approach to rehabilitation. They plan to continue **engagement** with the company and monitor progress on the site's rehabilitation.

**Next steps**

The team plans to continue to engage with the company and monitor progress on rehabilitation at the site over time.



**Case study 3:**  
ESG Risk Management:  
Pollution, labour, and supply chain

**Team:** FSSA Investment Managers  
**Company:** Contemporary Amperex Technology Limited  
**Theme:** Responsible supply chains

**Background**

Contemporary Amperex Technology Limited (CATL) is a Chinese battery manufacturer headquartered in Fujian and the world's largest producer of lithium-ion batteries for electric vehicles, energy storage systems and battery management systems.

**Objective**

The team sought a deeper understanding of CATL's recently identified ESG issues which had been identified through routine controversy screening. These included water pollution risks at their factory in Hungary and accusations of forced labour at an Indonesian factory. By requesting a meeting with CATL's management, they also hoped to confirm the company's stance on suppliers from Xinjiang.

**Approach**

The team met with CATL's management team to discuss these issues and were impressed with its overall ESG efforts, which gave considerable internal priority and with high standards.

Following discussions, they considered that water pollution concerns at CATL's Hungarian factory were largely based on a study of the general impacts of battery production rather than CATL's specific operations. With over 15 years of global battery manufacturing experience, CATL stated it has the expertise to ensure compliance with local environmental regulations. In line with stricter EU requirements, the company had adapted its equipment and processes and obtained all necessary environmental approvals from the Hungarian authorities. The team also discussed the forced labour claims at a CATL factory in Indonesia and understood that it was unrelated to the company, but was another factory nearby in the same industrial park. The company has made official announcements that it has no suppliers from Xinjiang.

**Outcome**

The team was satisfied to spend time with CATL to refresh the team's understanding of the company's ESG operations as well as recent issues. The team now has a better perspective and feels reassured about the frameworks the company has in place to deal with some of the potential risks as they become a global company.



**Case study 4:**  
Net zero and transition planning

**Team:** First Sentier Asia Fixed Income  
**Company:** China Light and Power Holdings  
**Theme:** Climate change

**Background**

China Light and Power (CLP) Holdings Ltd is an investment holding company principally engaged in the generation and supply of electricity. Asia Fixed Income was aware that CLP Holdings had a net zero commitment in place by 2050. In March 2025, CLP announced updated climate commitments, including strengthened greenhouse gas (GHG) emissions intensity targets. The company is relatively late compared to European peers in setting these targets and faces regulatory challenges in Hong Kong and China.

**Objectives**

Following the company’s announced climate goals, the team wanted to understand CLP’s transition plan, how they planned to monitor coal exit progress, and how they were assessing governance on GHG emissions reporting.

**Approach**

The team began with a detailed review of the company’s climate commitments. **Engagement** was held with the company to understand the practical steps behind CLP’s pledge to exit coal by 2040 and achieve net zero by 2050. The dialogue focused on the company’s roadmap for shutting down coal-fired plants, including the planned closure of the Yallourn power station in Australia by 2028 and units at Castle Peak in Hong Kong.

The team also examined CLP’s renewable energy strategy, which targets 50% renewables plus storage by 2030. This involved assessing progress from 18% renewable capacity in 2019 to 21% in 2023 and its plans to source up to three gigawatts of renewables in Australia. Additionally, they reviewed CLP’s capital allocation priorities and noted that 40% of capital expenditure over the next four years is earmarked for transmission and distribution infrastructure – including the Clean Energy Transmission System project in Hong Kong to import zero-carbon energy from mainland China.

**Outcomes**

The team evaluated CLP’s greenhouse gas governance framework and affirmed their views on its management transparency and accountability. While the company has ambitious plans, the team believes it has tracked well in

delivering progress towards decarbonisation. Of note to the team was the company’s recent success to increase its renewable capacity 18% in 2019 to 21% in 2023.

**Next steps**

The team plans to continue engaging with CLP on renewable sourcing and regulatory developments and tracking progress towards net zero by 2050.



**Case study 5:**  
Nature risk assessments

**Team:** RQI Investors  
**Company:** Elders Ltd  
**Theme:** Nature and biodiversity

**Background**

The First Sentier Group **RI** team worked with a consultant to better understand the deforestation risk posed to the Group’s largest food and beverage holdings (via our various affiliate investment teams). The assessment looked at each company’s direct and supply chain exposure to six key commodities (soya, palm oil, cattle, timber, coffee, cocoa) under the following pillars: governance, knowledge of exposure, policy and commitments, risk assessment, traceability, supplier assurance, grievance mechanism, stakeholder engagement and disclosure.

As part of this assessment, the company Elders Ltd, held by the RQI Investors team, was determined to be prioritised for engagement. Elders Ltd is a diversified company based in Adelaide, South Australia, with a primary focus on agriculture and related services.

**Objectives**

The RQI Investors and the RI team sought to better understand what nature-related risks and opportunities Elders deems material to its business, and ways in which they are addressing them.

**Process**

The RI team sent Elders a letter highlighting the findings from the assessment and met with company management to discuss their supply chain exposure as well as the broader nature risk assessment they are currently undergoing.

**Outcomes**

The RQI Investors and RI team developed a better understanding of Elders’ exposure to deforestation risk and the steps taken to manage this risk. Both teams agreed to follow up with the company after they have made further progress in their broader nature risk assessment, to better understand what risks are deemed as material.

**Next steps**

The **RI** team will follow up with Elders in 2026 to check in on their nature risk assessment progress. The team has prepared some good practice case studies of companies with similar exposure and how they are assessing and disclosing their exposure, which they plan to share with Elders.



**Case study 6:**  
Ensuring affordable energy in the age of Artificial Intelligence

**Team:** First Sentier Global Listed Infrastructure Securities  
**Company:** NiSource  
**Theme:** Affordable energy access

**Background**

NiSource is one of the largest fully regulated electricity and gas utilities in the United States (US). It provides energy to nearly four million customers across service territories in Indiana, Kentucky, Maryland, Ohio, Pennsylvania and Virginia.

In common with many US utility companies, NiSource has to balance customer affordability, system reliability and long-term sustainability outcomes when planning for the future needs of its service territory and customers.

Given that the company is now seeing increased demand for power from data centers and AI, the team engaged with NiSource to better understand how this was impacting energy bills for residential customers, and how they were navigating this potential social risk.

**Objective**

To better understand what implications AI-driven electricity demand growth had for residential customers within their service territory.

**Approach**

In August 2025, the team met with the CEO, Chief Financial Officer (CFO) and Investor Relations (IR) team of NiSource in the team’s Sydney office. The team discussed the extent to which NiSource’s customers were feeling bill pressure and asked what measures the company had put in place to alleviate this.

**Outcome**

NiSource confirmed that affordability is an issue of focus for the company, with an estimated 25%–30% of their customers impacted. The company’s capital expenditure (which is ultimately passed back to customers via bills) continues to increase, owing in part to growing compliance requirements and rising resiliency spending.

The company stated they were seeking to address this through ongoing upgrades to its Advanced Metering Infrastructure (AMI). AMI provides customers with a clearer picture of their usage patterns, as well as tools to aid resource management and decision-making.

They also noted that population growth within their Indiana service territory is helping to ease affordability pressures, as it provides scope to socialise fixed costs over a larger number of customers, reducing the impact on low-income households.

At the time of **engagement**, NiSource was also seeking regulatory approval to set up a separate power generation company (NIPSCO GenCo), which will focus on providing power to its larger commercial and industrial customers including data centers and AI customers.

The team was of the view that by using a separate entity, the company is expected to demonstrate to the regulator that the costs of meeting the demands of large technology companies are not being borne by their residential customers.

Since the team’s engagement, regulatory approval for the establishment of NIPSCO GenCo has been given.

**Next steps**

The team will monitor the establishment of NIPSCO GenCo and seek to assess the extent to which the new separate entity reduces regulator concerns regarding affordability pressures for their residential customers.



**Case study 7:**  
Sustainability management and reporting

**Team:** First Sentier Global Property Securities  
**Company:** Mirvac Group  
**Theme:** Climate change

**Background**

Mirvac is an Australian property group, that owns and manages assets across office, retail, industrial and the living sectors in their investment portfolio, and development activities that span commercial and mixed-use and residential. The team regularly engages with Mirvac Group on the implementation of their **ESG** initiatives.

**Objectives**

The team sought to gain a deeper understanding of Mirvac Group’s ESG reporting practices, with a particular focus on greenhouse gas emissions, emissions intensity, and the company’s pathway to achieving net zero for Scope 3. In line with

their investment process, the team's focus included embodied carbon associated with the development of commercial and residential properties.

**Approach**

The team met with Mirvac's **ESG** team and had ongoing email correspondence to better understand the company's approach to ESG.

**Outcome**

Through this **engagement**, the team was satisfied that Mirvac has demonstrated strong progress in implementing its ESG initiatives and continues to align with best practices in sustainability reporting and emissions management. They also gained a better understanding of the company's clear commitments toward achieving net zero, including addressing Scope 3 emissions and embodied carbon in property development.

Whilst this engagement is encouraging, the team believes that ongoing engagement remains essential to monitor progress against the company's stated targets, to ensure transparency in reporting, and support its continuous improvement in areas such as supply chain decarbonisation.

**Next steps**

The team plans to continue to meet with the company to ensure that these steps are taken.



**Case study 8:**  
Protecting customers

**Team:** First Sentier Short Term Investments and Cash  
**Company:** Columbus Capital  
**Theme:** Social

**Background**

The team was onboarding a new **issuer** – a privately held non-bank residential mortgage-backed securities (RMBS) issuer. As part of this process, the team undertook a thorough review of the company's operations and their approach to sustainability.

**Objectives**

To ensure the team understood and were satisfied with the company's operations, management process and approach to sustainability.

**Approach**

The team met the company's management during late 2024 and 2025, while also monitoring their performance during this time frame.

**Outcome**

As a financial institution, data security and fair treatment of customers are material governance and social issues. Through their meetings with management, the team was comfortable with the company's internal processes to handle customer needs, complaints, and to ensure fair treatment of customers in hardship, and their systems in place to process and protect customer data.

**Next steps**

The company is due to deliver its first sustainability report during financial year 2025. The team will review and assess this and continue to monitor developments from the company, and its plans to engage in line with its credit process.



**Case study 9:**  
Modern slavery due diligence

**Team:** First Sentier Australia Small and Mid-Cap Companies  
**Company:** Premier Investments Limited  
**Theme:** Modern slavery

**Background**

Premier Investments Limited operates specialty retail fashion chains in Australia, New Zealand, Asia, and Europe. It also has investments in listed securities and money market deposits. Given the company's exposure to clothing manufacturing in offshore jurisdictions, the investment team has engaged closely with Premier Investment's senior management around modern slavery risk. In late January 2025, Premier Investments completed the **divestment** of their apparel brands to Myer.

**Objective**

Following the divestment of its apparel brands to Myer, the team sought to understand any changes to Premier Investment's approach to modern slavery risk management.

**Approach**

The team subsequently met with Premier Investments where the company assured the team on their continuous and rigorous approach to managing modern slavery risk. The company also stated they would continue conducting a full audit procedure, with factories visited at least four times per year by management, and twice per year by the CEO to walk the factory floor.

**Outcomes**

The team gained assurance that Premier Investments will continue to manage modern slavery risk following the divestment of its apparel brands.

### Next steps

The investment team continues to monitor companies they view may have material modern slavery risk and engage closely with senior management to gain assurance that they are successfully identifying and addressing any modern slavery or supply chain risks.

## Case studies Collaboration

Directly engaging with companies is the most common approach our affiliate investment teams use to influence corporate behaviour and decision-making.

In certain circumstances, however, active **engagement** is more likely to produce positive outcomes when undertaken as part of a wider group. As the Group, we collaborate with other key stakeholders when we believe we can amplify our message in a larger group. This is particularly true for systemic issues such as climate change, human rights, biodiversity and diversity. Collaboration takes place with other parties, normally including industry groups, other investors, NGOs and civil society groups, where we believe group engagement will be more effective. We have participated in **collaborative engagements** spanning many aspects of **ESG**. The approach is generally similar in style to that of direct engagement, but the scope is generally much larger.

The Group's record of collaborative engagement with other global investors covers a number of important topics, such as:

- microfibres (as it impacts oceans)
- human trafficking and modern slavery
- climate change.

Each year, we review the various initiatives that we have been involved in to ensure they continue to align with our clients' interests and that we have the capacity to make a meaningful contribution. The initiatives that the Group actively supports and engages with (as at 31 December 2025) are listed in Appendix 1.

Below are examples of how we have put engagement principles through collaboration into action in 2025.



### Case study 1: Policy advocacy in Taiwan

**Collaboration: Investors Against Slavery and Trafficking APAC (IAST APAC)**  
**Theme: Modern Slavery**

#### Background

The Group convenes and chairs the IAST APAC Initiative, which represents 50 investors with a combined A\$12 trillion in assets under management (as at 30 June 2025). The investor initiative aims to promote effective action by member companies to find, fix and prevent modern slavery, labour exploitation and human trafficking across the value chain.

Investors joining IAST APAC can contribute to two work streams. The first work stream is focused on investor advocacy and sharing information for improved modern slavery risk management and modern slavery incident response. The second work stream focuses on collaborative engagement with companies in the APAC region. The activities of these two work streams ensure that the initiative is leveraging the power of collaboration.

#### Approach

In 2025, IAST APAC addressed the heightened forced labour risks facing Taiwan's approximately 800,000 migrant workers, who are disproportionately vulnerable to exploitation and often burdened by high recruitment and monthly broker fees, by furthering **policy advocacy**. Fee structures were identified as a key systemic concern requiring government action via company engagements in Taiwan. In response, an IAST APAC member coordinated a joint investor letter – cosigned by members, including First Sentier Group – urging the Ministry of Economic Affairs, Workforce Development Agency and Ministry of Labor to strengthen protections and adopt the Employer Pays Principle, in line with international best practice. This advocacy aims to support regulatory reforms that reduce forced labour risks, promote fair recruitment, and safeguard migrant workers' human rights across Taiwanese value chains.

The letters can be found on the IAST APAC website [here](#).

#### Next Steps

The initiative continues to pursue policy advocacy and collaborative opportunities in Taiwan, where possible.



**Case study 2:**  
**Microfibres and policy advocacy**

**Collaboration: Microfibre Collaborative Engagement**  
**Theme: Nature and Biodiversity**

### Background

Since 2020,<sup>2</sup> First Sentier Group has led, in collaboration with the UK's Marine Conservation Society, a programme to engage with the manufacturers of domestic and commercial washing machines to fit filtration technology to their products, as a standard feature, that prevent plastic microfibres entering the world's marine ecosystems. In addition to engaging with companies, the programme has engaged with several regulators in previous years.

### Approach

In October 2025, the programme sent a letter to the UK Department of Environment, Food & Rural Affairs, outlining our request for the UK Government to introduce legislative mechanisms to require washing machine manufacturers to fit microfibre filters in all new domestic and commercial machines.

### Outcome

The UK Government's Circular Economy Strategy is expected to be published in early 2026. This strategy is set to include a roadmap for five sectors, including the textiles sector, and the chemicals and plastics sector. We plan to use these published road maps as leverage to continue engaging with policymakers in the UK.

### Next steps

Drawing on research, the Marine Conservation Society has compiled a set of steps that apparel retailers can take to reduce microfibres. In 2026, we intend to engage with companies, in both the washing machine manufacturing and the retail sector, on these steps.

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2 Profiled in our 2020 **Responsible Investment** Report.



## Exercising rights and responsibilities

**Our First Sentier Asia Fixed Income and First Sentier Short Term Investments & Cash teams lack the right to vote, but they do have rights related to bond documentation.**

Due to the nature of the **asset class, fixed income** has a different approach to exercising rights and responsibilities than listed equities (as detailed on page 21). The following sets out how fixed income teams review bond transaction documents (a legal document that outlines the terms and conditions of a bond issuance) and their escalation process.

Credit analysts and **portfolio** managers review bond transaction documents – which include the prospectus, information memorandum, **term sheet** and security trust deeds – for all bonds bought for active portfolios and for most of the bonds in **passive funds**.

The teams review key terms which include:

- the events of default,<sup>3</sup> its priority in the event of a default<sup>4</sup>
- the presence or absence of change of control clauses
- coupon step-ups or step-downs (coupons are the periodic interest payments made to bondholders during the life of the bond, step-ups or step-downs refers to an increase or decrease in the coupon, or interest rate) if external credit ratings change
- cross default provisions (which is where a default on one payment obligation automatically triggers a default on another payment obligation)
- **limitation to asset sales**
- financial covenants (impose certain financial performance requirements on the **issuer**)
- early rights to redemption (repayment) by issuer or the bondholder
- the structure of parent company or group guarantees

In relation to the green bonds and sustainability-linked bonds (SLBs) that the teams looked into, their approach is detailed below.

Green bonds are bonds issued to fund a specific project or initiative, designed to have a positive and measurable environmental impact. For green bonds, the teams review the terms and conditions around the bond to be invested in, conditions for the application of proceeds and the frequency and standard of reporting required for these bonds.

SLBs tie the bond's financial characteristics to the issuer's performance against **ESG** targets. For SLBs, the teams carefully; i) review the level of ambition of the SLBs outright targets, ii) evaluate the SLBs targets (sustainability performance targets) relative to the company's stated long-term ESG goals, and relative to SLB goals set by the company's peers, and iii) assess the appropriateness of any penalties or incentives (coupon step ups and/or step downs) linked to the company's performance of these targets on the test date.

The teams prefer green and sustainability-linked bond documents to be certified or prepared by a reputable third party. The teams also value reputable second-party opinions that provide verification on the accuracy and integrity of a sustainable bond, loan or framework.

If documentation is not satisfactory, the teams provide feedback and recommend enhancements to the arranging banks, often seeking additional protection for bondholders. These might include reporting frequency and specific data for green bonds and those issued by private institutions. For companies the teams consider to be of weaker quality, they might recommend changes in clauses such as cross default, change of control clauses and coupon step-ups on external ratings downgrades.<sup>5</sup> If requested changes are not made, or they are unsatisfied with the supporting documentation even after amendments, the teams may choose not to invest.

<sup>3</sup> Bond default occurs when a bond issuer fails to make timely payments of either interest or principal (the amount initially lent to the bond issuer by the investor) to its bondholders. This can happen due to financial distress, bankruptcy, or default on other obligations.

<sup>4</sup> In the event of default on a payment obligation under a bond, different types of bonds hold priority over others where default payments are due, which means that some bonds will be paid before others, in the event of a default.

<sup>5</sup> A cross default triggers a default on the bond if the issuer defaults on any other debt obligations. A change of control clauses allows bondholders to take action if there is a significant change in the issuer's ownership or control. A coupon step-ups on external ratings downgrades increases the bond's interest rate if the issuer's credit rating is downgraded, compensating bondholders for the increased risk.

## Voting approach

We believe that proxy voting is an important investor right and responsibility and should be exercised wherever possible. Indeed, these rights (together with other share-related rights such as pre-emption rights) should be afforded the same attention and diligence as any other assets we manage for our clients. In addition, the ability to vote strengthens our position when engaging with investee companies and supports the **stewardship** of our clients' investments. Details of all votes we cast in 2025 can be found on our [website](#). A comprehensive guide detailing our voting approach regarding major issues can be found in Appendix 1 of our [Global Responsible Investment & Stewardship Principles](#) document.

## Our voting practices and voting record

In 2025, our active listed equity teams voted on 28,997 resolutions, 98.77% of total possible resolutions. We aim to vote on all resolutions where possible. We do not vote in certain share blocking markets (where shareholders cannot sell or transfer their shares for a certain period before a shareholder meeting or vote) or where there is a conflict of interest.

We have a 'live' voting tool on our website. This gives us information on our voting decisions immediately after each company meeting. We also give each investment team relevant statistics online for inclusion in their respective team profiles.

Table: Our proxy voting record by category.<sup>6</sup>

	Abstain	Against Mngt	For Mngt	Withhold	1 Year <sup>7</sup>	Total
Audit/Financials	31	280	1,662	1	0	1,974
Capital management	22	151	2,508	0	0	2,681
Director election	25	1,434	10,628	178	0	12,265
Director remuneration	16	28	865	0	0	909
Executive remuneration	2	243	1,436	0	0	1,681
General business	27	87	1,843	0	0	1,957
Governance related	49	315	3,934	24	0	4,322
Mergers & acquisition	0	6	199	0	0	205
Remuneration related	0	210	1,273	0	0	1,483
Shareholder proposal	14	372	224	0	0	610
Shareholder rights	10	114	759	0	27	910

Source: First Sentier Group/Glass Lewis.

Date: 1 January 2025–31 December 2025.

<sup>6</sup> Categories provided by Glass Lewis.

<sup>7</sup> Vote option for frequency approval for remuneration plans, allowing shareholders to vote on how often to vote on remuneration proposals. 1 year is an annual approval.

## Voting autonomy

As detailed on page 23, Glass Lewis and Ownership Matters provide governance services, to advise on and deliver our proxy votes to the companies we invest in. Our investment teams retain full control of their voting decisions (subject to specific client voting arrangements in the case of segregated accounts) and may not always follow the guidance issued by the providers.

The figures below show the number of times our active listed equity teams voted against management recommendations, our **proxy advisor** recommendations, or against both during 2025, and the proportion of total votes cast in 2025. These illustrate the independent judgement which is applied by the teams when making voting decisions:

- against proxy adviser 610 (2.10%)<sup>8</sup>
- against management 3,423 (11.80%)
- against both 126 (0.43%)

Source: First Sentier Group/Glass Lewis  
Date: 1 January 2025–31 December 2025

A deep dive into the proxy voting records for 2025 highlighted that board and director elections are the category that has recorded the most votes against management, which is in line with previous years. These votes accounted for 47.47% of the total votes against management. This is consistent with the trends in votes against proxy advice, with director and board elections accounting for 40.32% of the total votes against the proxy adviser.

Consistent with previous years, the category most likely to witness a vote against management advice was **shareholder proposals**. First Sentier Group investment teams supported 36.48% of shareholder proposals. Shareholder proposals were more likely to be supported by our investment teams if they felt, following **engagement**, that the company was not making adequate progress and particularly where proposals advocated for additional disclosure or reporting on an issue.

First Sentier Group listed equity investment teams voted on 1,973 resolutions related to Audit/Financials in 2025. Of these votes, 15.81% were against management. The most common reason cited was concerns of excessive auditor tenure. Other governance related votes against management concerned a lack of transparency or independence.

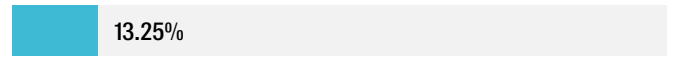
There were 4,073 votes related to remuneration, 499 of these votes against management. Similar concerns were raised in line with previous years, regarding excessive compensation, insufficient response to shareholder dissent, and poor links between remuneration and sustainability.

## What we voted against and why

### Topic: Director and board election

**Our primary reasons:** Lack of diversity, independence, insufficient sustainability reporting or action

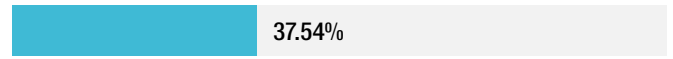
**Votes against management:** 1,625



### Topic: Shareholder proposal

**Our primary reasons:** Supported shareholder proposals where we felt the company was not making adequate progress and particularly where proposals advocated for additional disclosures

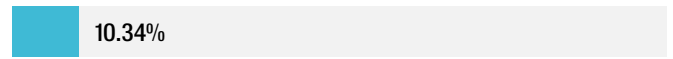
**Votes against management:** 229



### Topic: Governance

**Our primary reasons:** Excessive auditor tenure, independence or transparency concerns

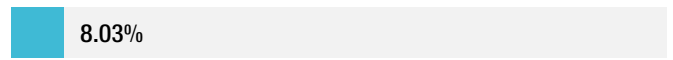
**Votes against management:** 649



### Topic: Capital management

**Our primary reasons:** Lack of disclosure for issue price discount, concerns around excessive or potential dilution

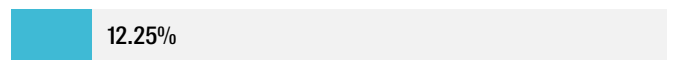
**Votes against management:** 305



### Topic: Capital management

**Our primary reasons:** Excessive compensation, misalignment between compensation and company performance, missing links to **ESG** metrics, concerning pay practices, excessive grants, insufficient response to shareholder dissent

**Votes against management:** 499



8 RQI has voted in line with Glass Lewis' ESG policy, which is not "against the proxy advisor", only against the proxy advisor's **benchmark** policy.

## Case studies



### Case study 1: Acquisitions and remuneration

**Team:** First Sentier Australian Equities Growth  
**Company:** CSL Limited

#### Background

CSL Limited engages in the research, development, manufacture, marketing, and distribution of biopharmaceutical products and vaccines globally. During 2021-22, CSL acquired Vifor Pharma, a global leader in iron deficiency and iron deficiency anaemia therapies.

During financial year 2023, the company made several changes to its accounting and remuneration framework.

In the First Sentier Australian Equities Growth team's view, these changes reduced the quality of disclosures, the degree of transparency, and risked incentivising strategic changes. One of the changes the team was most concerned about was shifting from Net Profit After Tax (NPAT)<sup>9</sup> to Net Profit After Tax-adjusted to exclude the amortisation of intangible assets<sup>10</sup> (NPATA) in remuneration. Furthermore, the team felt that the framework adjustments did not sufficiently hold executives accountable for poor acquisition decisions.

#### Objectives

The team sought to encourage better transparency in the remuneration framework, to remove one of the financial metrics (NPATA) from the executive pay framework, and to encourage accountability for acquisitions.

#### Approach

During 2025, the Australian Equities Growth team had four meetings with the chair, the head of the remuneration committee and other executives to discuss remuneration and governance.

At the 2025 Annual General Meeting (AGM), the team voted against the remuneration report and the CEO's long-term incentives. They followed up with their concerns in writing ahead of the AGM.

#### Outcomes

Prior to the AGM, there were some improvements in the FY25 remuneration report. The head of the Remuneration Committee confirmed the executive team would be accountable for the Vifor acquisition. However, the NPATA metric remained as a remuneration hurdle, so the Australian Equities Growth team voted against the remuneration report at the 2025 AGM.

#### Next steps

The team plans to continue engaging with the board on the structure of executive pay.



### Case study 2: Executive Remuneration

**Team:** First Sentier Global Property Securities  
**Company:** TAG Immobilien AG

#### Background

TAG Immobilien AG, a real estate company, engages in the acquisition, development, and management of residential real estate properties in Germany. It operates residential flats and apartments and rents commercial real estate properties.

The First Sentier Global Property Securities team were approached by the Board of TAG Immobilien AG, prior to the company's AGM in May 2025 regarding the proposal of a new management remuneration scheme.

#### Objectives

The team sought to discuss and understand the new proposal, including the details of the new remuneration scheme and rationale.

<sup>9</sup> Total earnings of a company after all expenses, costs, and taxes have been deducted from total revenue.

<sup>10</sup> Process of expensing the cost of non-physical assets over their useful life.

### **Approach**

The team met with the Supervisory Board Chairman and CEO to discuss the existing remuneration plan, which was coming to the end of its four-year term. In the discussion, the Supervisory Board proposed a new scheme with a focus on optimising the incentive effect of variable remuneration in relation to strategic goals and the promotion of sustainable and long-term development.

### **Outcomes**

The Board proposed a new, enhanced remuneration scheme, with an increase in the potential short-term and long-term incentives. The scheme would move to a relative total shareholders return (TSR) measure, with the FTSE/NAREIT Developed Europe **index** as a peer group. A 25% weight for **ESG** targets was introduced as part of the long-term incentive plan. The First Sentier Global Property Securities team welcomed the introduction of ESG targets and made several suggestions, which the Board acknowledged. The Board implemented a few suggestions, including increased alignment for the management team.

### **Next steps**

Following the discussion with the Supervisory Board Chairman and CEO, the First Sentier Global Property Securities team scrutinised the new proposed remuneration scheme, discussed it internally and externally with TAG's Supervisory Board. The team voted for the adoption of the new scheme at the AGM in May 2025, the resolution was passed.

# Appendices





# Appendix

## Initiatives we were involved in as at 31 December 2025

### Global

#### Cambridge University Investment Leaders Group (since 2013)

- Founder member
- Nature working group member
- Finance for Biodiversity pledge (since 2021)
- Signatory

#### Net Zero Asset Managers initiative (since 2022)

- Member
- Advisory group member

#### Principles for Responsible Investment (PRI) (since 2007)

- Signatory
- Spring (PRI **stewardship** initiative on nature) endorser (2023)

#### Task Force on Climate-related Financial Disclosures (since 2021)

- Supporter

#### Taskforce on Nature-related Financial Disclosures (since 2022)

- Forum member
- Adopter

### EMEA

#### FAIRR (since 2023)

- Investment member

#### The Investment Association's Sustainability and Responsible Investment Committee (since 2025)

- Member

#### Transition Pathway Initiative (since 2025)

- Supporter

#### UK Sustainable Investment Forum (since 2013)

- Member

#### World Benchmarking Alliance (since 2023)

- Ally

### Asia Pacific

#### 30% Club Australia (since 2018)

- Investor working group member

#### 40:40 Vision (since 2020)

- Steering group member
- Investor working group member

#### Australian Sustainable Finance Institute (since 2022) Financial Services Council (FSC) (since 2020)

- Director of the FSC Board
- Member of the Fund Management Board Committee
- Member of the Investment Expert Group
- Member of the **ESG** Working Group

#### Investors Against Slavery and Trafficking APAC (since 2019)

- Chair

#### Investor Group on Climate Change (since 2013)

- Member

#### Japan Sustainable Investment Forum (JSIF) (since 2021)

- Signatory

#### Japan Stewardship Initiative (JSI) (since 2021)

- Signatory

#### Responsible Investment Association Australasia (since 2013)

- Board Member
- Member of the Nature Working Group
- Member of the Human Rights Working Group

#### Women in Sustainable Finance (since 2019)

- Committee Member



# Appendix

## UK Financial Reporting Council Stewardship Code Mapping

Policy and context disclosure	Page numbers
A. Organisation, investment beliefs and <b>stewardship</b> approach	3–4, 6
B. Governance and resources	7–9
C. Policies, processes and review	8–10
D. Conflicts of interest	10
E. Dialogue with clients and/or beneficiaries	11

Activities and Outcomes Principles	Page numbers
Principle 1 – Integrating stewardship and investment	18–23
Principle 2 – Promoting well-functioning markets	13–16
Principle 3 – <b>Engagement</b>	25–31
Principle 4 – Exercising rights and responsibilities	32–36
Principle 5 – Selection and oversight of managers	N/A
Principle 6 – Monitoring service providers	23



# Appendix

## Aotearoa New Zealand Stewardship Code Mapping

Principle	Requirements	Page number
<b>Principle 1 – Be committed</b>	Signatories will establish and publicly articulate how their investment philosophy, governance structures and resourcing support the goals of effective <b>stewardship</b> .	6–8
<b>Principle 2 – Establish and maintain policies</b>	Signatories will develop and implement measurable and effective stewardship policies.	8
<b>Principle 3 – Incorporate material ESG matters</b>	Signatories will incorporate material ESG matters into their investment decisions and stewardship practices.	19–23
<b>Principle 4 – Be engaged</b>	Signatories will engage regularly and effectively with underlying asset managers, <b>issuers</b> , and other key stakeholders.	25–30
<b>Principle 5 – Vote responsibly</b> <ul style="list-style-type: none"> <li>• When a conflict of interest exists</li> <li>• Conflict of Interest Policy</li> <li>• Compliance</li> <li>• Identification and mitigation</li> <li>• Review</li> <li>• Disclosure</li> </ul>	Signatories will exercise voting rights in accordance with their investment mandate, and regularly and transparently disclose voting actions and outcomes. <ul style="list-style-type: none"> <li>• Policy and principles</li> <li>• Exercise voting rights</li> <li>• Maintain and disclose voting decisions and outcomes.</li> </ul>	10, 32–36
<b>Principle 6 – Manage conflicts of interest</b>	Signatories will endeavour to avoid any conflict of interest that does not put the best interests of their clients and beneficiaries first and explain their approach to managing any conflicts of interest that arise.	10
<b>Principle 7 – Collaborate and advocate for change</b>	Signatories will work collaboratively to amplify investor influence on ESG matters with issuers, policy makers, <b>index</b> providers, standard setters, and other key stakeholders. <ul style="list-style-type: none"> <li>• Benefits</li> <li>• Collaboration</li> <li>• Drawing upon the experience of others</li> <li>• Disclosure.</li> </ul>	15–16, 30–31
<b>Principle 8 – Measure and report</b>	Signatories will regularly measure and publicly report on their actions to support stewardship and demonstrate how these have contributed to the goals of effective stewardship. <ul style="list-style-type: none"> <li>• Public reporting and disclosure</li> <li>• Stewardship policies and practices</li> <li>• Regular (and at least annual) stewardship report (activities and outcomes)</li> <li>• Performance against the Code and the goals of effective stewardship.</li> </ul>	11
<b>Principle 9 – Educate and improve</b>	Signatories will work to improve their clients' and beneficiaries' awareness of stewardship, improve their internal capabilities, and provide resources to deliver impactful stewardship.	8–9, 11

## Glossary

**Alternative credit:** An **asset class** that offers non-traditional lending and investment opportunities outside of conventional markets. Common types of alternative credit investments include private debt, distressed debt, asset-based lending, peer-to-peer lending, structured credit products, and specialty finance.

**Asset allocation:** Determining how to spread investments across different types of assets, such as shares, bonds, cash, or property, to balance risk and return.

**Asset class:** A group of similar type of investments.

**Benchmark:** A methodical, recognised and independent standard against which the performance of a fund can be measured. Generally, broad equity market and bond benchmarks are used for this purpose. An alternative word for benchmark is **index**.

**Collaborative engagement:** Where multiple stakeholders work together to address **ESG** issues or other areas of mutual concern.

**Discrete investment autonomy:** The ability of the investment team to make independent investment decisions, based on their own analysis, judgement and strategy.

**Divestment:** Selling an investment, either partly or completely, usually because it no longer meets financial, risk, or responsible investment criteria.

**ESG:** Environmental, social and governance criteria.

**ESG integration:** Investors incorporating environmental, social and governance factors into their investment analysis and decision-making.

**ESG pre-due diligence:** The initial assessment and evaluation process, with consideration of ESG factors, which happens before we invest in a company.

**ESG scoring:** Assigning a score to a company based on an assessment of how well they are managing their ESG risks and opportunities.

**Engagement:** Working with a company in which we invest, a government, non-governmental organisation or other stakeholder to help to get the right outcomes for our investors.

**Financially material:** Factors that can influence a company's financial performance or an investor's decision to invest.

**Financial models:** Quantitative representations of a company's financial performance, operations, or valuation, typically built using spreadsheets or specialized software. These models are used to analyse financial data, forecast future performance, evaluate investment opportunities, and support decision-making processes

**Fixed Income:** An asset class that provides returns in the form of regular, fixed interest payments and the return of principal at maturity. **Fixed income** securities are typically issued by governments, municipalities, and corporations to raise capital.

**Index:** A methodical, recognised and independent standard against which the performance of a fund can be measured. Generally, broad equity market and bond indexes are used for this purpose. An alternative word for index is benchmark.

**Internal credit rating:** An assessment of a borrower's creditworthiness using our own methodologies and criteria.

**Issuer:** An organisation, such as a company or government, that creates and sells financial products like shares or bonds to raise money.

**Limitation to asset sales:** Provisions that restrict the issuer's ability to sell, transfer, or otherwise dispose of significant assets.

**Long-term debt obligations:** Financial commitments that extend beyond one year, typically arising from borrowing activities such as issuing bonds or taking out loans.

**Market-wide risks:** Those that lead to financial loss or affect overall performance of the entire market and include but are not limited to changes in interest rates, geopolitical issues, and currency rates.

**Nationally determined contribution:** Country's self defined climate action plan under the Paris Agreement, setting out how it will reduce greenhouse gas emissions and adapt to climate change.

**Passive funds:** Investment funds that aim to replicate the performance of a specific market index.

**Planetary boundaries:** Scientifically defined limits that describe how much pressure human activity can place on natural systems causing serious and potentially irreversible environmental damage.

**Policy advocacy:** Activities undertaken to influence public policy or government action, including communications with government officials. Where lobbying activities are conducted, First Sentier Group aims to comply with all applicable laws and regulations.

**Portfolio:** A collection of financial investments a fund holds such as stocks (in the case of an equity fund) or bonds (in the case of a bond fund).

**Portfolio construction:** How we assess what combination of companies to invest in that make up a fund.

**Portfolio diversification:** An investment strategy that involves spreading investments across a variety of assets to reduce risk, to minimise the impact of any single investment's poor performance on the overall portfolio.

**Proxy adviser:** Firm that provides research and recommendations to investors on how to vote at company meetings.

**Responsible investment:** First Sentier Group's approach to responsible investment involves considering **ESG** issues when making investment decisions and influencing companies or assets (known as active ownership or **stewardship**).

**Securities lending:** Securities lending is the practice of lending shares of stock, commodities, derivative contracts, or other securities to other investors or firms. It requires the borrower to put up collateral, such as cash, other securities, or a letter of credit.

**Security selection:** How we assess which companies to invest in.

**Shareholder proposal:** A type of **shareholder resolution** (below) that is submitted by shareholders (rather than the company's management) for consideration and voting.

**Shareholder resolution:** Formal proposal put to a vote at a company meeting, asking shareholders to approve or reject a specific decision or action.

**Short Term Investments:** An **asset class** where investments are expected to be sold or converted into cash within a relatively short period.

**Steward:** Refers to the careful and responsible management of a client's money.

**Stewardship:** The act of carefully and responsibly managing a client's money.

**Systemic risk:** Systemic risks are those that may cause the collapse of an industry, financial market or economy, such as climate change.

**Term sheet:** A nonbinding agreement that shows the basic terms and conditions of a bond investment.

**Thought leadership:** Research that contributes to a better understanding of an issue, such as topics relating to sustainability considerations in investment approaches.

**UK Stewardship Code 2026:** The UK Stewardship Code 2026 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them.

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