Stewardship Report
2023

First Sentier Investors

Contents

Introduction from our CEO

Welcome to the First Sentier Investors Stewardship Report 2023. This document outlines how we act as stewards of our clients' capital, as active, responsible investors with a focus on investment excellence. We believe that good stewardship is at the core of responsible, active investment, and is an important driver of investment outcomes.

This global Stewardship Report provides details about how we operate as a firm, how we approach systemic risks, and the ways that investment teams apply their stewardship beliefs to investment decisions and activities. It also aligns to the specific Principles set out in the UK Stewardship Code 2020.

The world is grappling with significant threats to climate and nature, increasing geopolitical tensions and the rapid growth of new technologies. In this context, investors have a responsibility to consider and respond to risks to their portfolios, and to capitalise on opportunities that arise from driving positive change.

We believe that good stewardship requires investors to maintain a dialogue with many stakeholders, including the companies we invest in, our clients, regulators and industry peers. The actions outlined in this report demonstrate how First Sentier Investors seeks to do this in practice, and how we seek to contribute positively to the world around us through our investment and engagement approach.

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

Mark Steinberg
CEO, First Sentier Investors

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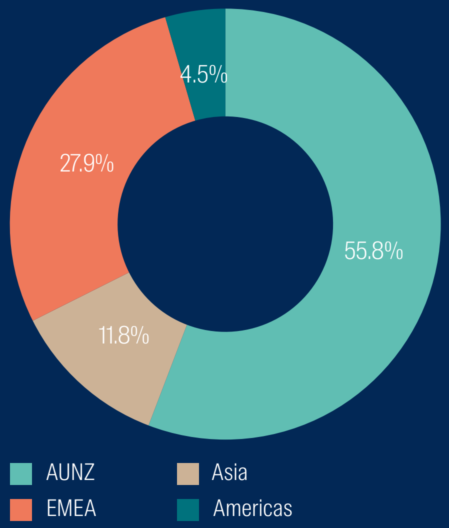
About us

First Sentier Investors is an investment management business and the home of investment teams AlbaCore Capital Group, FSSA Investment Managers, Igneo Infrastructure Partners, RQI Investors (formerly Realindex Investments) and Stewart Investors.

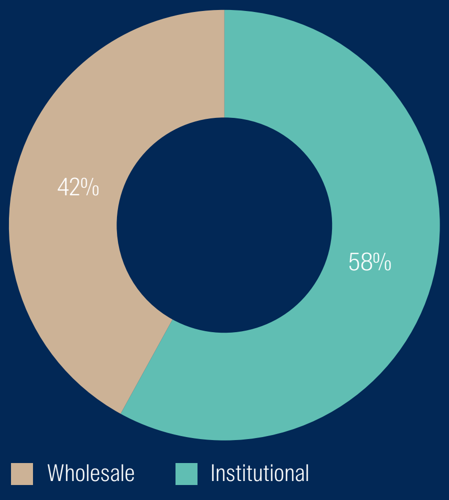
We are stewards of assets under management (AUM) of GBP127.2 billion (as at 31 Dec 2023)[1] across listed equities, cash, property securities, fixed income, private credit and direct infrastructure, on behalf of institutional investors, pension funds, wholesale distributors and platforms, financial advisers and their clients.

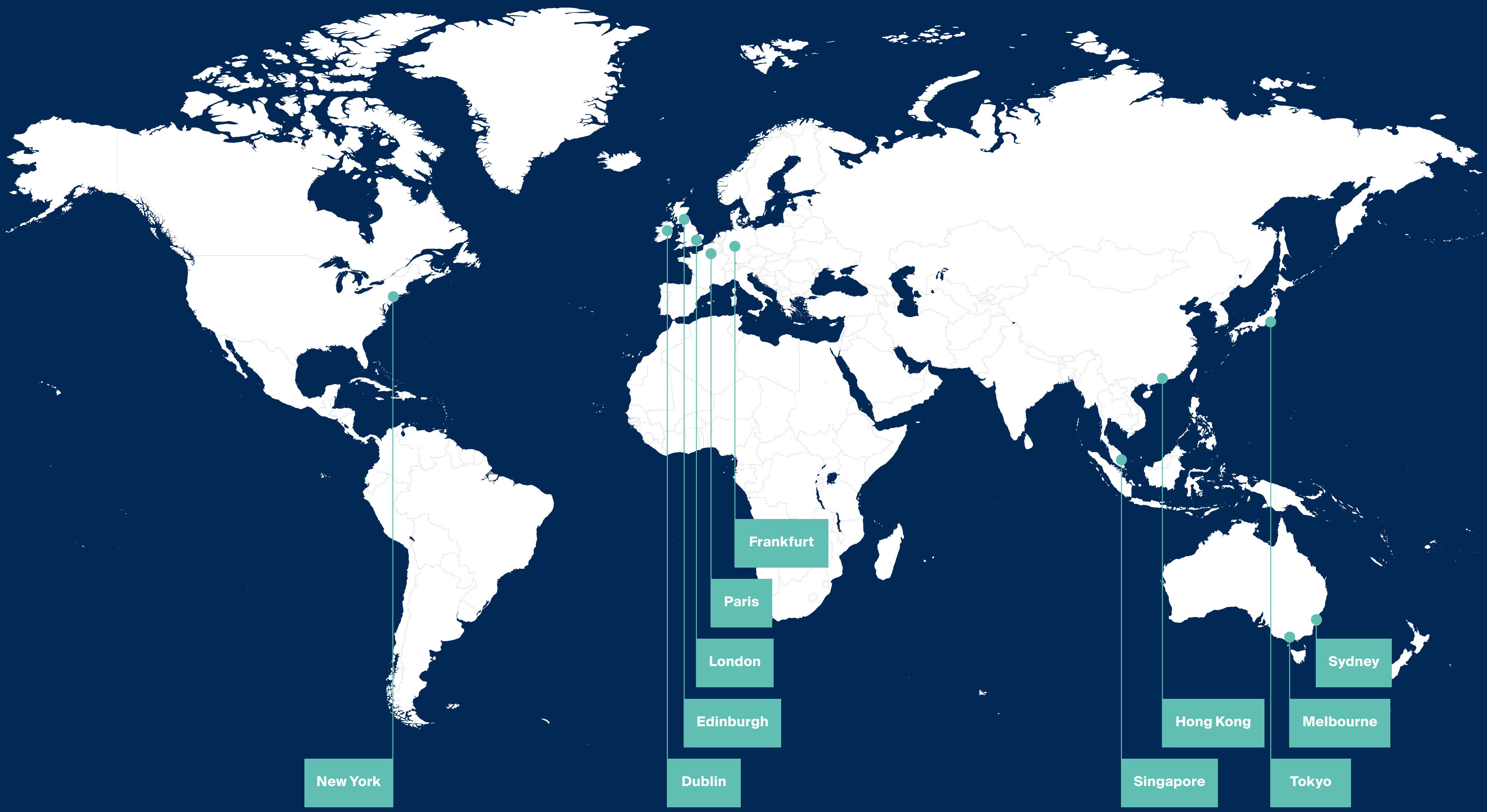
All of our investment teams operate with discrete investment autonomy and investment processes, in line with their investment objectives. Each team integrates environmental, social and governance (ESG) considerations in a way that is suited to their investment philosophy and style, meaning that teams may approach the same issues in different ways. This tailored approach allows the teams to make decisions in line with their fund objectives, while still benefiting from the resources and governance structures provided by the wider business.

AUM by region



AUM by client segment





[1] Gross AUM associated with First Sentier Investors' strategic partnership with AlbaCore Capital Group

Global investment capabilities by AUM

31 December 2023 (bn)	AUD	USD	GBP	EUR
Australian Equities				
Growth	15.6	10.6	8.3	9.6
Small and Mid-Cap Companies	4.6	3.2	2.5	2.9
Emerging Companies	0.7	0.5	0.4	0.4
Equity Income	0.5	0.3	0.3	0.3
Total	**21.4**	**14.6**	**11.5**	**13.2**
FSSA Investment Managers				
Asia Pacific	21.9	15.0	11.7	13.6
Global Emerging Markets	1.4	1.0	0.8	0.9
Greater China	12.2	8.3	6.5	7.5
India	1.4	1.0	0.7	0.9
Japan	0.9	0.6	0.5	0.6
Total	**37.9**	**25.8**	**20.3**	**23.4**
Stewart Investors	**17.7**	**12.1**	**9.5**	**11.0**
Asia Pacific	0.009	0.006	0.005	0.006
Europe	4.3	3.0	2.3	2.7
Global Emerging Markets	1.3	0.9	0.7	0.8
Indian Subcontinent	4.0	2.7	2.2	2.5
Worldwide	27.4	18.7	14.6	16.9
Total	**26.2**	**17.8**	**14.8**	**16.7**
Real Estate and Infrastructure				
Global Property Securities	1.8	1.2	1.0	1.1
Global Listed Infrastructure	10.0	6.8	5.3	6.2
Igneo Infrastructure Partners*	28.5	19.5	15.3	17.6
Total	**40.3**	**27.5**	**21.6**	**24.9**
Fixed Income				
Asia Fixed Income	5.0	3.4	2.7	3.1
Global Credit	3.0	2.0	1.6	1.8
Australian Fixed Income	9.6	6.5	5.1	5.9
Cash Management	52.8	36.0	28.2	32.6
Total	**70.3**	**48.0**	**37.6**	**43.4**
Systematic Equities				
RQI Investors				
Total	**28.7**	**19.6**	**15.4**	**17.7**
AlbaCore				
AlbaCore*				
Total	**11.7**	**8.0**	**6.2**	**7.2**
Total AUM**	237.6	162.1	127.2	146.8

**Igneo Infrastructure Partners & AlbaCore are reported one month in arrears*
***Gross AUM associated with First Sentier Investor strategic partnership with AlbaCore Capital Group*
Source: First Sentier Investors as 31 December 2023. Numbers have been rounded. In order to avoid double counting the First Sentier Investors Total AUM does not include Multi Asset funds that are invested in other First Sentier Investors capabilities.

1: Purpose, strategy & culture

At First Sentier Investors, our vision is to be a provider of world-leading investment expertise and client solutions, led by our responsible investment principles.

Our purpose is to deliver sustainable investment success for the benefit of our clients, employees, society and shareholder. We work together across multiple global markets, with over 1,000 employees collaborating to achieve our vision.

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

Strategy

Our strategy is to accelerate growth by offering our clients differentiated investment capabilities and innovative thinking.

We are enabling this by simplifying our business and energising our people to succeed today, while reimagining tomorrow.

We have a clear strategy to achieve this by executing on the following five pillars:

Energise our people by creating an inclusive culture which attracts and retains talent who feel valued and supported to succeed

Invest to **accelerate** growth by investing in sustainable and complementary capabilities both organically and via acquisition

Differentiate our organisation as a leading advocate of, and performer in, responsible investing and corporate sustainability

Simplify the way we do business, for our people and clients

Reimagine client experience to ensure we are well placed in an increasingly digital world

Source: First Sentier Investors, as at 31 December 2023

Culture

We believe 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.

Our Energise strategic pillar includes a range of initiatives to build an engaged workforce. It seeks to do this through a comprehensive program of competitive pay and benefits; diversity, equity and inclusion initiatives; learning and development options; and a focus on building a positive culture starting with the leadership team.

Employee Engagement Survey

In 2023, 85% of our employees completed our annual Employee Engagement Survey. Based on the feedback it gathered, we continue to collaboratively engage our employees to improve in our lower scoring areas, through both local team based action planning and company-wide initiatives.

Corporate Sustainability

Given that First Sentier Investors expects high ESG standards from the companies in which we invest, we are also focused on meeting those standards within our business. Our Corporate Sustainability function manages the ESG impacts from our own operations and fosters a culture of accountability through activity across our four priority areas: Environment; Diversity, Equity and Inclusion; Supply Chain and Modern Slavery; and Community (Philanthropy). Details are below.

Environment

- First Sentier Investors has a net zero emissions target[2] by 2030 (or sooner) for our business operations.
- Our offices in Edinburgh, Hong Kong, London, New York, Sydney and Singapore are powered by 100% renewable electricity via energy retailers or through the purchase of Renewable Energy Certificates (RECs). In our other office locations, we are actively planning the transition to renewable energy in consultation with our building management.
- Our company headquarters based at Barangaroo, Australia's first large-scale carbon-neutral community[3] achieved a WELL Certified™ Platinum Certification in September 2023.
- In November 2023, our Edinburgh office was awarded the ISO 14001:2015 certification for our Environmental Management System. The scope of this certification relates to the management of office activities and the operation of the Corporate Sustainability Team.
- Our Environmental Policy Statement provides a framework to support our progress towards our environmental objectives and address the associated risks with in our own business operations. It covers climate change, energy, pollution, waste, water, travel and our supply chain. It can be found on our website here.
- We identified and mapped material climate risks across the organisation and incorporated this into our firm-wide Task Force on Climate-related Financial Disclosures (TCFD) reporting.

Supply Chain and Modern Slavery

- We publish an annual Modern Slavery Statement that outlines the actions First Sentier Investors is taking to address the risks of Modern Slavery throughout our operations, supply chains and investments, and our Modern Slavery Taskforce works to improve our efforts to combat modern slavery. It can be found on our website here.

Diversity, Equity and Inclusion (DEI)

- We are committed to fostering an inclusive and equitable culture where diversity can thrive.
- We do this through our DE&I strategy which is built on four pillars:

1. **Belonging**: Fostering an inclusive culture
2. **Equity**: Leveling the playing field
3. **Engaging**: Ensuring our people understand the importance of DE&I to First Sentier Investors
4. **Alignment**: Connecting with First Sentier Investors' responsible investment and corporate sustainability principles

During 2023 we ran a number of initiatives under each of these pillars. This included building understanding, engagement and awareness through an Inclusive Leadership program for our executive team, launching a DE&I collection on LinkedIn Learning and collaborating with our employee communities to run our inaugural global diversity festival.

- We have set gender diversity targets within senior leadership,[4] Board membership and Investment roles.

Community (Philanthropy)

- The First Sentier Foundation is First Sentier Investors' philanthropic initiative, founded in 2012. The Foundation is dedicated to building sustainable lives through education. The philanthropic vision and mission of the Foundation is intrinsically linked to our work, including in the areas of DEI, financial literacy, modern slavery, and climate action.
- We support employee donations via matching, make staff-led grants and encourage volunteering through our 3-day volunteering leave policy.
- During 2022 and 2023, the First Sentier Foundation partnered with over 19 charities across the world that align with our vision and mission. Additionally, we held a number of staff engagement sessions with our charity partners and facilitated a global Community Month campaign. This was designed to encourage staff volunteering and fundraising, and double-matched

[2] This target covers Scope 1, 2 and limited Scope 3 emissions, in line with the GHG Protocol. Scope 3 is limited to our corporate travel activities.
[3] Certified by the Australian Government's Climate Active certification scheme.
[4] This includes executive level, and two levels below that.

employees' personal donations, subject to conditions being met, to charitable causes they supported during the month.

Taken together, these initiatives play an important role in shaping the firm's culture.

B Corp Certification

In 2022, First Sentier Investors became a globally Certified B Corporation (B Corp). The B Corp Certification provides a framework that we can use to effectively assess our operations against high standards from an environmental, social and governance point of view, as well as to identify areas where we can improve. To receive the B Corp certification, a B Impact Assessment (BIA) was conducted, covering First Sentier Investors' practices and policies across five categories: governance, workers, community, environment, and customers. We achieved an overall B Impact Score of 107.2 in November 2022. The minimum score for B Corp certification is 80 points. As a B Corp certified company, we will be verified every three years to confirm that we are continuing to meet the rigorous, evolving standards.

Internal Capability Building

First Sentier Investors believes that in order to build a strong stewardship culture and mindset, we need knowledgeable and engaged staff with access to quality education. To achieve this, we have an organisation-wide learning and development program, ESG Learning Pathways, which is continually being expanded.

During 2023, we continued to deliver the ESG Learning Pathways Program, in line with our four pillars:

- **ESG Foundations**: After reviewing market options, we are developing a program to be delivered via both online modules and in-person facilitation of more complex and / or engaging topics. The pilot program commenced in 2023.
- **Functional Learning**: First Sentier Investors staff have been segmented into learning groups which includes a high-level set of learning objectives and potential skill gaps. The objective of this exercise was to ensure functional accountability of ESG issues across the organisation. These modules continued to be delivered in support of these objectives during 2023.
- **Further ESG Learning**: We have endorsed a series of formal training programs that employees from all groups can use their training budget to complete, as part of their personal development planning. The complexity, cost and time commitment of the courses varies, and we have outlined learning outcomes, topics, costs, and target audience for each, in order to facilitate a useful reference for staff looking to develop their ESG knowledge.
- **Early Careers**: Our 2023 Australian graduate intake participated in a sustainability-related project in partnership with the Corporate Sustainability team.

Responsible Investment & Stewardship

Responsible Investment (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.

Our RI Strategy

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. We are also committed to holding ourselves as a business to the same standards as those we expect of the companies we invest in, as set out in our corporate sustainability framework.

The firm's RI team is focused on providing a strong ESG foundation for all teams. Additional appointments were made to the team in 2023, in order to bring in a broader range of expertise and to meet the growing requirements for ESG-focused reporting, regulation and data.

The team undertook a review of the RI strategy, which culminated in identifying the RI team's purpose and its four pillars for achieving it: investments; engaged staff; transparency; and collaboration.

A focus for the transparency pillar is the ESG Data Strategy. Over the course of 2023, the firm invested significant resources into providing investment teams, clients, supporting functions and management with up-to-date, relevant and easily accessible data across a range of issues, using interactive dashboards, and further integrating ESG data into our reporting software and our existing front office systems.

We undertook our three-yearly review of the firm's RI and Stewardship Policy and Principles, to ensure they are fit-for-purpose in a rapidly-changing ESG landscape. The result was the launch of the updated Global Responsible Investment and Stewardship Policy and Global Responsible Investment and Stewardship Principles (in two separate documents).

As First Sentier Investors seeks to contribute to frameworks that shape our industry and the industries we invest in, we have been increasingly engaged in policy conversations. To this end, in 2023 we captured our approach and rationale in a new Policy Advocacy Principles document. Details of this advocacy approach are provided in Section 4.

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:

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- 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.

These beliefs are underpinned by the following expectations at a firm and investment team level.

Our firm expectations

- To engage in public policy debates and collaborate through industry initiatives
- To communicate openly and clearly with our clients regarding ESG issues
- To hold ourselves as a business to the same standards as those we expect of the companies we invest in
- To foster a culture that supports principles of stewardship and responsibility
- To adhere to all relevant regulatory requirements and industry codes

Our investment team expectations

- To assess and monitor on an ongoing basis our investments for relevant ESG risks and opportunities
- To engage in an active dialogue with companies and entities that we invest in
- To document engagement activities and any issues raised to be followed up and reviewed periodically
- To develop an engagement strategy with escalation points where a company is not recognising or addressing ESG concerns
- To exercise our right to vote whenever possible
- To measure and report on the ESG outcomes of our investments as evidence of our approach to RI
- To not invest in certain companies on ethical grounds*

**A list of our exclusions is available on our website.*

Our Approach to Engagement

We acknowledge that we have a wider responsibility to contribute to a sustainable economy and society through our investment activities and business operations. We see a sustainable economy as one that supports economic growth but not at the expense of environmental and social aspects.

As allocators of capital, stewards of our clients' assets and active shareholders in companies, we believe that the individual and collective decisions we make as investors can have real-world impacts.

Against this background, we believe that active engagement and ownership can help us make better investment decisions, as well as helping to drive real-world outcomes.

Ongoing dialogue with the companies we invest our clients' capital in improves our understanding of the issues that they face, helps us drive improvements and, ultimately, seeks to protect or enhance the value of our clients' investments.

We share a commitment to achieving the best possible outcomes over the long term for our clients. For example, remuneration structures are designed in a way that seeks to incentivise investment performance beyond short-term outcomes.

Effective and responsible active ownership has long been part of our fundamental approach to investment. We actively exercise voting rights and engage on issues related to factors like strategy, risk, performance, climate change, human rights and governance, as outlined in this report.

Assessment of Value

As required by the UK's Financial Conduct Authority (FCA), each financial year all FCA-authorised fund managers must carry out an Assessment of Value (the AoV or the Assessment) for the share classes in funds they operate. For First Sentier Investors, the 2023 Assessment in relation to First Sentier Investors ICVC (the OEIC) covered the twelve-month period to 31 July 2023 and was undertaken by the board of directors of First Sentier Investors (UK) Funds Limited, acting in its capacity as Authorised Corporate Director (ACD) of the OEIC. The AoV considers and evaluates the share classes of each of the funds of the OEIC against the following seven criteria: Performance, Quality of Service, Classes of Units, Authorised Fund Manager (AFM) Costs, Economies of Scale, Comparable Market Rates and Comparable Services. A Red/Amber/Green (RAG) rating has been applied to each of the criteria, which translates to:

- Green - The share class offers value to investors
- Amber - The share class has opportunities for improvement and the fund board continually assess these
- Red - The share class has been identified for remedial actions and we are currently considering options for addressing them

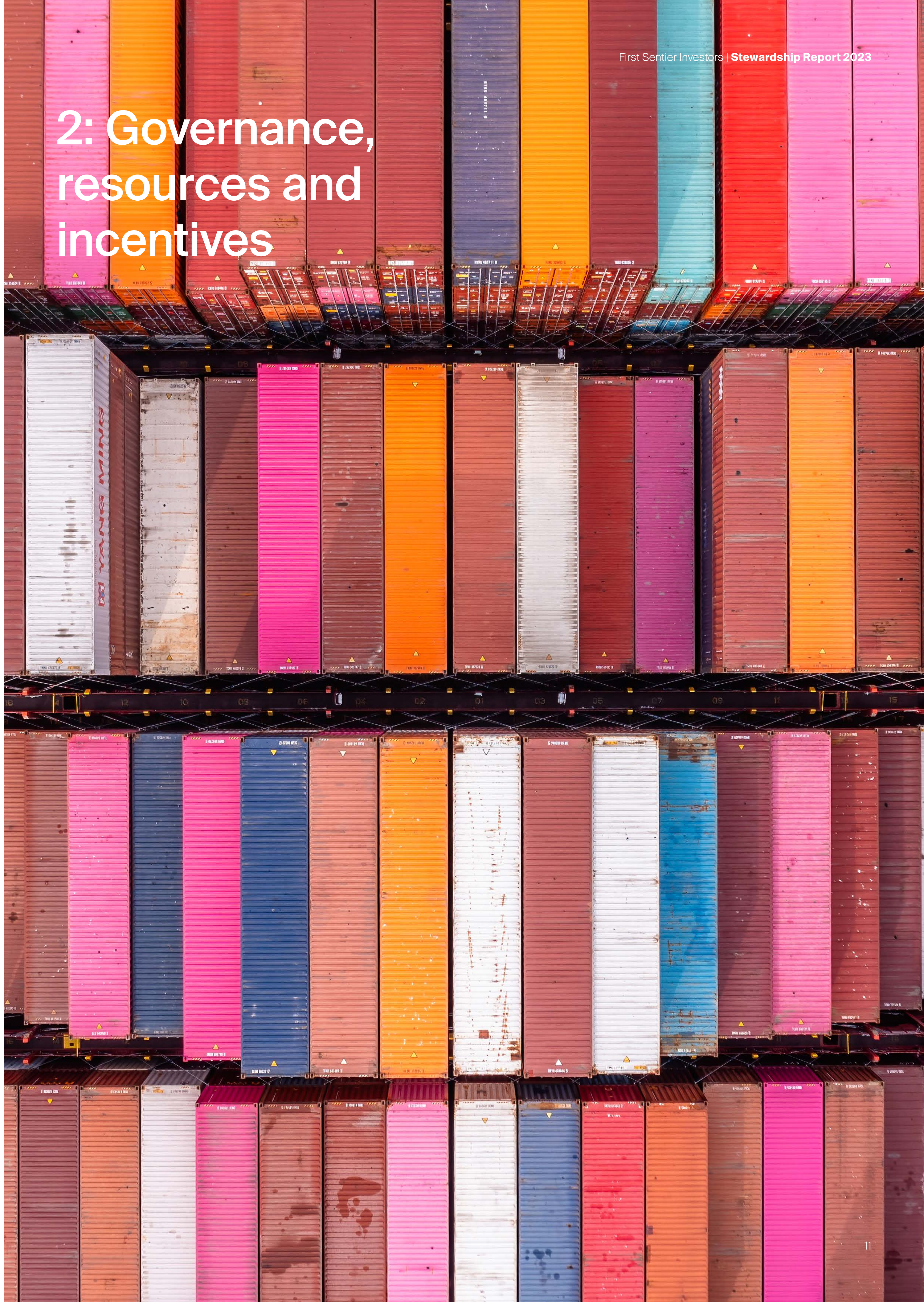
Each of the OEIC's funds is reviewed and analysed across all share classes.

Of the 82 share classes outstanding on 31 July 2023, the following ratings were applied:

- 91% (75 share classes) were rated Green overall. In the 2022 Assessment this was 88%
- 9% (7 share classes) were rated Amber overall. In the 2022 Assessment this was 10%
- 0% (no share classes) were rated Red overall. In the 2022 Assessment this was 2%

We look to ensure our investment strategies remain competitive and current. Throughout the life cycle of a fund or share class, we review assessment of value considerations from the concept of a new fund or share class launch through to evaluating the impact that any changes to existing funds or share classes during the year might have on the value to our investors. In the case where we identify certain funds or share classes that are not demonstrating value consistently, as part of the annual AoV we complete a further review and outline the measures that we have taken, or plan to take, to address such issues. The full AoV Report can be found on our website here.

In addition to the AoV process for the OEIC range of funds, First Sentier Investors conducts a 'value and viability' process for assessing the value provided by the VCC funds, in accordance with the requirements of Irish law. The value and viability assessment includes RAG ratings at a summary level (fund level and not share class level, as with the AoV), and covers the same broad themes as the AoV process, although the methods and outputs of the two processes differ.



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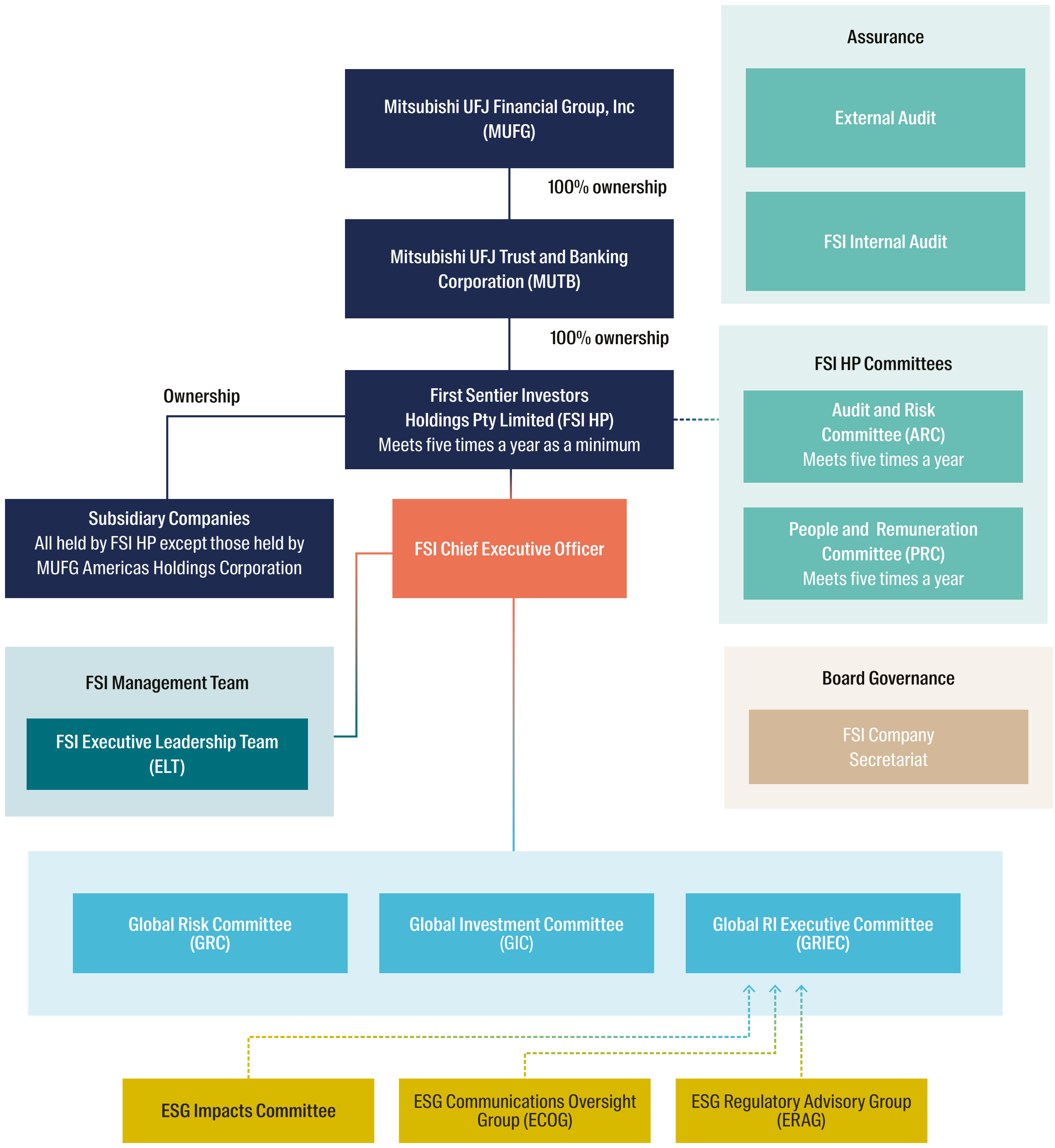
2: Governance, resources and incentives

Our Governance framework is wide-ranging and in-depth



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We have built our Responsible Investment and Stewardship strategy on a strong governance framework that helps us align all our practices and initiatives across our entire firm. It also enables us to make the most of the diverse resources and expertise of our different teams. Ultimately, it equips us to make informed decisions that aim to improve outcomes for our clients.

Descriptions of relevant committees to support the governance structure are below:

Global Investment Committee

The Global Investment Committee (GIC) is the main forum for oversight of investment performance and risk within First Sentier Investors. The GIC is chaired by the CEO, Mark Steinberg, meets quarterly and is responsible for monitoring the management of investment risks, including ESG risks and matters related to all of First Sentier Investors' investment teams and portfolios excluding Igneo Investment Partners and AlbaCore Capital Group (see information below on these teams' governance structures).

Global Risk Committee

The purpose of the Global Risk Committee is to assist and advise the CEO in the governance, optimisation and effective management of risks assumed by First Sentier Investors in the course of carrying on its business, with particular focus on the identification, measurement, management and reporting of risks. The scope includes all businesses within First Sentier Investors, and covers the broad categories of strategic, market, operational, information technology, data loss, legal and financial risk (oversight of investment risk is addressed at the Global Investment Committee).

Global Responsible Investment Executive Committee

The Global Responsible Investment Executive Committee (GRIEC) is chaired by our CEO, and meets at least three times per year. It includes our Global Head of Investment Management and a number of senior leaders including some of our investment team heads. The purpose of the Committee is to provide oversight and endorsement in relation to the RI strategy across First Sentier Investors and First Sentier Investors' governance of, and adherence to, global ESG regulations.

ESG Impacts Committee

This active knowledge-sharing forum focuses on issues that cut across multiple investment teams, like climate change and human rights risks. Its membership comprises representatives from investment teams, usually the RI representatives of the respective team. The purpose of the Committee is primarily (but not limited) to:

- Monitor and identify ESG risks, opportunities, issues and innovations which are relevant to the business
- Deepen the firm's understanding of ESG impacts on our investment performance
- Informing engagement work and objectives
- Leverage knowledge and disseminate material information across teams
- Generate thought leadership & research ideas
- Support the business in achieving its objective of being a global leader in responsible investment
- Report on and respond to requests from the Global Responsible Investment Executive Committee

ESG Communication Oversight Group

The purpose of the ESG Communication Oversight Group (ECOG) is to monitor and advise on globally consistent ESG disclosures, including product offer (regulatory) documents where product/strategy articulation and classifications are expressed marketing, and communication materials (including but not limited to factsheets, investment team presentations, website etc) as well as materials produced by Responsible Investment.

ESG Regulatory Advisory Group

Established in 2022 for the purpose of monitoring and advising on the implementation of global ESG regulations including product/strategy classifications and to make recommendations to the GRIEC.

Governance structure: Igneo Infrastructure Partners

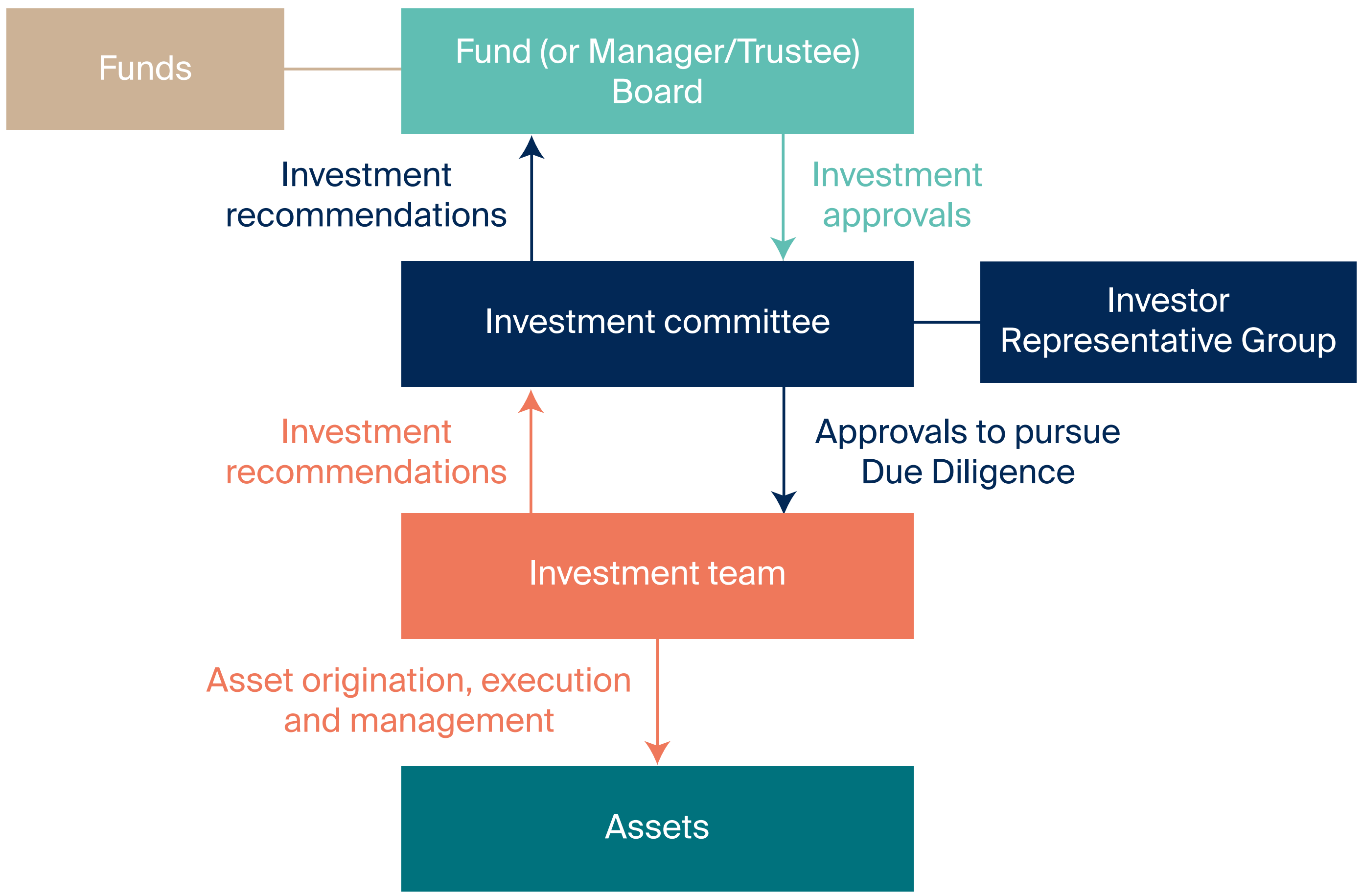
The funds managed or advised by Igneo Infrastructure Partners have a different governance structure, which reflects the unique nature of the asset class. Each of the funds has a Board or similar top-level governing body, where ultimate investment decision-making responsibility resides.

This includes the Alternative Investment Fund Manager (AIFM) and Boards for the European funds and the Board of the relevant Manager or Trustee for the global funds. For the majority of the Igneo funds, these Boards are comprised of independent directors as well as First Sentier Investors representatives. These bodies are ultimately responsible for portfolio and risk management, including with respect to ESG and the stewardship of the companies in the portfolios.

Each of the funds then 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 to the board. The funds also have an investors' representative group, a group of investors which plays a role during the investment process.

Oversight is provided by Igneo's Investment Committee as well as the AIFM (for the European funds) and the Board of the relevant Manager or Trustee (for the global funds).

The below provides a simplified diagram of the governance arrangements for all Igneo funds:



Governance structure: AlbaCore Capital Group

Investment vehicles and products managed by the AlbaCore Capital Group (AlbaCore) sit outside of the governance structures outlined above (i.e. the Global Investment Committee, Global Risk Committee, Global Responsible Investment Executive Committee, ESG Impacts Committee[5] and ESG Communication Oversight Group). This is consistent with the governance framework that exists between the First Sentier Investors and AlbaCore businesses.

First Sentier Investors holds a majority ownership in AlbaCore. Pursuant to arrangements in place between First Sentier Investors 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 the AlbaCore's ESG and responsible investment approach. Three separate sub-committees sit underneath the ESG Committee focusing on (i) regulatory and investor ESG reporting (ii) ESG risk oversight and (iii) corporate sustainability, with each sub-committee reporting back on progress to the ESG Committee.

ESG considerations have been built into the Investment Committee's approval processes since AlbaCore's inception. As a credit investor, AlbaCore's approach is risk-based and as part of the investment due diligence process the Investment Committee will consider the materiality of any applicable ESG-related risks for each prospective investment which are documented in an investment memorandum. AlbaCore also excludes certain industries based on revenue thresholds as part of its negative screening process, which varies depending on the product type.

Global Responsible Investment and Stewardship Policy and Principles

First Sentier Investors' Global Responsible Investment and Stewardship Policy and Principles documents ("the RI Policy" and "the RI Principles") articulate our approach to RI and stewardship. These documents were updated in 2023 to reflect the changing regulatory and ESG landscape.

The RI Policy sets out a series of standards relating to RI and stewardship that all First Sentier Investors investment professionals are expected to adhere to in practice. The RI Principles set out a series of beliefs and principles that the First Sentier Investors group believes will facilitate the delivery of sustainable investment success for the benefit of its clients, employees, society and our shareholder and that investment teams are encouraged and supported to consistently operate within.

[5] An AlbaCore representative joined the ESG Impacts Committee in 2024.

Specialist RI team

The RI team engages with the business to deliver the RI strategy and support ESG integration for investment teams. Its work involves a significant amount of internal engagement, communication and training globally across multiple topics. The team's profiles (as at 31 December 2023) are listed below.

Kate Turner, Global Head of Responsible Investment
Regional focus: Global
Thematic focus: Human rights and modern slavery

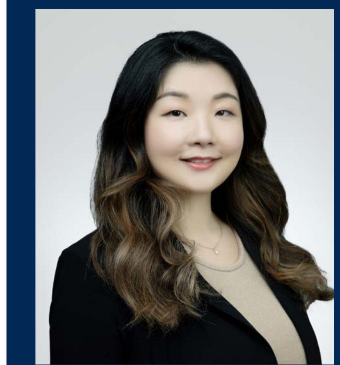
Kate Turner is a leading figure in the responsible investment and sustainable finance space and was promoted to the role of Global of Head of RI at First Sentier Investors in October 2022. Sydney-based, Kate combines an impressive legal background with significant experience in structuring sustainable finance deals and advising investment professionals on applying an RI lens to their strategies.

Kate's dedication to acting on critical issues including climate change and modern slavery has made her a well-known figure in the investment sector. This includes her role as Chair of the Steering Group for Investors Against Slavery and Trafficking APAC – a forum in which she has been a driving force.

Finian Power, Head of ESG Policy and Regulation
Regional focus: Global
Thematic focus: New and ongoing ESG regulation and policy

Based in Dublin, Finian is responsible for developing the firm's understanding of current and emerging ESG/sustainability policy and regulatory issues globally. Finian also supports policy analysis and advocacy across the organisation. Prior to joining First Sentier Investors, Finian was Head of Investment Management Oversight at Prescient Fund Services and has previously held roles at Waystone as a Director in their Dublin and Cayman Islands offices, BNY Mellon and JPMorgan in Dublin.

Finian studied Business at Dublin Institute of Technology, is a Chartered Alternative Investment Analyst and holds certificates in ESG Investing, and Climate and Investing from CFA Institute and CFA UK respectively.



Joanne Lee CFA, Responsible Investment Specialist
Regional focus: Asia
Thematic focus: Nature and biodiversity
Teams supported: FSSA, Asia Fixed Income, Stewart Investors

Joanne Lee is a sustainable finance expert with over 13 years of relevant professional experience. As an RI Specialist at First Sentier Investors, Joanne works on the strategic development and implementation of the firm's RI initiatives with a focus on environmental issues. She is leading First Sentier Investors' work on natural capital and biodiversity. Based in Hong Kong, she engages with Asia-based investment teams, Asia Fixed Income, FSSA and Stewart Investors, as well as products, distribution, compliance, risk, marketing, HR and RFP teams.

Prior to joining First Sentier Investors, Joanne was a Sustainable Finance Specialist at WWF, driving the research and advocacy on net-zero portfolio alignment, natural capital and green financial solutions. She also worked on renewable energy financing at the International Renewable Energy Agency (IRENA) in Abu Dhabi and climate consultancies in the US. Joanne is a CFA Charterholder with a Master's degree in Environmental Studies from the University of Pennsylvania.

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Bjorn De Smedt, Responsible Investment Specialist
Regional focus: Australia
Thematic focus: Climate change
Teams supported: Australian Equities Growth, Australian Small and Mid Cap Companies, Global Listed Infrastructure Securities, RQI Investors, Stewart Investors

Bjorn De Smedt is a Responsible Investment Specialist on First Sentier Investors' RI team with a focus on climate change action. Bjorn supports the governance of Responsible Investment and integration of ESG factors into the firm's investment processes, as well as building internal and external stakeholder relationships. Prior to joining First Sentier Investors, Bjorn was an Associate Director at ISS Australia leading its business development in Australia, New Zealand and Asia Pacific ex Japan, and has previously held roles at Fortis Commercial Finance, Euroclear Bank in Brussels and BNP Paribas Securities Services in Paris.

Rhys Foulkes CFA, Responsible Investment Specialist
Regional focus: EMEA
Thematic focus: Engagement, climate change
Teams supported: Fixed Income ex-Asia, Igneo Infrastructure Partners. AlbaCore Capital Partners

Rhys Foulkes has over 16-years' experience in the asset management industry. The majority of this time has been spent as a Credit Analyst in Fixed Income, but his strong interest in responsible investing saw Rhys move internally within First Sentier Investors to the RI Team. As an RI Specialist at First Sentier Investors, Rhys is focused on supporting the firm's strategic development and implementation of the RI initiatives with a focus on supporting First Sentier Investors' investment teams in their engagement activities. Based in London, Rhys is the first point of contact for the Fixed Income and Igneo investment teams. Prior to joining First Sentier Investors, Rhys worked as a Credit Analyst at ECM and Threadneedle, covering a variety of non-financial sectors. Rhys is a CFA Charterholder, and has obtained the CFA's Certificate in ESG Investing, with a BSc (Hons) in Economics from the University of Bath, UK.

Belinda White, Responsible Investment Specialist
Thematic focus: Diversity, equity and inclusion

Belinda draws on over two decades' experience in financial services as a communications adviser to manage the firm's RI and ESG reporting, internal capability-building, and client relationship-building. Prior to her current role, Belinda was Senior Communications Manager at First Sentier Investors, and before that, Director of Marketing and Communications at Qualitas Group, as well as several in-house and agency roles. She is an advocate for boosting gender diversity in the industry as an active ambassador for female-led networks: 3TOM, a female-forward network for the funds management industry, and as a committee member of Women in Sustainable Finance, an industry-backed initiative to support the participation of women in the sector.

Yuichi Nakao, Manager, Responsible Investment

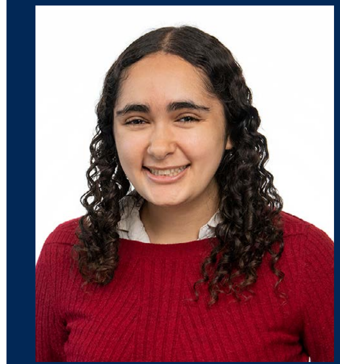
Yuichi is based in the UK and holds a dual role split between First Sentier Investors and the First Sentier MUFG Sustainable Investment Institute. Yuichi's direct involvement with the Institute helps to further develop its strategy, operations and management.

He joined First Sentier Investors from Mitsubishi UFJ Trust and Banking Corporation (MUTB). Prior to this Yuichi was a Senior Manager at MUTB where he provided a range of client services including portfolio management of Japanese equity, management of client portfolios, pension sales and system development.

He holds a Bachelor's degree in Science and Technology from Keio University and is a certified member analyst of the Securities Analysts Association of Japan (CMA).

Will Bartlett CFA, Responsible Investment Analyst
Teams supported: Property Securities, Emerging Companies

Will is a Responsible Investment Analyst in the RI team. He supports the team across asset classes and themes with analysis and research, content development and reporting. He manages ESG data and contributes to the integration of ESG factors across the organisation. He also supports engagements with clients and stakeholders. Based in Sydney, Will is the first point of contact for investment teams Property Securities and Emerging Companies. Before joining the RI team, Will was an Associate at Westpac Institutional Bank, supporting the Sustainable Finance and ESG teams in transaction origination and execution, sustainability reporting and the broader ESG strategy. Prior to this, Will was a Fund Analyst at Charter Hall. He is a CFA Charterholder with a Bachelor of Commerce (Liberal Studies) from the University of Sydney.



Helena Gandhi, Responsible Investment Graduate

Helena supports the team across asset classes and themes with analysis and research, content development and reporting. Before joining First Sentier Investors, Helena interned in the Equities team at abrdn, supporting ESG strategy and researching sustainability issues. Here she completed a Sustainable Finance short course at the Cambridge Institute of Sustainable Leadership, learning how investors can fulfil their fiduciary duty to build a sustainable future. Helena holds a Bachelor of Economics/Advanced Studies from the University of Sydney.

First Sentier MUFG Sustainable Investment Institute

Sudip Hazra, Director, First Sentier MUFG Sustainable Investment Institute (the 'Institute')

Sudip leads the work of the Institute, which publishes research on a variety of ESG themes relevant to investors, corporates and the sustainability community. Previously Director of ESG Research at US asset manager Invesco (awarded 'Best ESG Research' at the ESG Investing Awards 2023) and Co-Head of ESG Research at financial services firm Kepler Cheuvreux in London, he has worked to lead teams at the forefront of sustainable investing, covering regulatory changes such as the EU SFDR[6], global engagement practices, Net Zero implementation and broad ESG integration. He has a BA from Oxford University and an MA from QMUL and was a student mentor at these universities.

Elena Zharikova, Research Analyst

As a Research Analyst, Elena is involved in all Institute activities including research topic generation, conducting research and coordinating with external stakeholders. Prior to joining the Institute, Elena worked as a Senior ESG Consultant at a boutique corporate advisory firm in London. In that role, she was responsible for the development and execution of the ESG research strategy, including several thought leadership publications. Her responsibilities also covered product development and advisory services across a wide range of ESG topics.

Elena holds a PhD in Law and an LLM in International Business and Commercial Law from the University of Manchester.

[6] Sustainable Finance Disclosure Regulation

Remuneration and Incentives

Our Global Code of Conduct ("the Code") reinforces our commitment to operating with high standards of professionalism to protect our investors' interests, and to behave ethically and responsibly as a firm. The Code sets out what we expect from everyone who works with our clients and other stakeholders. Our people confirm that, in the previous year, they have complied with the provisions of the Code or had an instance of non-compliance that has been addressed with the Compliance team.

We have an established Remuneration Policy to ensure that an appropriate remuneration framework exists to support our vision, purpose and strategy.

First Sentier Investors' Remuneration Policy, covers the following principles, frameworks and policies:

- to the best of our knowledge meet all applicable regulatory and legal requirements
- align with our vision, values and strategy
- align with the interests of our clients, employees and the community
- encourage responsible behaviour that supports long-term sustainability
- promote sound, effective risk management and encourage responsible behaviour that supports long-term sustainability, including for investment professionals, the effective management of sustainability risks[7]
- avoid conflicts of interest
- support a diverse and inclusive workforce

Compensation at First Sentier Investors includes Base Remuneration and Variable Remuneration. Base Remuneration is set at market competitive levels, while Variable Remuneration outcomes are differentiated in line with individual and company performance. We provide various forms of Variable Remuneration, depending on the role and seniority level.

For Investment professionals, Variable Remuneration is provided to ensure both short-term and long-term stability of the investment team and performance. The Short Term Incentives (STI) structure for Investment Professionals is based on portfolio performance benchmarks over 1, 3 and 5 year performance, achieving broader corporate objectives and individual performance including demonstrating our values and meeting risk requirements of their role.

The long-term incentives (LTI) of most of the firm's investment professionals are structured through co-investment instruments aligned to the underlying team funds. This arrangement encourages long-term alignment with clients' interests. It also incentivises investment professionals to reinforce the team's investment philosophies and processes, which include assessing the sustainability risks that may affect investment performance.

We actively manage risk associated with measuring and delivering short-term and long-term performance. All activities are carefully managed within our risk framework. Individual Variable Remuneration outcomes are reviewed and may be adjusted in light of any associated performance and risk outcomes specific to an individual's performance, the performance of the business unit and the performance of the business as a whole.

Performance adjustments of individual Variable Remuneration outcomes may include (but is not limited to) malus and claw-back.

Performance and risk management is built into our remuneration framework by ensuring that all employees are assessed against risk and behavioural standards, that are considered upon allocation of short-term and long-term incentives and again upon vesting of deferred incentives to confirm they have appropriately demonstrated our values.

This assessment ensures that Variable Remuneration outcomes are based on what was achieved (goals) and how it was achieved (values), with adjustments for risk outcomes applied where required. The values assessment includes an expectation of care for our clients and society in how we operate.

As part of our commitment to employees' learning and development, we encourage regular and open feedback throughout the year in addition to a mid-year review, and a formal annual performance review. The formal review process includes:

- Risk assessment: to assess an employee's ability to manage risk effectively; and/or where a negative risk outcome occurred, to find out whether it stemmed from individual actions and/or behaviours
- Values assessment: to assess an employee's behaviour across the values of Care, Collaboration, Dedication and Openness
- Business outcomes: to assess key performance indicators related to clients, business and people, as well as role-specific metrics

In 2023, the UK Financial Conduct Authority (FCA) introduced the Consumer Duty which included a new FCA Principle: 'A firm must act to deliver good outcomes for retail customers'. The Duty focuses on four such outcomes – in respect of Products and Services, Price and Value, Consumer Understanding, and Consumer Support.

One key aspect of the regulation is the requirement to ensure that FCA-regulated firms' employee incentives, performance management frameworks and remuneration structures are consistent with delivering good outcomes for retail customers. We have adapted our performance management framework accordingly.

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

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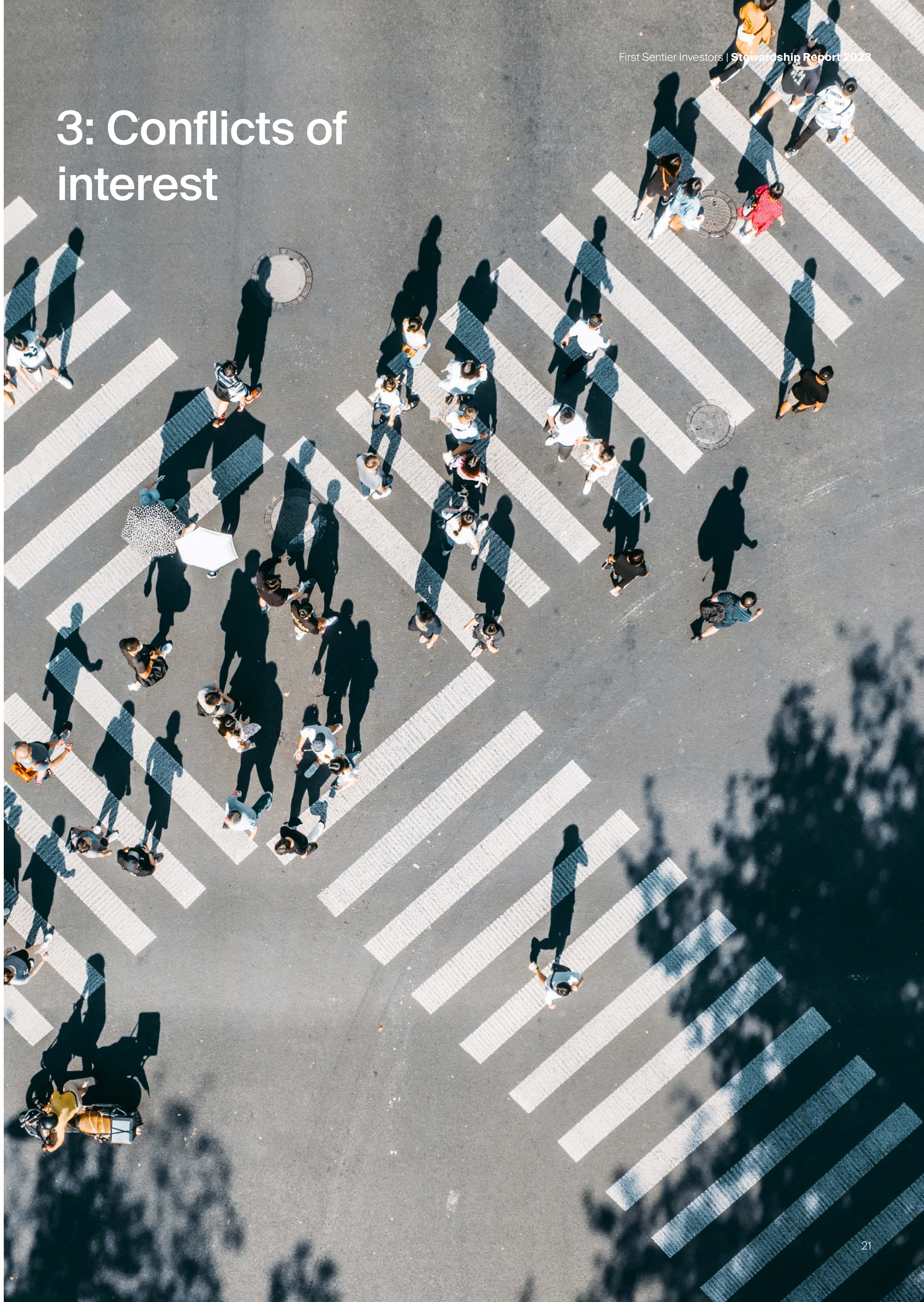

3: Conflicts of interest

We have a fiduciary duty to act in the best interest of our clients, to treat them fairly and to give them priority. It is therefore essential that we have adequate arrangements in place to identify, evaluate and appropriately manage conflicts of interest when they occur. Our Global Code of Conduct and Global Conflicts of Interest Policy make these obligations clear.

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

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

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

Each region maintains a Conflicts of Interest Register, identifying the First Sentier Investors entity (or entities) impacted by the actual, potential and perceived conflicts of interest and the controls in place to manage the conflicts.

These registers are subject to annual review (at the minimum) and, in some cases, approval by First Sentier Investors' internal governance committees.

Our employees must be able to identify conflicts and report them so we can determine the appropriate management strategy. Our Global Conflicts of Interest Policy provides a process to help employees understand and annual training is also delivered.

Each year our employees must complete a certification confirming they have complied with both the Global Code of Conduct and the Global Conflicts of Interest Policy.

Employee Compliance falls within Investment Compliance. Employee Compliance supports employees to comply with their Conflicts of Interest obligations – Personal Account Dealing, Gifts & Entertainment, Outside Business Activities and periodic Certifications. Employee Compliance delivers Conflicts of Interest induction training to all new joiners, monitors compliance to the Global Personal Dealing Policy, Global Gifts and Entertainment Policy, and assists with the new and ongoing certification process. The team utilises ACA's Compliance Alpha to manage and monitor the key obligations within these policies, such as limiting investment team employees' ability to invest within their investment universe, and is responsible for the maintenance and upkeep of system records. As a global team, Employee Compliance aims to develop, implement, and drive consistent practices across all regions.

A practical example of the process in action:

- There are financial rewards available to firms from branding their products as delivering ESG outcomes, which could lead to false claims. This conflict is managed by maintaining a 'source of truth' library of acceptable terms and claims, which continues to be expanded. In addition, as required by our Global Marketing Materials Review policy, the Responsible Investment team is consulted on any ESG or sustainability related materials prior to publication.
- A number of new conflicts were identified by employees and forwarded to the relevant Regulatory Compliance team for assessment. A number of these conflicts related to confidential transactions for which non-disclosure agreements are in place. Regulatory Compliance reviewed the conflicts and recommended controls to be put in place to manage the conflicts. Relevant boards and committees were also notified of the conflicts.

Set out below is an example of a potential conflict that could occur and how it is managed.

- Qualifying team members may invest into a fund managed by Igneo Infrastructure Partners meaning a potential conflict of interest could arise on voting matters. To manage this, units held by qualifying team members are non-voting as specified in the Partnership Agreement, which is made available to all investors.
- Another area for potential conflicts of interest is proxy voting on behalf of clients. In this case, we apply our Global Responsible Investment and Stewardship Principles. These are designed to protect and enhance the economic value of the companies in which First Sentier Investors invests on behalf of clients.
- In the event that a Material Conflict is identified, the Business Head/Managing Partner or his/her nominee determines how to vote the proxy in consultation with Regulatory Compliance, and in such cases must keep adequate records to demonstrate that the resulting vote was not the product of the Material Conflict(s).

4: Promoting well-functioning markets

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 diversification. These fundamental risks drive our approach to RI, engagement and ESG integration. We are also cognisant that we cannot solve any of these issues alone, and therefore we need to collaborate with stakeholders.

A key concept that is evolving in our thinking about risk is the notion of 'double materiality'. Single materiality is a reporting approach that accounts for how sustainable factors affect the financial value of a company, whereas double materiality takes not only this into account but also how that company impacts the world around it. This is an increasingly important challenge for companies and investors, who are at different levels of understanding globally on the importance and relevance of single and double materiality.

Double materiality is a core concept in the European Union's (EU) Sustainable Finance Disclosure Regulation (SFDR) and Corporate Sustainability Reporting Directive. The 'Principal Adverse Impact (PAI) on sustainability factors' concept measures how a company's activities negatively affect the environment and society in general. In 2023, we launched the first of a planned series of papers on the topic of the SFDR PAIs, focused on the Gender Diversity indicators of board diversity and unadjusted pay gap. The document can be found here.

We are also focused on the connection between big, systemic challenges the world is facing.

Responsible investment areas are converging, as the world becomes hotter, the environment is degrading and people are isolated from their traditional homes and livelihoods.

For example, we cannot look at climate change as a stand-alone issue, as it is deeply connected to nature issues such as deforestation, which reduces the earth's ability to absorb greenhouse gas emissions. Aiming to limit global warming to 1.5 degrees is not simply about reducing carbon emissions, but relies on having enough nature to absorb the carbon that we do create.

Another example of these connected issues is the intersection of modern slavery and climate change. As droughts, floods and other extreme weather batter the globe, thousands of the poorest populations are being forced to flee their homes as 'climate refugees'. In other instances, ongoing changes to weather push people out slowly, making their livelihoods untenable.[8] Vulnerable and displaced people are at significantly more risk of modern slavery.[9]

This perspective also needs to inform our responses to the issues. In the case of climate change and its many flow-on effects, facilitating a just transition is key.

Whilst governments globally are adopting a 'climate-first' approach to sustainable finance reforms, as investors, we need to understand and address material sustainability-related risks and opportunities of each investment. For example, when we are considering the risks and opportunities connected with the transition to a low carbon economy, we also seek to understand and address any unintended consequences of addressing those risks and opportunities, such as increases in inequality, heightened risks of modern slavery, and loss of Indigenous people's rights. If we worsen those issues as part of the transition, they may be more difficult to address later.

Climate change

One of the greatest systemic risks we face is climate change, and this is a major focus for First Sentier Investors. The negative impacts of climate change affect the availability of resources, the price and structure of the energy market, the vulnerability of infrastructure and the valuation of companies. Beyond its direct effects, climate change often acts as a multiplier of other risks and opportunities that investors have traditionally managed.

Alignment with investments

We are committed to playing an active role in the transition to a low-carbon economy by managing investment risks, identifying opportunities and seeking to drive change through our stewardship approach. Greenhouse gas (GHG) emissions data is crucial to decarbonising the economy, as we cannot change what we cannot measure. Easier tracking of emissions data is a central plank of the firm's ESG data strategy, and one outcome of the project is that all investment teams can now access a wide range of climate change metrics captured in easy-to-use dashboards.

We have expanded the breadth of portfolio climate disclosures and now provide additional factors (such as net zero alignment) and cover fixed income – both corporate and sovereign issuers - with the goal to add sub-sovereign issuers in 2024. A key part of governance is the firm's internal investment monitoring and reporting, and we added scenario and net zero alignment analysis to our capabilities in this area.

Industry initiatives and stakeholder collaboration

We are active in a number of collaborative engagements, including Climate Action 100+,[10] Investor Group on Climate Change (IGCC)[11] and the Glasgow Financial Alliance for Net Zero (GFANZ).[12] Our Global Head of Responsible Investment, Kate Turner, was appointed to the Net Zero Asset Managers Initiative Advisory Group towards the end of 2023. As a firm, we have contributed to company engagements and shared experiences and insights with peers, as part of these initiatives.

Advocacy on climate policy was a major focus during 2023 and we made submissions to regulators and policy makers on climate-related policies and disclosures, in several jurisdictions. This included meetings and in-person advocacy undertaken by senior management and RI team members.

Challenges and progress

Access to reliable data continues to be a challenge. An issue we are grappling with is definitions: we still need more convergence of terminology around net zero ambitions, target setting and the credibility of transition plans, in order to properly assess the quality of a company's ambitions.

Another challenge is the growing array of climate related disclosures required for different markets, including the United Kingdom, New Zealand and Australia. While there are broad similarities, there are also some meaningful differences, as well as different reporting periods. For a global entity with requirements across multiple jurisdictions, we are working to manage these differences.

Nature and biodiversity

Nature and biodiversity matter to investors because the very companies we invest in not only impact, but truly depend on nature; yet we are increasingly seeing a rapid loss of nature and biodiversity.[13] Biodiversity conservation and climate action are intrinsically linked.[14] As one of the planet's best defences against climate change,[15] it is important for investors to consider biodiversity and nature's protection in meeting net zero targets and building a more climate resilient future.

Alignment with investments

In 2022, we convened a Nature and Biodiversity Working Group, comprised of members from nine of First Sentier Investors' fifteen investment teams[16]. A key output of this group was the delivery of a Nature and Biodiversity Toolkit launched in 2023, which provides a framework for assessing and engaging with investee companies on nature-related issues for our investment teams. Each investment team may choose to utilise this toolkit during any nature and biodiversity related engagements they may conduct.

In 2023, we followed up on this work with the launch of a guide to these issues, to share our experiences and insights, and help to equip other investors with actionable tools on this topic. Investors Can Assess Nature Now (ICANN) is a guide for investors to better identify and assess materiality, exposure and responses to nature-related issues, to be used in company engagement and disclosure. The guide is available here.

Other activity included the First Sentier MUFG Sustainable Investment Institute producing an engaging video that makes the case for protecting nature and explains how investors can take action. Two investment teams – RQI Investors and Global Credit - joined the investor engagement group on this issue, Nature Action 100, with Global Credit also joining the FAIRR[17] Protein Diversification engagement.

Industry initiatives and stakeholder collaboration

The interconnected nature of some of the most complex global issues of today, including biodiversity, climate change and human rights, means that collaboration is critical for investors. First Sentier Investors believes that we must work together to build our knowledge capital, better position ourselves to manage such risks, and ultimately drive a shift in financial flows towards a more nature positive economy.

As a result, and as mentioned under 'Alignment with investments', we created the ICANN guide as an invitation to work together, and to continue discussing emerging solutions and addressing challenges. It builds on our work to create an internal toolkit ("Nature and Biodiversity Toolkit") for investment teams, and aims to demonstrate that financial institutions can start conducting sector-level and company-level assessments on key topics like freshwater and forests.

During the process of developing our own toolkit, we heard from many investors and peers that even though they are interested in working on this topic, they are not sure where to go, what to look for, or how to use existing resources.

With that in mind, we wanted to share a step-by-step guide that references data resources that can be used at each stage to make it easier for investors to understand which tools and databases can support their analysis.

This guide outlines:

- Why nature and biodiversity should matter to investors;
- Our roadmap for addressing nature-related risks and impact drivers, including our work to date;
- A toolkit that maps out our approach to identifying nature and biodiversity-related risks and developing engagement approaches;
- How we intend to move forward in this focus area; and
- A suggested use case for investors to consider when preparing for their own nature-related risk assessment, due diligence and engagement, as a starting point for disclosures aligned to the framework outlined by the TNFD.

[8] Climate Refugees (https://www.climate-refugees.org/)
[9] Walk Free. (2023). The Costs of the Climate Crisis.
[10] Climate Action 100+ (https://www.climateaction100.org/)
[11] Investor Group on Climate Change (https://igcc.org.au/)
[12] Glasgow Financial Alliance for Net Zero (https://www.gfanzero.com/)

[13] Worldwide Fund for Nature. (2022). Living planet report 2022
[14] Financial Times. 'Climate change and biodiversity: twin challenges for today's business leaders'.
[15] Source: Gov.uk. (2021). Final report - 'The Economics of Biodiversity: The Dasgupta Review'.
[16] 15 teams as at the time the working group was convened
[17] The FAIRR Initiative is a collaborative investor network that raises awareness of ESG risks and opportunities in the global food sector

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The ICANN guide was launched in September 2023 and was welcomed by a range of external stakeholders.

Challenges and progress

As a complex and interconnected issue, there are many challenges for investors.

We believe that assessing our exposure to water and deforestation, mapping various data points to our holding companies, assessing priority companies in depth, and engaging on material issues and gaps, can provide us with new opportunities to understand our risk and dependency on nature. Some of our investment teams are at the beginning of a journey to include such measures. However, current data availability is patchy at best, and certain datasets are more accessible than others.

On a more positive note, as more companies start to focus on this issue, there will be more opportunities for investors to assess nature-related risks, dependencies, and impacts. We believe improved disclosure is an important objective for company engagement, as this area continues to evolve.

Human rights and modern slavery

Modern slavery is present in every country in the world, with around 50 million people estimated to be living in situations of modern slavery globally.[18] This is an increase of 10 million people since the previous estimates in Walk Free's Global Estimates of Modern Slavery 2018.[19] Women, children and migrant workers are disproportionately impacted and approximately 60% of victims are estimated to be in the Asia-Pacific region.

This situation is exacerbated by forces such as climate change and nature loss, as their adverse impacts push people to migrate and expose vulnerable populations to modern slavery.

Beyond modern slavery, human rights are at risk of violation all over the world, particularly in areas of armed conflict. The escalation of the Israel-Palestine conflict in the latter half of 2023, as well as the ongoing conflict in Ukraine, have highlighted the fact that at any given time, there are more than 100 armed conflicts going in the world,[20] putting both civilians and soldiers at grave risk of human rights abuses.

Investors have a role to play in identifying and managing human rights risks within our portfolios, as companies that fail to proactively manage these risks can face legal, reputational and financial consequences. Investors can contribute positively by articulating their expectations of the companies they invest in, as they relate to human rights, and holding them accountable for meeting these expectations. They can also make efforts to map the human rights and modern slavery risks related to our portfolios, so they can manage them more proactively.

Alignment with investments

Members of the RI team led the development of the Responsible Investment Association of Australasia's (RIAA) Investor Toolkit on Human Rights and Armed Conflict, which was launched in May 2023. This is part of a broader piece of work to better understand our exposure to Conflict-affected and High-Risk Areas (CAHRA), and what it means for our human rights risks.

A key part of the ESG Data Strategy was the development of an interactive Modern Slavery Dashboard, based on a range of data sources including data provided by Walk Free's Global Slavery Index (GSI) 2023. Walk Free also presented to investment teams to help them understand the scope of data in the GSI, and how it could be used in investment processes.

The dashboard is designed to provide investment teams with a high-level mapping of modern slavery risk by country and by industry, as well as information regarding where at-risk products are being imported from. The investment and RI teams also worked closely with the firm's Corporate Sustainability team and other teams across the firm to produce our Modern Slavery Statement 2023, which will be released in mid-2024 and provide further details on our work in this area.

The UN Global Compact is a voluntary initiative that calls for companies to meet minimum fundamental responsibilities in the areas of human rights, labour, the environment and anti-corruption. In 2023, we worked with investment teams to identify if any companies in their portfolios were flagged for non-compliance with UNGC and how they address this.

Industry initiatives and stakeholder collaboration

In 2023, First Sentier Investors continued our collaborative efforts on modern slavery through Investors Against Slavery and Trafficking APAC (IAST APAC), which is a group of investors working to help end modern slavery, focusing on the Asia-Pacific region. First Sentier Investors is proud to convene and chair the initiative, which comprises 45 investor organisations with AUD$11.9 trillion in assets under management (AUM),[21] together with the Australian Council of Superannuation Investors (ACSI), Walk Free and the Finance Against Slavery and Trafficking (FAST) initiative.

As mentioned above, First Sentier Investors also led a RIAA Working Group on Human Rights and Armed Conflict, to develop an investor toolkit outlining the issues, risks and considerations for investors. A member of the RI team also joined another RIAA Working Group, this time to develop an Investor Toolkit on Human Rights and Digital Technology, set for release in early 2024.

[18] International Labour Organization. (2022). Global Estimates of Modern Slavery: Forced Labour and Forced Marriage

[19] Walk Free is an international human rights group focussed on the eradication of modern slavery, in all its forms, in our lifetime.

[20] Geneva Academy Rule of Law in Armed Conflict Online Portal (RULAC)

[21] Investors Against Slavery and Trafficking - AUM at 31 December 2023

Challenges and progress

In sustainable finance strategies around the world, there is a particular focus on climate change data, and on actions that can be more easily measured, such as reducing carbon emissions. And while this is welcome, it can sometimes be at the cost of investors' attention being directed towards human rights issues, which are harder to quantify but no less important than climate action. Moreover, a lack of progress on human rights and modern slavery will compound the issues that are, regrettably, being worsened by climate change.

We advocate for a more holistic view of the climate change and human rights nexus, so that we drive positive change in both areas, not at the expense of one.

It has been challenging to find good quality data to determine our exposure to human rights risks. We have sought to engage with other investors, standard setters, ESG research providers and civil society organisations to address this issue, through our policy advocacy program, our work on CAHRA exposure, and IAST APAC.

In our own firm we have developed a Modern Slavery Roadmap, that sets out the specific actions we plan to take to address the risks of modern slavery in our own operations and supply chains in 2023 and 2024. The roadmap was published in our 2022 Modern Slavery Statement and our progress against these actions will be published by July 2024 in our 2023 Modern Slavery Statement.

Research by First Sentier MUFG Sustainable Investment Institute

The Institute is designed to explore a range of issues, challenges and risks facing investors, companies and the broader community.

The Institute commissions and produces research on sustainability-related topics seeking to enhance investors' knowledge and contribute to industry debate. The aim is to help investors, individuals, companies, policy makers and regulators better understand how their decisions can contribute to more positive outcomes for the environment and society. We believe this is important as many investors are trying to understand the plethora of sustainability-linked topics including market-wide and systemic risks, and how they impact not only the performance of their investments, but also society and the environment at large.

The Institute is supported by First Sentier Investors and Mitsubishi UFJ Trust and Banking Corporation, a consolidated subsidiary of MUFG. However, the Institute is separate from First Sentier Investors 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 which provides guidance on the Institute's research agenda and adds academic rigour to its research output.

The Institute's reports are available online on its dedicated website. In 2023, the Institute published research covering the role of institutional investors in Sustainable Development Goal (SDG) financing, investor application of the Japanese Due Diligence Guidelines in the context of modern slavery, and constructive corporate engagements, in addition to producing a video titled "Why Nature" which explained the relevance of nature and biodiversity to investors. These pieces shed light on the some of the key challenges facing a wide range of stakeholders within the sustainable investment space. Further details are below.

Time for action? The role of sustainable investing in bridging the SDG financing gap

- This report provides an overview of the efforts made to achieve the SDGs so far and the existing financing gap, discusses the policy measures required to mobilise private capital towards SDG achievement, and analyses how sustainable investment strategies can contribute to closing the financing gap. The report summarises the actions that can be taken by institutional investors in a 'Call for SDG-aligned investor action'.
- SDG-aligned investment approaches are consistent with the fundamental interests of institutional investors: the long-term stability and growth of asset values are dependent on SDG achievement. At the same time, considerable challenges prevent institutional investors from playing a greater role in closing the financing gap. In our view, clear and coordinated policy support at the national and regional levels is needed to mitigate these challenges.
- At the same time, investors can act now by engaging in dialogue with policymakers to facilitate the creation of favourable conditions for private sector SDG investment; incorporate the SDGs into investment strategies (private equity,[22] green bonds,[23] and sustainable infrastructure[24] investment in particular), and portfolio engagement activities.

[22] Private equity is an alternative investment class that invests in or acquires private companies that are not listed on a public stock exchange.

[23] Green bonds are a 'use of proceeds' bond which is used to fund projects that have positive environmental and/or climate benefits.

[24] Sustainable infrastructure systems are those that are planned, designed, constructed, operated and decommissioned in a manner that ensures economic and financial, social, environmental (including climate resilience), and institutional sustainability over the entire infrastructure life cycle.

Managing Human Rights Risks: a guide for investors on applying the Japanese Guidelines on Respecting Human Rights in Responsible Supply Chains with respect to modern slavery

- This Guidance Note provides practical guidance on how investors and other businesses can apply the general expectations set out in the Guidelines on Respecting Human Rights in Responsible Supply Chains (the Due Diligence Guidelines), in the context of modern slavery. The Due Diligence Guidelines were published by the Government of Japan in September 2022, with an aim to support Japanese businesses in meeting their responsibility to respect human rights.
- The Guidance Note covers information on understanding and managing human rights risks, an overview of the Japanese Due Diligence Guidelines, modern slavery risks and practical recommendations for investor action in line with the expectations set out in the Guidelines. The Guidance Note can be used by businesses outside of Japan to inform their modern slavery and human rights risk management.

Constructive corporate engagements: from a corporate perspective

- While the links between shareholder engagement and company share price, financial performance and environmental and social performance have been widely studied, little research has been done to identify the engagement characteristics which induces companies to act. This report aims to fill this gap by identifying the characteristics of the most effective engagement approaches which are more likely to trigger change in company behaviour, strategy, or policy.
- Based on a review of academic literature, company survey and stakeholder interviews, the report identifies key factors which maximise the likelihood of a successful engagement, as well as factors typically leading to unsuccessful engagements. Based on these findings, the report proposes recommendations on engagement approaches that shareholders can adopt to ensure their engagements lead to company action.

Video: Why investors should pay attention to nature

Our economies are dependent on nature. Nature loss can cause significant negative impact to individual companies and whole industries, which makes it paramount for investors to consider nature-related risks material to their investee companies (e.g. decrease in bee population leading to reduced pollination and a crop yield). Companies that fail to adequately identify and manage their impacts and dependencies in relation to nature and biodiversity could face financial, reputational, legal and other negative consequences.

This video launches a research series that focuses on nature and biodiversity. This video focuses on:

- Nature as a value creator ensuring the continued stability of key inputs for day-to-day life
- The dependency of the economy and industry on goods and services provided by natural capital
- The threat to ecosystem resilience stemming from human activities, or the ability for ecosystems to continue normally even in the face of shocks
- The concept of "ecological footprints" in the context of value chains (i.e. Electric Vehicles)
- Beyond environmental degradation, business activities can result in negative social impacts, such as disrupting local communities along the value chain
- Growing nature-related risks which are regulatory, physical and reputational
- The five key direct drivers of biodiversity loss and their inter-connectedness, which can be used to help investors build views of their own exposure to financially material risks

Policy and wider industry engagement

First Sentier Investors has engaged in policy issues and industry collaborations for a number of years (as outlined in previous Stewardship Reports).

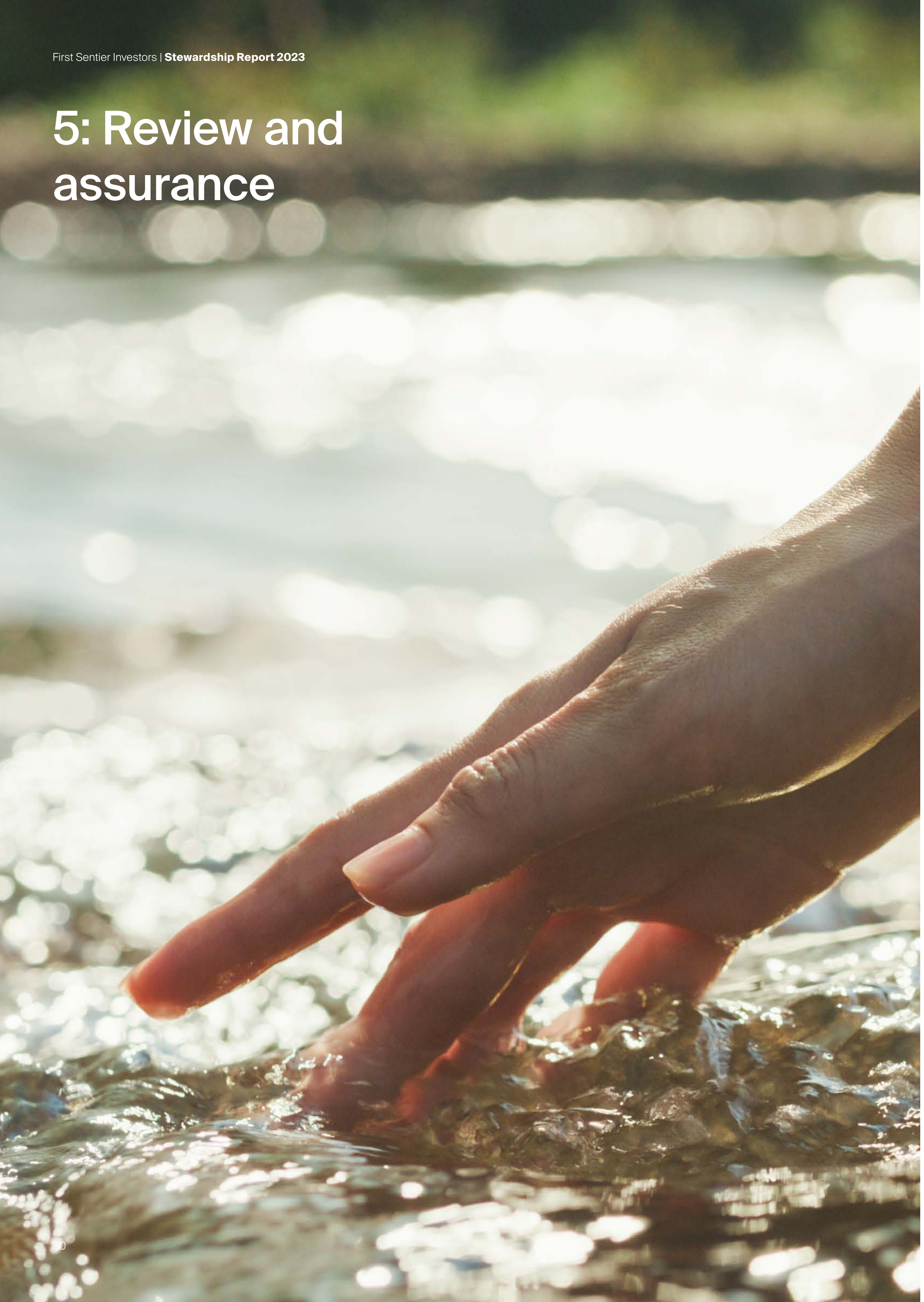
As a responsible investor, we believe policy advocacy is an extension of our engagement responsibilities and an essential tool for promoting positive change and shaping the direction of sustainable finance policy development and reform.

In 2023, to bring greater focus and purpose to this work, we developed a Policy Advocacy Principles document, which sets out when and how we will engage on sustainable finance and real economy outcomes. In addition, we created a policy advocacy hub on the First Sentier Investors Responsible Investment page, where we share our responses to policy consultations.

Below are some examples of policy advocacy activities over 2023.

- Provided a submission to the Australian Government on its Sustainable Finance Strategy consultation; proposed GHG Reduction Safeguard Mechanism; and the design of the Sustainable Finance Taxonomy.
- Engaged with the UK Sustainable Investment and Finance Association (UKSIF) and European Sustainable Investment Forum (EUROSIF) to contribute our views and experiences for the SFDR implementation targeted consultation.
- Signatory to the UKSIF letter to UK Prime Minister regarding the nation's Net Zero Commitments.
- Attended as part of the Investor Group on Climate Change (IGCC) delegation to Australian Federal Government meetings on climate reporting and safeguard mechanisms.
- In the UK, we made a submission to Treasury consultation on regulating ESG ratings providers, and to the Financial Conduct Authority (FCA) on sustainability disclosures.
- Made submissions to the EU regulators on greenwashing practices (further FCA guidance contained within Appendix 2), and on guidelines covering sustainable fund naming rules to ensure compliance with our ESG strategy.

5: Review and assurance



Three lines of defence: Assurance and risk management

First Sentier Investors' approach to risk management is based on the 'three-lines-of-defence' model as documented under its Risk Management Strategy. This underpins the controls assurance framework, and supports the delivery of our stewardship strategy, including meeting regulatory and legal requirements (where they apply).

Our approach is summarised below, including an illustration of how the model applies to climate-related risks within our business operations and our investment strategies:

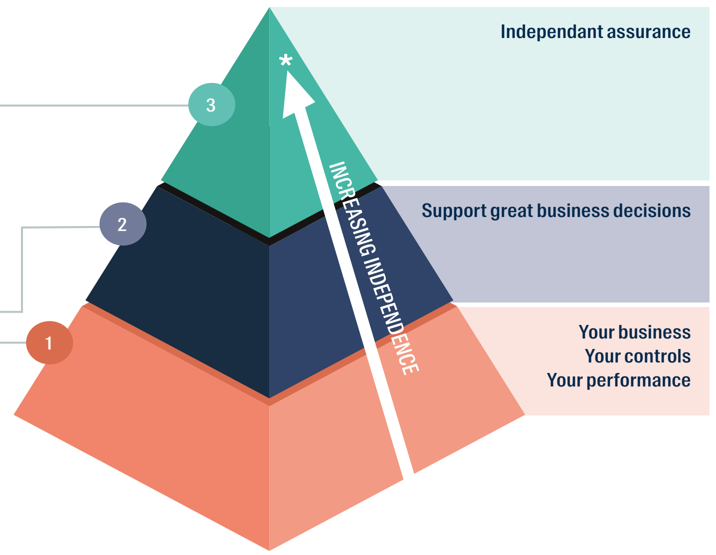
First Sentier Investors risk culture is based on doing the right thing by our clients, employees, society and our shareholder. The First Sentier Investors Board, senior management and employees are expected to be risk-aware, and understand the role they play in managing risks, and the value that effective risk management adds to the organisation.

First Sentier Investors philosophy with respect to responsibilities for risk management can be articulated in the *3 Lines of Accountability/Defence Model*:

Line 1: Business Management: Responsible for identifying and managing risks and ensuring their activities are compliant with legal, regulatory, industry code and organisational requirements.

Line 2: Risk Support Functions (e.g. Risk Management, Compliance, Investment Product Research and Assurance): 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: Provides independent and objective assurance over risk management, control and governance processes across First Sentier Investors globally.



This model applies to climate-related risks within our business and investment strategies as follows.

	Climate-related operational risks	Climate-related investment risks
Line 1	Corporate Sustainability	Investment teams
Line 2	Risk Management Compliance	Investment Product Research and Assurance
Line 3	Internal and external audit	

First line of defence

Risk controls for investment teams

Our investment teams are the first line of defence. They are required to implement a control environment that is designed, constructed and executed in a manner consistent with the First Sentier Investors RI and Stewardship Policy and regulatory obligations.

In accordance with First Sentier Investors' supporting Operational Risk Management Framework (the "Framework"), investment teams are required to establish a risk profile and complete regular risk and control self-assessment (RCSA); conduct periodic testing of controls; and report/ escalate incidents, issues or breaches in accordance with First Sentier Investors' established Framework.

Second line of defence

Independent oversight of investment activities

First Sentier Investors' second line of defence comprises Risk Management, Investment Product Research and Assurance (IPRA), Regulatory Compliance, Financial Crime Compliance, and Investment Compliance. Below is further detail regarding these functions.

Risk Management

Risk Management team sits within the second line of defence and oversees the investment teams as they manage their risks. This includes facilitating the regular review of the risk and control self-assessment (RCSAs), conducting independent controls assurance, and monitoring and reporting on enterprise risk matters.

Investment Product Research and Assurance

This team conducts independent risk oversight of our investment activities across all of our investment teams.[25] This includes a combination of quantitative and qualitative assessments, involving independent analysis to assess the risk and return characteristics of the underlying portfolios and adherence to the stated investment approach. Industry standard methodologies are utilised to investigate and report on a number of investment risk and return characteristics, including evolving standards relating to ESG and responsible investment.

IPRA's role includes:

- Constructively challenge investment teams
  - IPRA's quantitative reviews are reinforced by qualitative assessments with the team conducting regular 'challenge' meetings with the investment teams to fully explore the investment approaches followed.
  - IPRA collaborates closely with the RI team to ensure relevant ESG issues are identified and investigated with investment teams.
- Comprehensive ESG evaluation
  - The breadth of ESG risks that IPRA evaluates across different categories to form its overall Sustainability assessment of each investment team is comprehensive, including:
- ESG integration
  - Engagement
  - Proxy voting
  - Climate change
  - Net Zero targets
  - Modern slavery
- Report results to oversight committee

Once IPRA has concluded its quantitative and qualitative investment assurance activities, it presents a quarterly report to First Sentier Investors' Global Investment Committee (GIC).

The report summarises the analysis undertaken on each investment portfolio, with commentary on key observations from IPRA on each investment mandate and pooled fund assessed.

The GIC actively evaluates and challenges the ongoing "true to label" assessments of First Sentier Investors' investment offerings. Any matters identified for further investigation or action are escalated via this forum with the relevant investment teams. The key results and findings from the quarterly GIC meetings are also shared with our boards of directors. Material ESG-related investment risks identified by the GIC are escalated to the GRIEC, if they arise.

Continuous enhancements of IPRA's Sustainability oversight process since 2020 has provided a foundation and appropriate "building blocks" to support the development of a more robust Sustainability Assessment Framework.

In 2023, IPRA focused on an uplift of governance and assurance standards by implementing expanded reporting, oversight, and verification activities. As part of this effort, the team implemented broader ESG risk monitoring through a range of tools and dashboards. It also collaborated closely with the RI team to conduct a Net Zero progress review and climate scenario analysis, to improve understanding of risks and alignment with climate related objectives.

Regulatory Compliance

The Regulatory Compliance team ensures that the business continues to act in clients' best interests, through the ongoing development of a regulatory compliance culture in the business and meeting the relevant global and local regulatory standards and compliance obligations in respect of, for example, business conduct, fair treatment of customers, marketing standards, client take on, trading and dealing, product governance.

Financial Crime Compliance

This is a dedicated team for identifying, mitigating and managing the firm's financial crime risk.

The above two compliance teams are responsible for developing and maintaining the firm's respective regulatory compliance policies and procedures and managing regulatory relationships. The compliance teams also advise and train the business on regulation and regulatory change and lead specific regulatory-based activities and change projects, and ensure that regulation is considered as appropriate in all other business projects, including reporting on compliance matters to committees and boards.

[25] IPRA did not provide investment risk oversight over AlbaCore Capital Group and Igneo Infrastructure Partners in 2023, but will do so from 1 Jan 2024, due to the evolution of the firm's governance structure.

IPRA Evolution: Sustainability reporting for the GIC

2020
- Carbon Dashboard and carbon footprint analysis
- Voting and engagement review

2021
- Sustainability Metric
- Proxy voting review
- Modern Slavery Risk analysis
- Climate Change and Climate Risk analysis

2022
- SFDR Principal Adverse Impacts reporting
- Modern Slavery update
- Voting and engagement review
- Sustainability Assessment Framework

2023
- Net Zero Review
- Climate Scenario Analysis
- ESG Risk Dashboards
- Modern slavery update
- Voting and engagement review

Investment Compliance

The role of the Investment Compliance (IC) function is to ensure that there is an appropriate investment compliance strategy to support the investment teams in all regions, and to design, develop and implement and maintain the global framework whilst driving globally consistent practices within the regional teams. The framework includes management of the investment compliance process via the Charles River and Aladdin order management systems to ensure that investment activity is carried out in compliance with regulatory and client restrictions and internal guidelines.

First Sentier Investors uses Charles River to manage and trade equity portfolios and Aladdin for fixed income securities. First Sentier Investors has chosen a software vendor as a service model, rather than hosting and managing in-house. This model minimises risk and ensures robust and full support for First Sentier Investors' growing business. Upgrades to the systems are undertaken regularly, to ensure that the most up to date versions of the software are used, and that First Sentier Investors is able to take advantage of the latest enhancements.

Front Office Surveillance also sits within IC, reviewing all trading activity for potential instances of Market Abuse and trading outcomes to ensure compliance with various Order Execution Policies. On a sample basis, interactions are reviewed to identify potential disclosures of Non-Public Price Sensitive Information, and e-comms are reviewed accordingly with any investigation. Furthermore, Front Office Surveillance is responsible for Investment Research, collating data across in-scope MiFID investment teams, and providing ongoing reviews of research usage and themes.

Third line of defence

Internal Audit (IA) provides independent and objective assurance over risk management, control and governance processes. Audits of the control environment are selectively performed on a risk-based approach across areas of First Sentier Investors globally. IA assesses the adequacy and effectiveness of controls implemented by management and reports its findings to the First Sentier Investors Holdings Pty Limited ("First Sentier Investors") Board, the Audit and Risk Committee, Subsidiary Boards and the Enterprise Leadership Team.

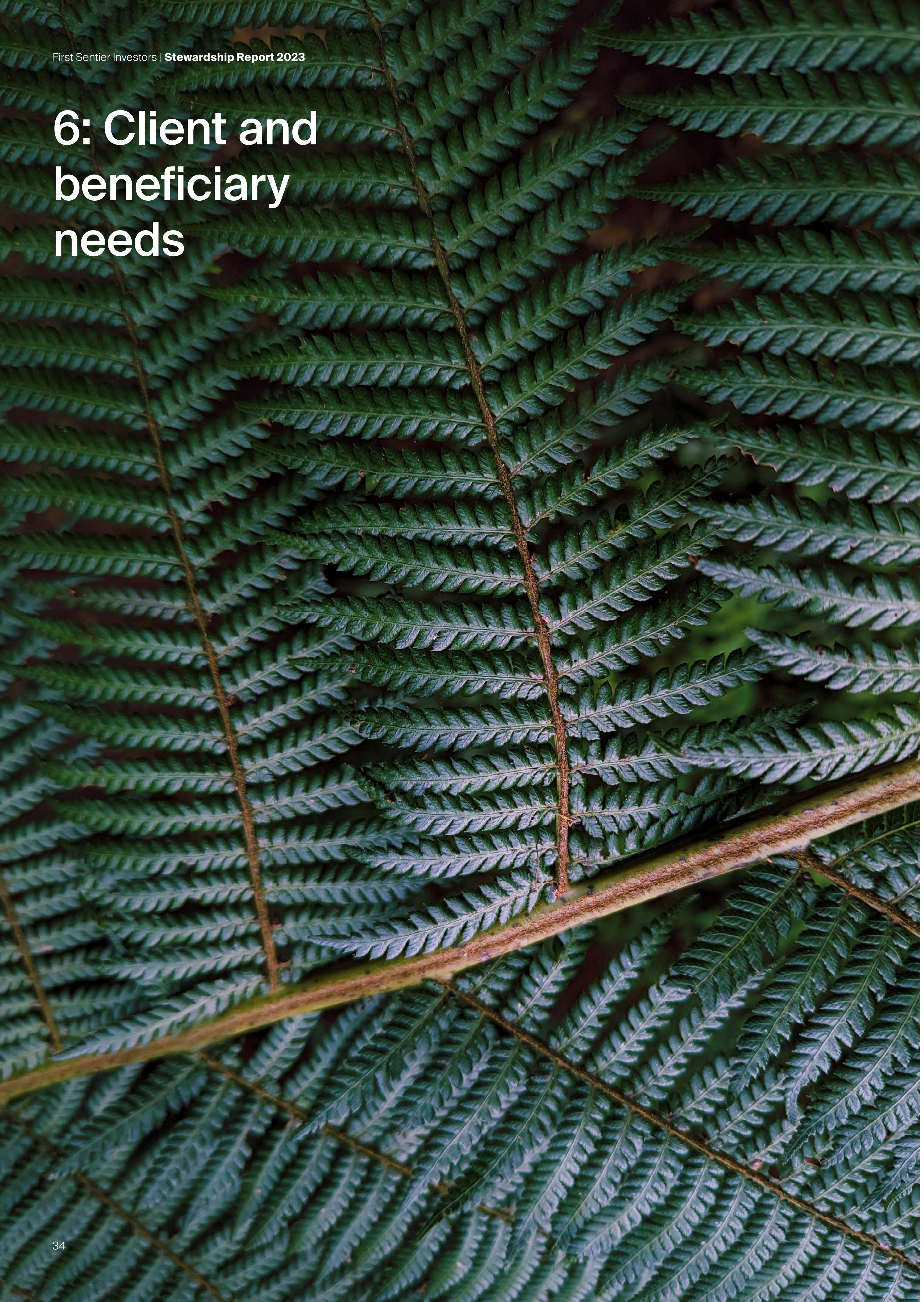
Role of Internal Audit for stewardship activity

IA assesses stewardship activity and checks how each investment team aligns with our RI Policy and how our control processes monitor alignment with the RI Policy. IA then reports its findings to relevant stakeholders across First Sentier Investors to ensure continuous improvement.

Assurance review of Stewardship Report

We are committed to ensuring our stewardship reporting is both accurate and a genuine representation of our philosophy on stewardship matters. We have used case studies throughout this Stewardship Report to articulate our approach in a relatable and easy-to-understand manner.

This report has been reviewed and approved by the following governing bodies: the Global Responsible Investment Executive Committee (formerly the Responsible Investment Steering Group) and the Global Investment Committee. Additionally, the content was reviewed by multiple, relevant internal stakeholders. This includes functional teams reviewing sections where their processes are explained, and Regulatory Compliance and Legal reviews. Investment team content was further reviewed by IPRA to confirm accuracy.



6: Client and beneficiary needs

For a breakdown of our AUM by region, client segment and investment capabilities, please refer to 'About Us' on pages 02 & 03.

Product Design

First Sentier Investors is committed to developing and managing investment products that are, and remain, high quality and relevant to our clients. We believe we have a high-quality product development process to ensure our range is well managed. We seek to foster a culture of innovation across our business and investment teams to maximise the number of new commercial ideas that may help us to meet an even broader range of client investment needs and requirements taking into consideration the investment horizons that are appropriate to our diverse client base.

Client Communication

As a global business with diverse clients, we are focused on meeting their varying needs in terms of communication.

First Sentier Investors recognises the importance of open, transparent communication that meets the needs of clients. We aim to be at the forefront of high-quality reporting and disclosure for the benefit of our clients and their advisers.

Good reporting helps us demonstrate to our clients how we execute our responsible investment obligations and act as stewards of their capital. It means they can hold us accountable for our performance and outcomes.

As responsible stewards of our clients' capital, we recognise the need to explain the investment decisions we are making, and why. Below are some of the features that underpin our client experience.

- **Regular and frequent reporting:** On-demand, monthly, quarterly and annual reporting, on specific funds and from individual teams, is supplemented by in-person and virtual dialogue with clients throughout the year. Investment teams frequently meet with clients and are available to answer their queries on an ad-hoc basis.

- **Availability of comprehensive data:** we provide quarterly reporting on different ESG areas, including a carbon reporting dashboard for all our listed equities investment teams as well as live recording of our proxy voting activity. We can also tailor reporting to their particular needs, leveraging the First Sentier Investors' internal data warehouse used by investment teams. We are currently developing the capability to include ESG data metrics in our suite of pooled fund factsheets and quarterly investment reports.

- **Focus on technology:** In 2023, First Sentier Investors established an Innovation Community in line with our 'Reimagine' strategic pillar, aimed at providing an environment where interested staff can connect to develop solutions that may deliver more dynamic and sophisticated digital user experiences for First Sentier Investors clients and people. Following the launch of the Community with approximately 150 staff across the four regions, the program hosted a series of meet-ups focused on exploring AI / machine learning opportunities aligned with the firm's vision. These engagements were followed by an *Innovation Challenge* initiative, allowing staff to pitch ideas directly to the Executive Leadership Team for potential funding and implementation.

- **Continuous improvement:** In May 2023, First Sentier Investors piloted the Continuous Improvement Programme (CIP) with select Enablement teams across the global organisation as part of our 'Simplify' strategic pillar. The program focused on building a culture of innovation by empowering teams to creatively solve problems, experiment with new ideas and continuously improve processes to deliver outcomes for clients. Following the pilot, the Programme was rolled out in August to all interested teams.

- **Personalisation:** From a client communications perspective, personalisation has become an important part of the process. To this end, we have taken a number of steps in creating a more personalised experience for clients. By introducing more automation into our database systems we can give clients more control over what they receive, and a more tailored outreach due to the accuracy of the data. In practice, this means capturing data from more points across the website, social media and search engines, and organising it in a way that gives us a clearer indication of the users' interests. We are also continuing to improve the functionality of our email preference centres, to allow users to manage their subscription across all our websites.

- **Responsive to needs:** We recognise the impact that rapid changes in technology are having on how clients respond to communications. Data shows us that more of our clients prefer a "mobile-first" approach to communications. To that end, we have redesigned the majority of our emails to be mobile optimised. This also extends to technology shifts in the way clients *search* for content. We have made progress towards planning our content pipeline and thought leadership around search engine data in each region, as well as seeking continuous feedback from clients around what content and insights they deem valuable from a strategy perspective. This is another example of taking onboard indirect feedback to provide clients with more relevant information.

- **Evidence-based:** We use real case studies across our reporting and wider client communications. We believe these are often the best vehicles to illustrate how we embed RI principles in practice across our investments. Our website has over 170 engagement case studies, while our RI Report, which has been published for the past 16 years, details how ESG is integrated at a practical level across our investment process. We also report on stewardship activities in this report at a firm level, and some teams provide additional reporting to their clients. For example, Igneo Infrastructure Partners publishes an annual ESG Report (as do Stewart Investors, FSSA Investment Managers and our Global Listed Infrastructure team). See the feature on the following page for examples of approaches to ongoing improvement in client communication.

- **Accessible to a broad audience:** We have revised our private investor materials and websites to ensure they are more appropriate for our audiences. This includes updating the language we use to help clients understand our products and services. We have also improved the layout and navigation of our websites so that users can find the information they need quickly and easily.

Stewart Investors - deeping client relationships

In 2023, Stewart Investors reconnected through more than 25 in-person events across ten countries, marking a meaningful return to in-person, client-focused events. In addition to third-party conferences across Europe and the US, and a five-city roadshow in Australia, the team also hosted four proprietary client events in London, Edinburgh, Singapore and New Zealand.

The Investment Forum in London, attended by over 70 guests, served as an invaluable platform for clients to engage directly with Stewart Investors' investment team, as well as hear from guest speakers from widely held portfolio companies like CSL, Aavas Financiers. On the day attendees also had the chance to hear from WRAP, the climate action NGO, about the India Plastics pact Stewart Investors supported.

The team's trip to Auckland continued this dialogue where the Sydney-based investment team were joined by guest speakers from Fisher & Paykel Healthcare and Kotak Mahindra Bank. Together, they delved further into the topic of sustainable investing, exploring its relevance amidst challenges of fatigue, uncertainty, and short-termism, to an audience of 50 attendees.

The First Sentier Investors proprietary roadshow saw the team traversing Australia, visiting Perth, Adelaide, Melbourne, Brisbane and Sydney, collectively engaging with over 400 attendees on the topic of 'Escaping carbon tunnel vision.'

The team in Singapore hosted an intimate client lunch event, where the investment team shared the team's views on sustainable development and its pivotal role as a driver of returns. And lastly, for those clients in the north of England, the team convened in Edinburgh, ensuring clients across the UK were included in these insightful discussions and interactions.

These events reaffirm the team's dedication to fostering meaningful connections with their clients and underlines the pivotal role of in-person events in fortifying trust and deepening relationships. In today's digitally connected age, where virtual interactions prevail, these types of events continue to stand out as an important avenue for cultivating enduring relationships.

FSSA Investment Managers

In 2023, FSSA Investment Managers participated in 29 events across Asia, 12 across Europe, and one in Australia. Of these, 21 were distributor-led events in response to client enquiries and requests for high-quality insights on the Asia Pacific region and Global Emerging Markets.

Notable events included the FSSA Client Forum in London, Hong Kong and Singapore for clients and prospective clients alike. In London, the Forum took place at the Pan Pacific Hotel and was the first time it had taken place since the Covid-19 pandemic. FSSA presented their views on the investment opportunities in Asia, India and China, and was joined by guest speakers Alex Edmans, Professor of Finance at London Business School, and Joey Wat, CEO of Yum China.

The London Forum attracted more than 70 delegates from both the Wholesale and Institutional investor market and received positive feedback from attendees. It was subsequently rolled out in Hong Kong (with more than 180 attendees) and Singapore (170 attendees) following a similar format. In Singapore, the team was joined instead by guest speaker Tom Wright, co-author of Billion Dollar Whale.

Other proprietary events included a client luncheon in Bangkok, where an FSSA portfolio manager joined with a portfolio manager from the First Sentier Investors Asian Fixed Income team to discuss the outlook and opportunities in Chinese equities and Asian Fixed Income. Additionally, in response to client questions on the risks and opportunities in China, the FSSA team held a client lunch in Hong Kong to highlight that China's structural growth drivers and long-term investment themes remain intact, despite the slowing economy.

These are just a few of the larger events the FSSA team participated in over the year. There were many more client meetings, investor letters and ad-hoc responses to client enquiries, indicating FSSA's ongoing commitment to delivering focused events and communications to meet client needs.

Igneo Client Engagement

In 2023, Igneo deepened and expanded relationships with clients by launching the podcast '*Keeping it Real Assets*' with the purpose of reaching both investors and prospective investors. With the primary aim of providing them with a better understanding and awareness of Igneo's portfolio companies and highlighting the significant contributions they make to the world they operate in.

Igneo host their investors in both the European and Global Funds at an Annual Investor Meeting hosted by one of the asset companies within the fund, for presentations on Igneo, responsible investment matters, acquisitions and divestment updates from the preceding year and a presentation from the hosting asset company. In May 2023, members of the team travelled to Leeds in the UK to host at enfinium's headquarters for a set of investor presentations and a site visit. Whilst in September other team members travelled to Waste Management site in Auckland, New Zealand, to showcase investment and business activities, alongside a site tour.

Retail Consumer Duty Committee

The UK Consumer Duty obliges firms to act to ensure good outcomes for retail customers. Specifically, this is in relation to products and services being fit for purpose, providing fair value in view of the price charged, enabling customers to make informed decisions and supporting customer needs throughout their relationship with the firm. The Consumer Duty imposes additional obligations in respect of acting in good faith, avoiding foreseeable harm to customers and enabling and supporting customers to pursue their financial objectives.

In light of the UK Consumer Duty, the Consumer Duty Committee was formed to assist the Board of First Sentier Investors (UK) Funds Limited in meeting obligations to retail customers. The Committee is responsible for gathering and collating relevant data and management information from a number of internal and external sources, challenging it where necessary and producing a quarterly written report, including one annual report, for the Board to evidence the quality of retail customer outcomes. The Committee will meet at least quarterly, ahead of each quarterly First Sentier Investors (UK) Funds Limited Board meeting, to challenge and finalise Consumer Duty reporting to the Board, each report will evidence how the Company acts to comply with the Consumer Duty and will highlight to the Board any remedial actions required in order to improve customer outcomes.

Improving client communication: external review

First Sentier Investors engaged The Wisdom Council, an external consultancy which specialises in delivering insight and advice to the investment industry across Governance, Innovation and Investor Councils. Following a successfully completed project in 2022, on the quality of service pillar in connection with the Assessment of Value report, First Sentier wanted to build on that work in relation to Consumer Duty and its respective outcomes.

Our overall objective was for the Wisdom Council to engage with groups of proxy investors, to understand how they feel about our communications, the drivers of customer satisfaction, and to quantify and assess quality.

In particular, we wanted to:

- define measures of quality of service;
- test the relative appeal of a sample of documents in relation to the UK OEIC; and
- identify opportunities to improve our client experience (Consumer Understanding outcome as part of the Consumer Duty) which could be used as part of the quality of service assessment in the 2023 Assessment of Value process.

As such we embedded a programme of testing to ensure that as a company we are meeting the wider Consumer Duty requirements, notably around the Consumer Understanding outcome.

The scope of testing included the First Sentier Investors, FSSA and Stewart Investors websites including documents relating to each site.

The Wisdom Council also undertook a client satisfaction survey on our behalf with a particular focus on what they value, regardless of whether these investors are accessing our funds directly or via a platform. Broad conclusions from this research showed that the overall design of our web content and documents was well received and professional, with some work needed to provide more clarity where we are using complex and technical language. As such, we are currently working to adapt and enhance our future investment communications and marketing materials. We are committed to the use of plain English in our materials and providing more explanation around technical terms, as part of our enhancement to the overall client experience. More details on the broad findings and recommendations from this research can be found in our 2023 Assessment of Value report.

First Sentier Investors | **Stewardship Report 2023**

7: Stewardship, investment and ESG integration

First Sentier Investors | **Stewardship Report 2023**

Given the variety of asset classes we manage, the number of countries we operate across and the size of our holdings, we apply a bespoke approach to assessing each individual investment, as ESG integration and stewardship varies significantly depending on context. For example:

- **Policy settings:** engagement on modern slavery with a UK-based company that reports under the UK's Modern Slavery Act 2015 will vary significantly from engagement with an Asian company that is being introduced to the term 'modern slavery' for the first time.

  Similarly, climate change regulation will influence the type of transition risk a company is facing. A European utility is going to decarbonise at a different rate to a US or Australian utility and this must be taken into account when engaging with a company on this issue.

- **Escalation:** our listed equities teams have the right and responsibility to vote, if delegated to do so by the client, which forms a key part of their escalation options. Our fixed income and credit teams do not have voting rights, so when escalating issues, they need to focus on different tools, such as collaborative engagement. However, in addition to engagement with companies, our fixed income and credit teams have opportunities to engage with counterparties, credit rating agencies, and government, semi-government and supra-national issuers.

- **Company size:** smaller companies may have less resources to devote to sustainability disclosure, so our teams need to engage extensively with them to help them grow sustainably.

- **Other asset class considerations:** our Igneo Infrastructure Partners team takes significant ownership stakes in portfolio companies, which can involve board representation. This enables the team to engage directly with all portfolio companies and proactively contribute to the management aspects of the business, including ESG performance. Systematic strategies that take a top-down approach, are particularly focused on exercising their ownership rights in relation to proxy voting and collaborative engagement.

We believe that the range of approaches taken by our diverse investment teams are key strengths in achieving their RI objectives, as they can match their tactics to the specific challenges of each asset class. Below is a summary of each team's ESG integration approach.

AlbaCore Capital Group

AlbaCore believes companies that operate with appropriate ESG standards are more likely to deliver long-term earnings and fundamentally increase value. As a credit investor, AlbaCore's approach is risk-based and the materiality of potential or existing risks is taken into consideration for each investment. As part of the investment due diligence process, the team reviews ESG topics in relation to each proposed investment and these factors are considered by the Investment Committee. AlbaCore excludes certain industries based on revenue thresholds as part of its negative screening process (which varies depending on product type) and analyses each investment under its proprietary ESG risk framework.

Asia Fixed Income

The team believes that ESG risks influence companies' ability to service their long-term debt obligations, and therefore ESG assessments form an integral part of the team's research process. ESG risks are identified as part of the bottom-up credit research process. Asian issuers, particularly those in more carbon intensive economies, also face both physical and transition risks 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 arriving at 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 determine investment decisions across portfolios, both in terms of security selection and portfolio positioning.

Australian Equities Growth

ESG research is carried out by the Australian Equities Growth team because it believes that ESG issues have the potential to materially impact earnings and valuations and, therefore, generate alpha. As fundamental investors, 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 climate change, companies' relationships with indigenous peoples, modern slavery, and governance.

Australian Emerging Companies

The team seeks to generate strong long-term performance, with consideration of ESG issues where relevant.
Where available, ESG information is considered, for both companies under research and investee companies, in order to provide an understanding of the financial and reputational impact ESG has on businesses.

Australian Equity Income

The team works in partnership with other investment teams within the firm. As part of this approach, the team draws upon the analyst research from various investment teams, which includes the identification of any relevant ESG issues.

Fixed Income, Global Credit and Short-term Investments

The team believes that ESG issues can have a significant bearing on default risk, and has observed that historically, poor corporate and regulatory governance have been recognised contributors in most corporate failures. Consequently, ESG risks are identified as part of the team's bottom-up credit research process to help manage default risks in bond portfolios. Every credit the team owns has an internal credit rating, and the analysts' ESG assessments influence internal credit ratings, which in turn influence sizing and portfolio construction decisions. The ESG assessment is also a factor in determining whether portfolios participate in a new bond issue.

FSSA Investment Managers

FSSA believes everyone in the team has a responsibility to think about ESG issues during daily decision-making and interactions with company management, and that there is no reason to separate the ESG and sustainability elements from its research process. FSSA believes these issues are intertwined and a complete assessment of quality is necessary.

FSSA meets with companies and their management teams and considers each meeting an opportunity to improve their understanding of the business and its sustainability objectives. By evaluating ESG factors, the team can assess what might improve or even reduce the reasons for investing in a particular business. With this information, the team aims to improve the quality of its research, strengthen relationships with management and improve the positioning of investee companies. FSSA believes that a company's direction of travel is most important, and thus it closely tracks the response of each company's management teams to ESG concerns.

Global Listed Infrastructure

The team views ESG issues as fundamental to infrastructure companies, given they have significant service obligations and moral accountability to the communities in which they operate. As long-term investors, the team takes an active approach to proxy voting to convey their views to boards and management on important ESG topics including board composition, remuneration packages and corporate governance. It participates in industry groups such as Climate Action 100+ to help deal with difficult issues such as energy transition and the path to net zero. Through company engagement, the team seeks to better understand risk in the portfolio, highlight areas for potential improvement, encourage disclosure on ESG issues, and support companies that are making progress in this area.

Global Property Securities

Responsible Investment has been deeply ingrained in the team's culture for over a decade. ESG considerations are directly embedded into two parts of its investment process. Firstly, the team aim to mitigate ESG risks in the initial screening of its investment universe. Secondly, ESG factors directly feed into its valuation methodology, whereby securities with better ESG scores achieve higher intrinsic valuations and are therefore favoured in its stock selection process. While the team uses third-party and in-house research, direct engagement with companies remains the most important source for ESG information, given the team's intricate understanding of the global property securities sector.

Igneo Infrastructure Partners

The team's strategy is to build a portfolio of mature, operating infrastructure assets that it believes can deliver stable returns over the long-term for investors. The team has long recognised that managing ESG risks and opportunities is key to protecting and enhancing value. Investment decisions, the asset management approach, and strategic analyses are therefore all examined in the context of ensuring long-term sustainability, and ESG considerations are integrated throughout the investment process. The team has the advantage of being able to engage directly with its portfolio of companies via board representation and workshops with management, giving it the opportunity to provide input into ESG targets, develop initiatives and help drive cultural change.

RQI Investors

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 sources; stewardship activities including voting and engagement; and exclusions, as per First Sentier Investors' exclusion policy and/or client mandates.

Australian Small and Mid Cap Companies

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 environmental, social or governance factors.

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. As a result, consideration of a particular ESG factor may vary by sector and/or industry, as well as being influenced by entity-specific details.

ESG matters are frequently raised with senior management of investee companies, including board members, during engagement with entities. Research may also be supplemented by third-party providers from time to time.

Stewart Investors

The team's first strategy was launched in 1988 and its first dedicated sustainability strategy was launched in 2005. Stewart Investors aims to generate strong, long-term, risk-adjusted returns by investing in high quality companies that are well positioned to contribute to, and benefit from, sustainable development. In their view, a focus on sustainability is a natural extension of having a long-term investment horizon. It is integral to how the team thinks about risk and return, and is embedded in the investment process through bottom-up company analysis and mapping company contributions to credible frameworks like Project Drawdown's climate solutions and the team's Human Development Pillars. The team seeks to improve sustainable outcomes by investing in companies contributing to what it believes are positive solutions, avoiding businesses linked to harmful activities, and engaging and voting for change.

Exclusions

Whilst firm-level negative screens are not our primary approach to responsible investment, we may utilise negative screens at an investment team or product level, or where requested via individual client mandates.

We have (subject to the below qualifications) implemented two firm-wide exclusions in relation to investments (both equity and debt) in entities that either:

- derive any revenue directly from the manufacture of Controversial Weapons or Tobacco Products; or
- own more than a 50% interest in entities that derive any revenue directly from the manufacture of Controversial Weapons or Tobacco Products.

We note the following qualifications to the above firm-wide bans:

- We have defined "Controversial Weapons" to include: anti-personnel mines, cluster weapons, biological and chemical weapons, depleted uranium, white phosphorus munitions and nuclear weapons produced in support of the nuclear weapons programs of non-nuclear weapon State Parties and non-signatories to the Treaty on the Non-Proliferation of Nuclear Weapons.
- We have defined "Tobacco Products" to include traditional cigarettes and other tobacco products (including cigars and chewing tobacco), which we do not consider includes vaping or e-cigarette products.
- The above firm-wide exclusions do not apply to: (i) investments in entities with minority investments (i.e. < 50%) in other entities or joint ventures that are involved in the above sectors; or (ii) underlying investments of any securitised debt instruments that we are invested in due to the nature of their structures (as applicable).
- The implementation of these firm-wide exclusions is dependent on information relating to either reported revenues or revenue estimates provided by reputable third-party research providers. Where such information turns out to be inaccurate or there are delays in accessing such information, the implementation of these firm-wide exclusions may in turn be delayed, particularly where there has been material changes in the nature of certain investments.

All investment teams are prohibited from investing in entities captured by the above firm-wide exclusions. If any existing investment is subsequently assessed to be captured by the above firm-wide exclusions, the relevant investment team will generally seek an orderly sale of that investment within three months, but this time frame may vary on a case-by-case basis. The RI team, together with Investment Compliance, manages the implementation of these firm-wide exclusions. A list of excluded companies is updated on a quarterly basis and is available on our website.

In addition, investment teams are prohibited from investing in entities identified by our Global Sanctions screening, which excludes companies flagged under UN, US OFAC, EU or Australian sanctions (as per First Sentier Investors compliance feed).

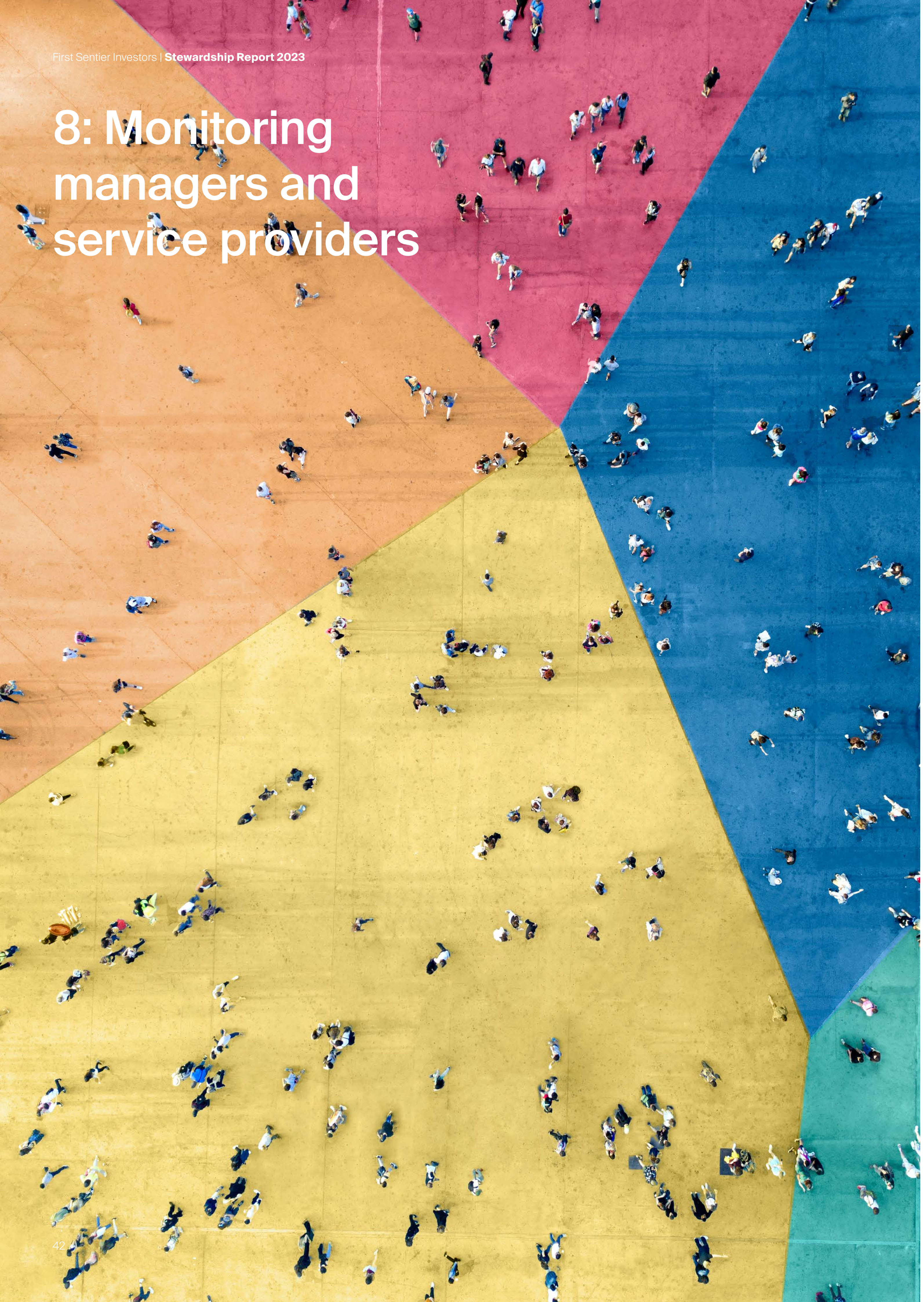
Using ESG Data

We subscribe to ESG research from a range of third-party information providers including;

- Sustainalytics - ESG Risk Ratings research, Product Involvement research, Global Standards Screening, Country Risk Ratings, SFDR Principle Adverse Sustainability Impacts research and EU Taxonomy research
- MSCI - governance and carbon research
- Institutional Shareholder Services (ISS) - carbon data and climate research
- RepRisk – provider of intelligence on ESG controversies
- Glass Lewis - provider of governance services including proxy vote management
- Ownership Matters - provides proxy voting research and recommendations on S&P ASX 300 companies
- Qontigo - maps companies' business activities to the Sustainable Development Goals (SDGs)

This information is used by different teams in different ways. We integrate ESG research and data from our external research providers into our data warehouse and investment systems, including into a series of internal ESG dashboards. We also make this data available to investment teams through third-party systems that the teams use wherever possible, such as FactSet, Aladdin and Bloomberg.

While third-party information is available to and widely used by our teams, our primary information source is the analysis done by our investment teams. For our active equity teams, each one has its own tailored process for identifying and assessing the relevance and materiality of ESG issues, and how that could affect investment value, particularly over the long term.



8: Monitoring managers and service providers

As mentioned previously, First Sentier Investors subscribes to ESG research from a range of third-party providers including Sustainalytics, MSCI, RepRisk, Glass Lewis, Ownership Matters, Qontigo and ISS ESG.

In addition to subscription services, our investment teams may access ESG information from other sources such as:

- Sell-side broker research
- Reports, conferences and webinars hosted by industry specialists
- Reports by other interested parties such as regulators, government agencies and Non-Governmental Organisations (NGO)

Regarding 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 also source nature-related data from Forest 500 (Global Canopy), Nature Benchmark (World Benchmarking Alliance), Water Risk Filter (WWF) and Water Impact Index (CDP).

Proxy Advisers

We use a selection of proxy voting advisers: currently Glass Lewis and Ownership Matters. All submissions are made via Glass Lewis to deliver our proxy votes. However, all voting (except as detailed below) and all company engagements are undertaken directly by our investment teams, and they retain full control of voting decisions and may decide not to follow recommendations made by these advisers. A very small number of our clients wish to vote directly themselves, however often these clients will ask our advice prior to exercising their vote. Where clients are taking part in securities lending programs, these securities cannot be voted on.

Portfolios are on-boarded to Viewpoint, our electronic proxy voting system offered through Glass Lewis. While Glass Lewis will provide a recommendation on how to vote, the actual voting decision is made by the investment manager for each portfolio, who has direct access to the proxy voting system. All securities held in First Sentier Investors managed funds are maintained by external custodians who monitor these shares. 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. Every portfolio that is set up on Glass Lewis voting portal can be monitored and audited for voting decisions to ensure these are aligned with our principles.

Monitoring Proxy Advisers

We undertake quarterly monitoring, including measurement against key performance indicators (KPIs), on Glass Lewis ensuring they are performing in line with agreed 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 2023, 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.

The KPIs used to assess the provider are based on a variety of metrics including:

- Timely notification of meetings requiring manager review
- Ensuring all ballots are voted on (excluding specific client instruction)
- Report any votes against policy to the client
- New account setup within 10 days of receipt of instruction
- Timely production of client reports
- 24 hour response timeframe for all client inquiries

These quarterly KPI-based meetings are in addition to regular Supplier Due Diligence assessments we conduct.

9: Engagement & Escalation

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We believe engaging in an active dialogue with the companies or entities that we invest in is an important activity as it provides a key opportunity 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 environmental, social and governance matters, which, in turn, may present us with an opportunity to influence them to improve these practices.

Engagement issues are identified through investment teams' proprietary research processes, which is a predominantly bottom-up and fundamentally driven process; via company disclosures; and by services 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.

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 a number of common approaches. These include:

- Seeking to build a respectful, constructive and long-term dialogue with a company's management and board;
- understanding 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.

Whilst ESG focus issues will vary between investment teams and individual investments, at a group level we have identified four main investment stewardship priorities: climate change, human rights and modern slavery, nature and biodiversity, and diversity. We believe, these priorities address some of the ESG issues that pose significant long-term financial risks to our investments, while also presenting opportunities.

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 47-52. Over 2023, the RI team worked with the investment teams to harmonise how these engagement activities are recorded to improve transparency at the firm level.

In addition, the Sustainable Investment Institute published a detailed report, titled *Constructive corporate engagements: from a corporate perspective*, (detailed on page 28), to provide insights to investors on how to undertake more effective engagements.

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 for 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.

Listed Equities

For all active equity teams, 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 a number of escalation options:

- Report the issue to the RI team who will escalate internally, for example by reporting to the Global Investment Committee and/or Global Responsible Investment Executive Committee
- Write to or meet with company 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

Fixed Income

Ongoing engagement forms a critical part of the research process as they seek to understand, and where relevant, influence issuers on ESG, strategy and treasury policies. Any ESG concerns are logged within their proprietary Investment Opinion Network, a database available to the Fixed Income team and informs investment decisions. This is true for all fixed income teams apart from Asia Fixed Income who record their research with Aladdin Research.

In addition to engaging directly with company management and investor relation departments, the team has opportunities to engage with counterparties, credit rating agencies, and non-government entities.

Engaging with government, semi-government and supra-national issuers can be more challenging than engaging with corporate issuers as debt investors are not their primary concern, and may be wary of private institutions being seen to have an undue influence over the democratic process. The Fixed Income team is nevertheless proactive in engaging with those parties who can influence long-term investment outcomes.

Unlike listed equities, our fixed income teams do not have voting rights, so when escalating issues, they need to focus on different tools, such as collaborative engagement, and providing feedback at industry events, along with roadshows for new debt offerings and investor days. On an internal basis, escalation could result in a deteriorating ESG rating, which feeds into the internal credit rating, and therefore influences the relative value assessment and position sizing in portfolios. As a last resort, the team may divest fully from bonds issued by a particular entity.

Direct Investment - Igneo Infrastructure Partners

Igneo Infrastructure Partners typically acquires significant ownership stakes in portfolio companies, often with lead or co-lead shareholder roles and in some cases 100% ownership. This usually involves board representation and enables Igneo to engage directly with portfolio companies at the Board level and/or via workshops with management. This direct involvement not only allows the team to influence cultural change and provide input into ESG KPIs, and also enables them to maintain an open dialogue between managers and owners so that they remain aligned with respect to long-term value creation and protection. In a normal year, the Igneo team also regularly visits business sites in its capacity as owner, board member and/or board committee member.

The following section provides examples of how we have put engagement principles into action in 2023.

Case study
Reducing gas grid emissions

Team
- Igneo Infrastructure Partners

Company
- Nordion Energi

Theme
- Climate Change

Background

Nordion Energi (Nordion) is 100% owned by funds managed by Igneo Infrastructure Partners, having been established as a result of the acquisition of three separate companies: Swedegas AB, Weum Gas AB and Falbygdens Energi Nät AB by Igneo-managed funds between 2018-2020.

Approach

Igneo's approach is grounded in a philosophy of improving performance on sustainability issues to reduce risks and help generate long-term value. As such they will only pursue investment opportunities if they believe the business can be sustainable in the long term. As part of this long-term strategy, Igneo have been rolling out their 'Climate Action 1, 2, 3!' action plan[26] to all portfolio companies, including Nordion. This sees Igneo engaging the boards and management teams on how and when each company can achieve the three steps of; i) setting emissions targets; ii) assessing the full range of physical and transition related climate change risks and opportunities including integrating the conclusions into their business plan; and iii) putting in place key measures to ensure strong governance of climate-related risks and opportunities.

Outcome

Under the ownership of Igneo, Nordion has set a goal to become the first gas grid operator in Europe with 100% green gas. To achieve this, the company has developed a series of industry-leading initiatives in three areas: hydrogen, Carbon Capture and Storage (CCS) and biogas. Nordion has also set a target to achieve net zero emissions in its own operations by 2030. In 2022, Nordion partnered with Gasgrid Finland to launch the Nordic Hydrogen Route: a pioneering cross-border initiative that aims to accelerate the creation of a hydrogen economy in the Bothnian Bay region. The Nordic Hydrogen Route was launched in 2022, and in November 2023, this and another cross-border hydrogen project under development by Nordion and its partners (the Baltic Hydrogen Route) were included in the European Commission list of "Projects of Common Interest" (PCI). The list of successful projects is now with the European Parliament and Council for approval. If approved, the PCI status will grant simplified permitting processes, and the possibility to apply for significant funding from the EU's Connecting Europe Facility.

The share of biogas in the gas network has increased almost five-fold since 2016, from 8% to 38% in 2022.[27]
In April 2023, Nordion entered into a strategic partnership with Nature Energy, the Danish biogas producer, to explore opportunities to increase biogas production in Sweden. Nordion is also part of an innovative project planning a biogas liquefaction plant at the Port of Gothenburg. A final investment decision on this is expected to be made in 2024 and the plant will be the first of its kind to be directly connected to the western Swedish gas network.

In November 2022, the board approved a net-zero roadmap for Nordion, with annual emissions goals mapped out to 2030. This has been tied to executive remuneration, with the management team's long-term incentive plan partially linked to achievement of the roadmap, and the company is currently actioning the key strategies in the roadmap. Notably, by 2023, Nordion succeeded in reducing methane emissions by 50% compared to 2019 (beating its target of a 35% reduction in this period).

[26] 'Climate Action 1, 2, 3!' is an action plan with three steps for all Igneo portfolio companies to take by the end of 2023 (or for new investments, within three years of acquisition).
[27] Igneo Infrastructure Partners Global Environmental, Social and Governance Report 2022.

Case study
Pursuing a fair transition in power generation

Team
- Global Listed Infrastructure

Company
- Xcel Energy

Theme
- Just Transition

Background

Xcel Energy is a US utility whose main service territories are in Minnesota and Colorado. The company's efforts to mitigate climate change are evidenced by its closure of coal-fired power stations and expansion into renewables. Its coal-fired generation capacity has reduced from over 8,000 megawatts in 2006 to a forecast 4,100 megawatts in 2025, with a target to take this down to zero by 2030.[28] Over the same period, renewables are due to climb as a proportion of the company's energy mix from 9% in 2005 to 70% in 2030.[29]

However, an element of the Paris Agreement that is sometimes overlooked is the concept of a "just transition", meaning companies should take measures to mitigate the impact of these changes on employees whose roles change, or may no longer be needed. The Global Listed Infrastructure (GLI) team therefore sought to discuss the extent to which Xcel Energy was incorporating the concept of a just transition into their program of replacing coal with renewables.

Approach

In July 2023, the team met with Xcel Energy to discuss the company's next scheduled coal-fired power plant closure. This will be the Sherburne County Generating Station ("Sherco") in Minnesota. Unit 2 closed in 2023, followed by Unit 1 in 2026.

They discussed the details of this closure and the ways in which Xcel plans to incorporate the concept of just transition into this process. Discussion points included:

- How the just transition plan was developed
- Who the main stakeholders were
- What KPIs will be set (number of headcount changes / % of employees redeployed vs terminated)
- What regulatory considerations were taken into account

In the meeting, Xcel had outlined the meaningful steps it had taken to reach all stakeholders involved in shutting down the coal plant, noting that these large plants are quite often a significant part of a community employing hundreds of people. The regulator has also been closely involved in these plans, wanting regular updates on how community and employee conversations are progressing.

Sherco employs around 187 employees today. By 2030, this will have reduced to around 88; around 50 of those employees will naturally attrite (for example through retirement / normal employee turnover); another 50 of those are anticipated to transition to other parts of the business between now and 2030. The remaining 88 employees will transition in 2030, many to nearby sites.

Outcome

During the meeting, Xcel Energy provided a detailed range of metrics / targets / KPIs related to this process which gave the GLI team comfort that the company is assessing this issue from multiple angles.

One area of potential improvement would be for these KPIs to be published. This would enable investors to make their own assessment of the process, and to further engage with the company.

The team shared this feedback with the company and will continue to ask for further information over time.

[28] Xcel Energy. (2022). 2022 Sustainability Report [page 54].
[29] Xcel EEI Presentation, November 2023 [chart on page 14].

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Case study
Improving disclosure

Team
- Asian Fixed Income

Company
- China Mengniu Dairy

Theme
- Sustainability Reporting

Background

The Asian Fixed Income team (AFI) team has held bonds issued by China Mengniu Dairy (CHMEDA) since 2019. Prior to 2023, the team had integrated, into its rating, considerations about the high-risk nature of business from a sustainability perspective.

Objective

To monitor CHMEDA's progress in elevating its ESG standards as part of a review of the credit assessment. Beyond the awareness phase, AFI wanted to see progress in target setting at the company level in areas of sustainability pertinent to its core operations. The company started reporting scope 1 and 2 emission data and reflected it in its 2022 Sustainability Report and is in the data collection phase of tracking Scope 3 emissions.

Approach

The team held an investor call with CHMEDA in collaboration with an industry broker to pose questions and attain updates on ESG developments. These included enquiring if CHMEDA were considering setting science-based targets, reporting against core metrics of TNFD, and intending to disclose a sustainability report which is aligned with the International Sustainability Standards Board (ISSB). Additionally, the team were keen to discover more on CHMEDA's timeline for scope 3 emissions disclosure, their 2030 targets, and the technologies or developments they intend to utilise to achieve these targets. The team were also interested in metrics related to other environmental factors, not just climate, and asked for targets related to circular economy, including a strategy to reduce plastic, and their water strategy including an assessment of physical risk related to water.

Outcome

In September 2023, CHMEDA was assigned an AA rating by MSCI ESG, becoming the only AA rated dairy company in China. The AFI team sees this achievement to be a significant milestone for the company and adjusted its rating upwards.

Going forward, the team will continue to monitor CHMEDA's progress towards meeting its dual carbon climate strategy and targets: carbon peak by 2030 for scope 1 and scope 2; carbon neutrality by 2050. The team also thinks announcements of Science Based Targets initiative (SBTi) targets are likely to begin from 2024.

The company's progress in investment and deployment of cleaner technologies will also be monitored. These would include 3 areas of focus: 1) Optimization of feed structure 2) Recycling of manure 3) Renewable energy adoption.

Case study
No company left behind in the net zero transition

Team
- Emerging Companies

Company
- Holdings where climate reporting does not meet expectations

Theme
- Climate Change

Background

Small and micro-cap companies are generally behind their larger peers on GHG emission reporting, along with reporting of other climate related data, and are slower getting themselves aligned or aligning to net zero. This hampers investors when analysing the climate related risk and opportunities of these companies as consistent and robust disclosures on GHG emissions are key to accurate company analysis. It also creates an additional barrier to fulfilling the Emerging Companies team objective of 100% AUM invested in companies achieving net zero by 2050. Ahead of 2050 there are a number of interim targets, which include the 2025 target of at least 90% of AUM is invested in companies disclosing scope 1, 2 and material scope 3 emissions.

Objective

The Emerging Companies team reached out to their holdings to encourage:

- reporting on GHG emission scope 1 and scope 2;
- putting a strategy in place (with interim achievable deliverables) to get to net zero by 2050; and
- allocate the necessary capital to this.

Approach

The initial letter outlining what they were asking for and why they believe it to be important was drafted in collaboration with the Responsible Investment team and sent via email in August 2023. In total, letters were sent to 57 companies. A follow-up was sent in late November 2023.

Outcome

The response rate was initially fairly low, at 23 replies prior to the November follow-up. The team found that the companies who did respond were, on average, more positively positioned or more advanced than the companies who did not respond. Each company which did reply agreed with the need for a net zero 2050 target and/or indicated they are working on producing one. They also found some companies who did not respond had reported GHG emission data. Subsequently, the team is building a tracker of companies' written net zero commitments.

The Emerging Companies team followed up with 16 companies who had not responded and where no emission reporting was found, through a second letter in late November 2023. Of these companies, three responded. Of the companies who responded, a productive discussion was had with one, who has since retained a large professional services firm to help with the net zero process.

This engagement remains ongoing, with more work to follow in 2024.

Case study
Carbon reduction strategy

Team
- Australian Small and Mid Cap Companies

Company
- Cleanaway

Theme
- Climate Change

Background

Cleanaway is a waste management business. The company takes an innovative approach to putting waste to use as a resource.

The team wanted to better understand the considerable investment Cleanaway is making towards its carbon reduction strategy.

Approach

The team engaged with senior company management and the company's Head of Carbon, via meetings and calls. During these engagements, the team discussed Cleanaway's approach, as well as the technology and investment required to meet its carbon targets. In addition, team members attended a Cleanaway strategy day, where the focus was the company becoming a leader in carbon and circularity. It included a deep-dive on some carbon reduction opportunities such as fleet optimisation and landfill gas capture.

Outcome

The team better understood the strategic drivers behind Cleanaway's approach to sustainability and ESG. The team are supportive of Cleanaway's strategic approach and believe it will provide the company with a competitive advantage over the medium to longer term.

The team will continue its engagements with Cleanaway and monitor how the company is tracking in meeting its longer-term goals.

Case study
Operating in conflict affected areas

Team
- Global Credit and RQI Investors

Company
- SLB

Theme
- Human Rights

Background

SLB is the largest oilfield services company in the world. SLB has historically had a substantial presence in Russia given its extensive oil and natural gas resources. As the Russian invasion of Ukraine unfolded, we saw the vast majority of companies in our coverage cease operations in the region and provide support to employees. However, we became increasingly concerned about SLB's weak response as 2022 progressed. Early in the war, SLB suspended new investments and technology deployment in Russia, but decided to remain. In October 2022, Reuters reported that some of SLB's more than 9,000 Russian employees had begun receiving military draft notices through work, and the company is not authorizing remote employment to escape mobilization. SLB's cooperation with authorities by delivering the military call-ups and its refusal to allow Russian staff to work outside the country is of high concern.

Objective

To gain a better understanding of SLB's approach to protecting their Russian employees.

Approach

An engagement letter was sent in late 2022 outlining our concerns about reports of employees drafted into military service from their Russian operations. Via a joint effort with RQI Investors and Global Credit, the teams conducted a conference call with SLB's Investor Relations team in August 2023.

Outcome

In this call, the company denied any allegations of support of the Russian war effort. It viewed leaving the Russian business in operation as the ethical decision, given the number of employees who would be out of work if they closed the business, noting they wouldn't be able to re-employ the majority of them elsewhere in the business. SLB clarified their Russian business was in run-off mode, with independent management. With operations continuing in Russia and other high-risk zones, the Global Credit team's modern slavery assessment remains High, and their overall ESG risk assessment remains at Very High. However, this 2023 call was the first on the issue – the teams are focused on ongoing engagement and will monitor all developments.

10: Collaboration & Escalation

Direct engagements are our most common approach to engagement activities.

They involve our investment teams meeting with senior company management, members of the board, or investor relations. These are often in-person meetings with senior management, typically at CEO, CFO or head of investor relations level after an initial letter setting out our concerns/objectives has been sent. In-person meetings can often make it easier to evaluate the strength of commitment by company management. However, when circumstance such as geography or the need to involve team members from different locations dictates, we conduct meetings virtually.

In certain circumstances, however, active engagement is more likely to produce positive outcomes when undertaken as part of a wider group. We collaborate when we believe we can amplify our message in a larger group. This is particularly true for large, systemically important 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.

Our 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
- Conflict minerals
- Climate change

Throughout 2023 we continued to look for new collaborative engagements we believed would add value to our investment approach, be complementary to our focus areas, and where we could add to the collaborative engagement. As such in 2023 we joined: Big Tech and Human Rights Collaborative Engagement, the PRI-led pilot Sovereign Engagement on Climate with Australia, Nature Action 100 and FAIRR's Protein Diversification collaborative engagement. Additionally, First Sentier Investors endorsed Spring, a PRI stewardship initiative for Nature, which will commence engaging in 2024.

Below are examples of how we have put engagement principles through collaboration into action in 2023.

Case study
IAST APAC – modern slavery across the value chain

Team
- First Sentier Investors

Collaboration
- IAST APAC

Theme
- Modern Slavery

Background

First Sentier Investors continues as convener and Chair of Investors Against Slavery and Trafficking APAC (**IAST APAC**). This investor initiative is to promote effective action by member companies to find, fix and prevent modern slavery, labour exploitation and human trafficking across the value chain.

In the 2023 reporting period, a key focus for IAST APAC has been better disclosure.

Approach

Given that a company's exposure to modern slavery risks can be complex, so too is meaningful disclosure. The nature of the risk is contextual and dependent on many factors spanning sector, industry geography, and more. The rise of distributed, dynamic and fragmented supply chains adds to a highly variable and multi-faceted picture, in which no single data point can be reliably used to provide a consistent 'answer'.

Understanding this, the members of IAST APAC believe that the disclosure and collection of agreed core metrics offers a strong first step towards comparability, in turn facilitating meaningful discussion and engagement regarding a company's approach and outcomes.

To arrive at such core metrics, a group of ESG data providers was selected by a dedicated IAST APAC subgroup to share and compare insights into shortcomings in modern slavery analysis and help understand gaps in current metrics. The subgroup heard from data providers, standard setters and academics.

Outcome

Arising from this work, a set of recommended metrics that companies can disclose to help better identify modern slavery risk was drafted. The recommended metrics are designed to distinguish between 'input' and 'output' metrics. Input metrics represent the inputs into effective management of modern slavery risk, while output metrics aim to provide a quantitative measurement of tangible outcomes from adopting and implementing relevant measures.

Further information is available on the IAST APAC website: https://www.iastapac.org/.

First Sentier Investors | **Stewardship Report 2023**

Case study
Microfibre Pollution

Team
- First Sentier Investors

Issue type
- Biodiversity

Relevant SDG
- SDG 14 - Life Below Water

This is a multi-year engagement, and the information below includes the background and progress to date, as well as updates for 2023.

Background

More than 8,000 million tonnes of plastic have been manufactured since the 1950s, but only 9% of it has been recycled.[30] Plastic is designed to be durable, so it lingers for years after it is no longer needed. Around 80% of all the plastic ever produced is now in landfills or the broader land and marine environment. More than 10 million tonnes of plastic are estimated to enter our oceans each year,[31] and up to a quarter of that is from primary microplastics – typically defined as being smaller than 0.5mm in any dimension when they enter the environment. These tiny plastic particles have significant and long-lasting consequences for the health of the world's land and sea ecosystems – and on human health.

The main sources of primary microplastic pollution include synthetic textiles, erosion from vehicle tyres and road markings, 'city dust', and personal care products. The largest proportion – 35%[32] - comes from microfibres shed from synthetic fabrics during manufacture, care or use.

The use of synthetic fabrics in clothing and other textiles is expected to grow further as global textile production and consumption continue to expand. These materials release microfibres when used or washed. One item of machine-laundered clothing can produce more than 1900 fibres in a single wash, and it is estimated that some 9 trillion fibres[33] are released in a single week in the UK alone. The ingestion of microplastics by marine organisms has been shown to negatively impact feeding behaviour, growth, development, reproduction and lifespan.[34]

Mitigation

Globally more than 840 million domestic washing machines are in use,[35] manufactured by around 30 companies. One kilogram of washing is estimated to be able to release up to 1.5 million fibres.[36] Across the UK, for example, 9.4 trillion fibres could be released in one week alone. With the advent of technological solutions to fit microfibre filters in washing machines, there are now solutions to prevent this serious pollution risk which are not in widespread use by the industry.

Engagement Objectives

In 2021, First Sentier Investors convened a group of 29 institutional investors to collaborate in engaging portfolio companies that were in the business of manufacturing washing machines. Twelve companies in which members of the group are invested were identified as targets for engagement. The group have also enjoyed the input and advice from marine scientists from leading UK NGO, the Marine Conservation Society.

The objectives of the collaborative engagement program are twofold to:

Influence the target companies to commit to having factory fitted plastic microfibre filters fitted as standard in all new machines.

To use investor interest in this matter to influence policy makers to implement legislation prohibiting the sale of new machines without filter mechanisms built in. We note that the progress outlined below cannot be directly attributed to First Sentier Investors' engagement, but is the result of a concerted stakeholder effort.

Industry Progress to Date

2021-2022 - The world's first washing machine with a built-in microfibre filtration system to combat aquatic plastic pollution is the FiberCatcher - designed and patented by Arçelik and launched in 2021. It reports that the system catches more than 90%[37] of synthetic fibres lost from garments during washing.

In Australia, the government announced in its 2021 National Plastics Plan that it would introduce microfibre filters in commercial and residential washers by July 2030. This is however expected to be a voluntary requirement.

In 2022, Electrolux, one of the companies engaged with, launched a filter mechanism that can be fitted to its Electrolux, Zanussi and AEG branded machines.

2023 - In January 2023, Samsung announced a partnership with Patagonia to develop machines with filters. This was launched in June 2023 for Korea and the UK and started rolling out to other countries during the latter part of 2023. Samsung have also developed a "Less Microfibre Cycle" as a pre-set option on Samsung machines. Along with the filter, Samsung are claiming that 98% of microfibres will be removed.

The Microplastic Filters (Washing Machines) Bill in the United Kingdom sponsored by Alberto Costa MP, was withdrawn as it has lapsed. The Bill however, will be re-submitted, and if passed would mandate washing machine manufacturers to include microplastic-catching filters as a standard feature on all new machines for sale or use in England and Wales by 1 January 2025.

This bill is very similar to the already passed French law that will mandate the same requirements for manufacturers selling into in France from January 2025.[38]

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[30] IEMA. (2017). Just 9% of discarded plastic recycled since 1950s.

[31] J.R. Jambeck, R. Geyer, C. Wilcox, T.R. Siegler, M. Perryman, A. Andrady, R. Narayan, K.L. Law. (2015). Plastic waste inputs from land into the ocean.

[32] Article 79 of the law. First Sentier MUFG, Sustainable Investment Institute. (2022). Microfibres report.

[33] National Federation of Women's Institutes. (2018). In a spin: How our laundry is contributing to plastic pollution.

[34] Zara L.R. Botterell, Nicola Beaumont, Tarquin Dorrington, Michael Steinke, Richard C. Thompson, Penelope K. Lindeque. (2019). Bioavailability and effects of microplastics on marine zooplankton: A review. Environmental Pollution, Volume 245.

[35] ResearchGate. (2013). Bottom-up scenario calculations for 10 world regions reveal worldwide efficiency potentials of about 50 % for refrigeration and washing.

[36] De Falco, F., Di Pace, E., Cocca, M. et al. (2019). The contribution of washing processes of synthetic clothes to microplastic pollution. Sci Rep 9, 6633.

[37] Grundig Fiber Catcher. (https://www.grundig.co.uk/fiber-catcher)

[38] Article 79 of the law 2020-105 (new art L . 541-15-11 in the French Environmental Code)

Case study
Conflict minerals engagement

Team
- Stewart Investors

Theme
- Forging industry relationships

Background

Stewart Investors is the convener of the multi-year collaborative engagement initiative: '*Tackling conflict mineral content in the semiconductor supply chain*'.

Tantalum, tin, tungsten, gold and cobalt (referred to collectively as conflict minerals) are vital materials and building blocks of the semiconductor industry. The poor traceability of these minerals along complex supply chains can make it hard to trace their source, which may be in conflict-affected regions, and inadvertently finance armed conflict and the abuse of human rights.

Approach

Stewart Investors believes there is an opportunity for investors and companies to take a lead in the development of conflict mineral free supply chains. This year, the engagement initiative was able to forge a stronger relationship with the Responsible Minerals Initiative, a trade body of over 40 members, including the manufacturers of technology.

As part of this relationship-building, the initiative chaired and hosted a closed-door workshop, endorsed by the Responsible Minerals Initiative (RMI), with sixteen leading electronic companies to discuss challenges and opportunities for improvement. One of the initiative's representatives also became the first investor to speak at the RMI's Annual Conference in Santa Clara, California on the positive role of capital.

Outcome

In a significant step forward, the RMI agreed to allow investors to join the organisation. This was an objective set the year before, based on the belief that it would provide initiative supporters and investors with a deeper understanding of mineral supply chains and greater engagement credibility. Membership will hopefully enrich engagement conversations with companies at senior levels and highlight the importance of mineral traceability.

Stewart Investors recognises that engagement on this topic will be a long journey, over a number of years, but hopes that by building a closer relationship with the RMI and influential companies in the electronics supply chain, it is a step closer to effecting change.

First Sentier Investors | **Stewardship Report 2023**

Case study
Modern slavery risks in electronics

Team
- Australian Equities Growth

Company
- Consumer electronics and home appliances retail company

Theme
- Modern Slavery

Background

Electronics ranks as one of the highest risk sectors for modern slavery. The Australian Equities Growth (AEQ) team has a long-standing relationship with the company engaged, despite not being invested for some time, and therefore agreed to lead an engagement on behalf of Investors Against Slavery and Trafficking Asia Pacific (IAST APAC). First Sentier Investors is convener and chair of the IAST APAC Steering Group. As the company is largely a retailer of third-party goods, it does not manufacture most of the high-risk products, but is a relatively small retailer of large global brands e.g. Apple, Samsung.

Approach

At a high level, IAST APAC is seeking improved due diligence and remediation processes, the detection of modern slavery and improved reporting. It also set 7 detailed objectives:

1. Develop audit framework for private label then, once achieved, for all suppliers
2. Encourage use of audit consultants with track record of finding instances of modern slavery
3. Use of independent data sets maintained by Responsible Business Alliance
4. For private label, develop remediation strategies
5. For private label, make grievance mechanisms accessible
6. Align KPIs between the ethical sourcing team and the procurement team
7. Framework of public disclosure

In 2023, AEQ held four meetings with the company: two with management following the release of financial results, during which modern slavery was discussed. Another two meetings were held alongside IAST APAC representatives, with the Head of Sustainability, as part of the IAST APAC initiative and specifically focused on modern slavery.

The company has progressed against many of the objectives set by IAST APAC. On objective 4, for example, it updated its approach to remediation in its ethical sourcing policy. Any recruitment fees must be paid by the hiring company and not workers. Where workers have paid, fees must be reimbursed within a reasonable time. There is also a general statement that any non-compliance with the company's policy must be remediated and a corrective action plan provided. The company monitors these and provides examples in its Modern Slavery Statement (MSS).

On Objective 7, the company has disclosed instances of worker exploitation/issues have been identified by audits and desktop review. These are publicly disclosed.

The team is awaiting the company's next MSS to gauge where whether further progress needs to be made.

Industry collaboration

Each year, we review the various initiatives that we have been involved in. We do this to ensure their purpose aligns with our clients' interests and that we have the capacity to make a meaningful contribution. The initiatives that we actively support and engage with are listed here:

Global

Big Tech and Human Rights Investor Collaboration (2023)

- Collaborating investors

Cambridge University's Investment Leaders Group (2013)

- Founder Member
- Nature working group member

Climate Action 100+ (2017)

- Supporting Investor for 5 companies

Finance for Biodiversity pledge (2021)

- Signatory

Nature Action 100 (2023)

- Investor Participant, member of engagement team with two companies

Net Zero Asset Managers initiative (2022)

- Member
- Advisory Group Member

Principles for Responsible Investment (PRI) (2007)

- Signatory
- Pilot sovereign engagement, member (2023)
- Spring (PRI's stewardship initiative on nature) endorser (2023)

Tobacco Free Portfolios Pledge (2021)

- Signatory and Pledge Stamp Member

Task Force on Climate-Related Financial Disclosures (2021)

- Supporter

Taskforce on Nature-related Financial Disclosure (2022)

- Forum member

Asia Pacific

30% Club Australia (2015)

- Investor Working Group Member

40:40 Vision (2020)

- Steering Group Member
- Investor Working Group Member

Australian Sustainable Finance Institute (2022)

- Member

Financial Services Council (2020)

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

Hong Kong Green Finance Association (2023)

- Member

Investors Against Slavery and Trafficking APAC (2019)

- Chair

Investor Group on Climate Change (2013)

- Member

Japan Sustainable Investment Forum (JSIF) (2021)

- Signatory

Japan Stewardship Initiative (JSI) (2021)

- Signatory

Responsible Investment Association Australasia (2013)

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

Women in Sustainable Finance (2019)

- Committee Member

EMEA

FAIRR (2023)

- Investment member

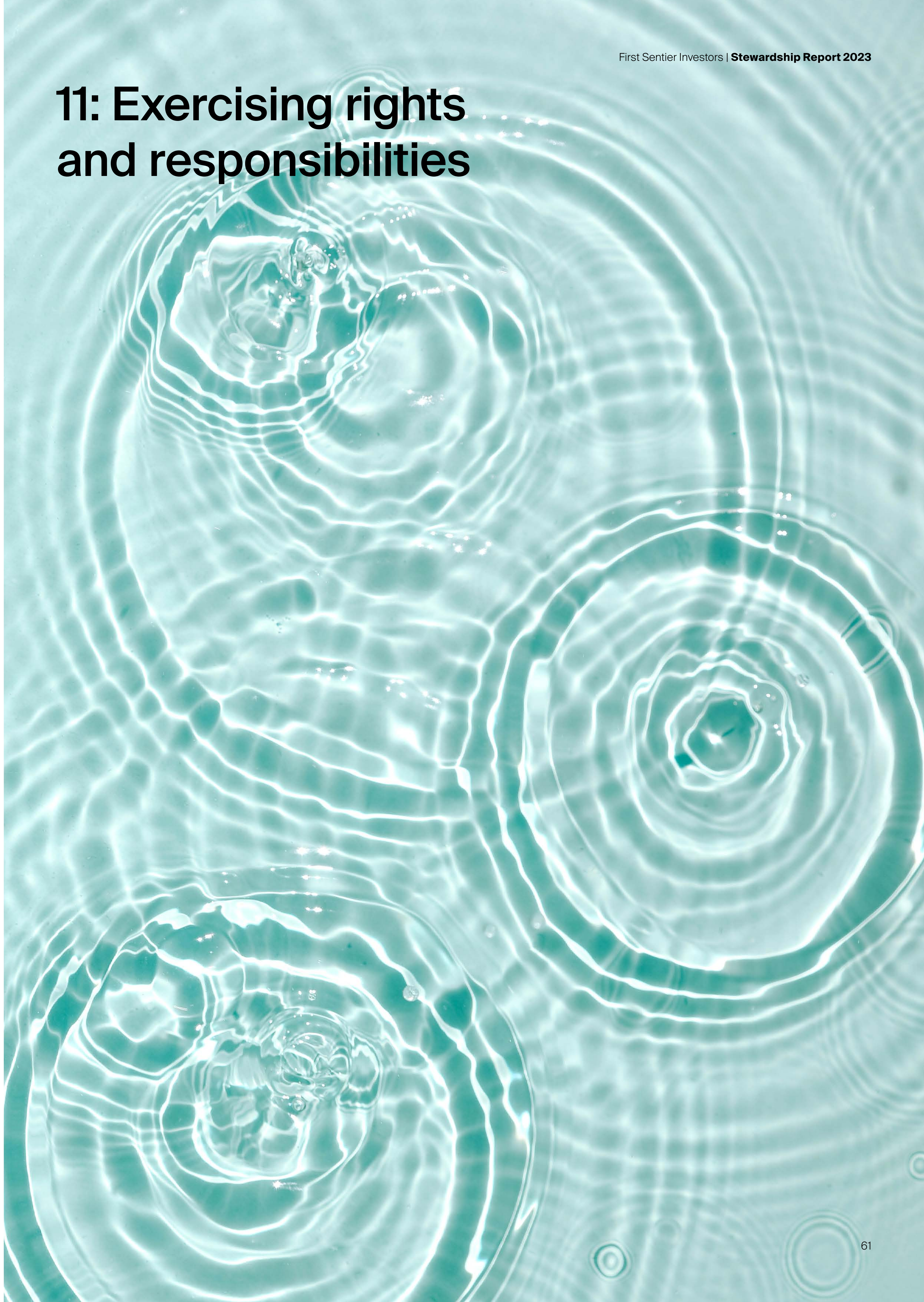
UK Sustainable Investment Forum (2013)

- Member

World Benchmarking Alliance (2023)

- WBA Ally

11: Exercising rights and responsibilities



Voting

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-exemption 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.

Making well-informed decisions regarding proxy voting is crucial. To assist with this, we consult respected external proxy voting advisers (outlined in Section 8: Monitoring managers and service providers). It should be noted, however, that we do not automatically accept such recommendations – our investment teams retain control over voting decisions where they have authority to do so. On occasions, some of our segregated mandate clients may give us a direct instruction on how to direct their vote on a particular issue.

We seek to ensure company resolutions are properly considered and appropriate and consistent voting decisions are made in alignment with the corporate governance guidelines and principles detailed in this document. The responsibility for this rests with the investment team head (or delegate).

Details of all votes we cast in 2023 can be found on our website.

Monitoring our shareholdings and voting rights

All listed securities held across First Sentier Investors managed funds are monitored and maintained by external custodians. The custodian informs our portfolio managers of all corporate actions requiring a response via an online portal. This process ensures managers receive prompt notification of all corporate actions. Subsequently, many clients delegate proxy voting to us, their investment manager.

With proxy voting responsibility for the majority of our portfolios, we on-board every listed security portfolio to our Proxy Voting system, Glass Lewis. Portfolio managers have access to this system in order to monitor our voting and ensure it remains in line with the Global Responsible Investment and Stewardship Policy. Whilst Glass Lewis make recommendations, individual portfolio managers can override a recommendation where appropriate. It is rare for us to abstain/not vote, but where there is a conflict of interest e.g. regarding an affiliate holding, we will do so.

To meet our commitment to putting clients' interests first, we seek to do the following:

- Vote on resolutions at company meetings where we have the authority to do so.
- Ensure we execute a vote on all company resolutions. This includes considering the merits of resolutions put forward, regardless of the proponents of the resolution and where there are multiple parts to a resolution, considering both the individual merits of each part of the resolution, as well as the impact of the resolution as a whole.
- Make best endeavours to inform the company beforehand when an investment team intends to vote against the company's recommendation on a substantial or contentious proposal, to explain the reasons for the decision with a view to achieving a satisfactory outcome. The team shall also continue to engage with the company on the topic afterwards.
- Document the reason for a vote against a proposal in the voting system.
- Make all votes, that in our view, are in the best long-term interest of investors and clients. Where our clients wish to undertake voting directly for segregated accounts, work closely with them to encourage appropriate consideration of material ESG concerns. If a client wishes to override First Sentier Investors voting decisions, we will implement these changes where we are in the position to do so.
- Keep a record of the most significant votes, which we define based on the following criteria:
  - Shareholder proposed resolutions;
  - Votes against management and abstentions;
  - Where a client has brought a particular vote to First Sentier Investors' attention; and
  - High profile votes subject to a degree of controversy and/or public scrutiny.

Securities Lending Policy

In general, we don't initiate or actively take part in securities lending across our First Sentier Investors pooled funds, with the exception of the Australian Equity Growth and Australian Small and Mid Caps teams. In rare instances, these team's shares may be on loan, and given the small size of the holdings, there was no recall process in place for voting purposes in 2023.

Voting on environmental and social issues

The most effective approach to secure positive outcomes on ESG issues is to engage directly with company management. Where this engagement fails to deliver a satisfactory outcome, the investment teams will consider supporting shareholder resolutions related to the specific issue and/or voting against company management. In addition, investment teams may decide to directly file or co-file an appropriate shareholder resolution themselves.

Fixed Income investors lack the right to vote, but they do have rights related to bond documentation.

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

We review key terms which include:

- The events of default, its priority in the event of a default (and, for bonds issued by banks, 'bail-in' provisions)
- The presence or absence of change of control clauses
- Coupon step-ups or step-downs if external credit ratings change
- Cross default provisions
- Limitation to asset sales
- Financial covenants
- Early rights to redemption (by issuer or the bondholder)
- The structure of parent company or group guarantees

For green bonds we 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. For Sustainability Linked Bonds (SLB's), we carefully; i) review the level of ambition of the SLB's outright targets, ii) evaluate the SLB's 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 on the company's performance of these targets on the test date.

We prefer green and sustainability linked bond documents to be certified or prepared by a reputable third party. We also value reputable Second Party Opinions that provide verification of the accuracy and integrity of a sustainable bond, loan or framework.

If we're not satisfied with the documentation, we will give this feedback, along with our recommended changes, to the banks co-ordinating the bond transaction. We often look to add further conditions/protections for bondholders. These might include reporting frequency and specific data for green bonds and those issued by private institutions. For companies we consider to be of weaker quality, we might recommend cross default, change of control clauses and coupon step-ups on external ratings downgrades. If the changes we ask for don't happen, or we're still not satisfied with the supporting documentation even after amendments, we won't invest in the bond.

Our voting practices and voting record

Glass Lewis and Ownership Matters provide governance services, to advise on and deliver our proxy votes to the companies we invest in.

Our active listed equity teams voted on 43,494 resolutions at company meetings between 1 January 2023 and 31 December 2023. This represents 93% of resolutions. We aim to vote on all resolutions where possible. We don't vote in certain share blocking markets or where there's 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.

A comprehensive guide detailing our voting approach regarding major issues can be found in Appendix 1, 'Proxy voting guidelines'.

Digging deeper into the numbers, we see that votes on director and board elections was the category most likely to see a vote against management, accounting for 51% of all votes against management recommendation. This is consistent with the trend in votes against proxy advice, with director and board elections accounting for 60% of total votes against the proxy advisor. Of the votes against, a third related to insufficient female representation and other diversity concerns, with climate, human rights and other sustainability disclosure and policy also accounting for a third of votes against, whilst 20% occurred due to the nominee being overboarded and/or not sufficiently independent. The proportion of votes against, however, is consistent with the proportion of votes for director and board elections accounting for 49% of total votes cast. Allowing for this, we see only 16% of votes on director and board elections went against management recommendations, and 13% against the proxy advisor.

On the same basis, the category most likely to witness a vote against management advice was shareholder proposals, with 46% of total votes against management advice and 18% of total votes against proxy advice. 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. However, shareholder proposals only accounted for 3% of the total votes cast.

The next category most likely to see a vote against management recommendation was Governance at 15% of total votes against management, similar to the 12% of total votes against proxy advice, driven by differing views about the appropriate tenure of an auditor, followed by independence concerns and insufficient information provided. Governance votes accounted for 17% of the total votes cast.

Also seeing a double-digit proportion of votes going against management (16%) were those related to remuneration, with 8% against proxy advice. Two-thirds related to excessive compensation and poor compensation design, and almost a third due to a lack of sustainability metric in the remuneration policy. Remuneration votes accounted for 14% of the total cast.

Our proxy voting record by category

	Abstain	Against	For	Total
Audit/Financials	26	652	2093	2771
Capital Management	38	137	2986	3161
Director election	63	3432	17918	21413
Director Renumeration	8	40	1007	1055
Executive Renumeration	5	650	2150	2805
General business	78	101	2370	2549
Governance related	61	500	4236	4797
M&A		7	138	145
Renumeration Related	2	398	1859	2259
Shareholder proposal	27	668	566	1261
Shareholder rights	6	160	1112	1278
Grand Total	**314**	**6745**	**36435**	**43494**

Date: 1 January 2023 - 31 December 2023
Source: First Sentier Investors / CGI Glass Lewis

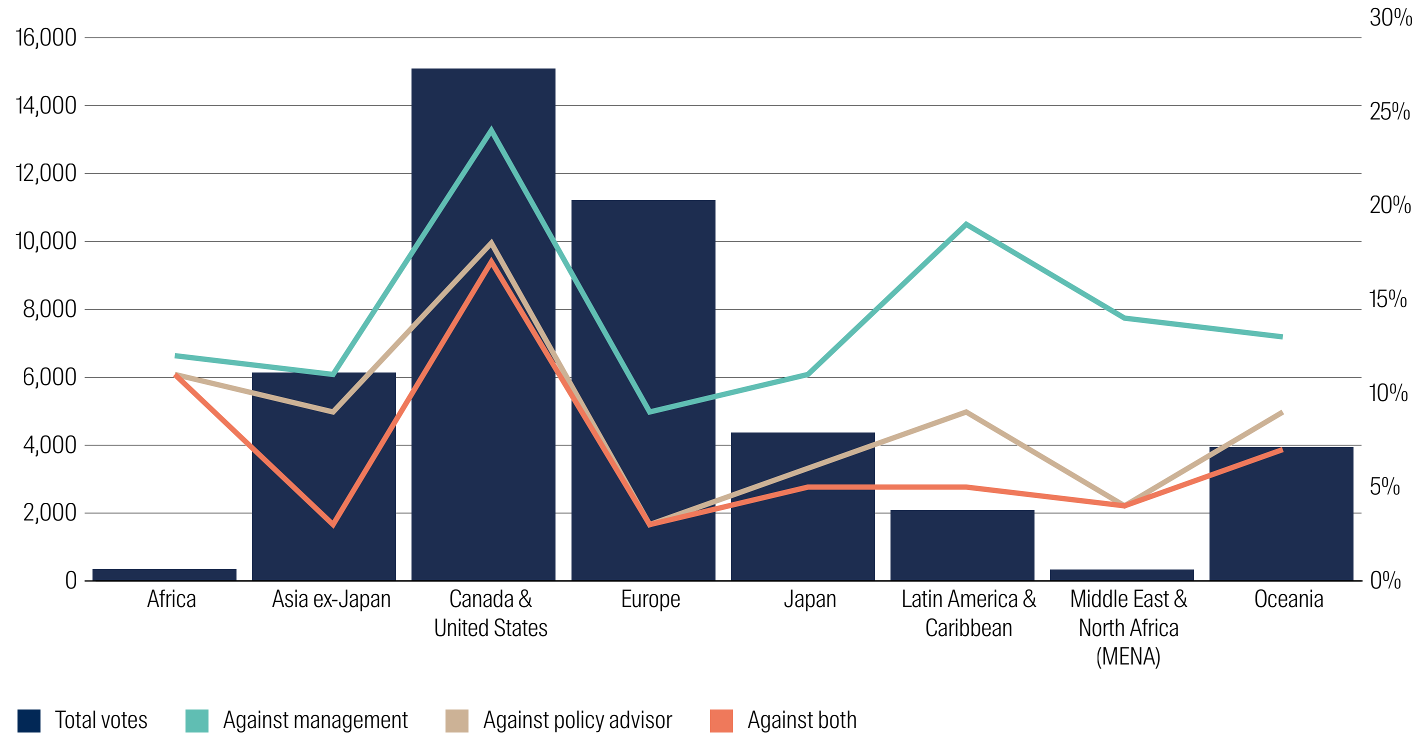
Voting autonomy

The figures to the right show the number of times our active listed equity teams voted against management recommendations, our proxy advisor recommendations, or against both during 2023. These illustrate the independent judgement which is applied by the teams when making voting decisions:

- Against proxy adviser 4,433 (10%)
- Against management 6,789 (16%)
- Against both 3,691 (8%)

Date: 01 January 2023 - 31 December 2023
Source: First Sentier Investors / CGI Glass Lewis

Proxy voting record by region



Source: First Sentier Investors, as at 31 December 2023

What we voted against and why

Topic: Audit/Financials

Our primary reasons: Length of the auditors' tenure

Votes against management: 679

25%

Topic: Capital management

Our primary reasons: Half of these related to insufficient disclosure, with other votes against due to potential dilution and excessive debt

Votes against management: 175

6%

Topic: Director elections and re-elections

Our primary reasons: A third related to gender and other diversity concerns, with climate, human rights and other sustainability disclosure/policy accounting for a third

Votes against management: 3473

16%

Topic: Executive or Director remuneration, compensation, bonuses and share plans or other remuneration-related issues

Our primary reasons: Mostly due to a lack of sustainability metrics in remuneration policy. Other two-thirds related to excessive compensation and poor compensation design

Votes against management: 1068

17%

Topic: Governance related

Our primary reasons: Most prominent categories were tenure of the auditors and independence in board or committee

Votes against management: 477

10%

Topic: Shareholders' proposals

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

Votes against management: 578

46%

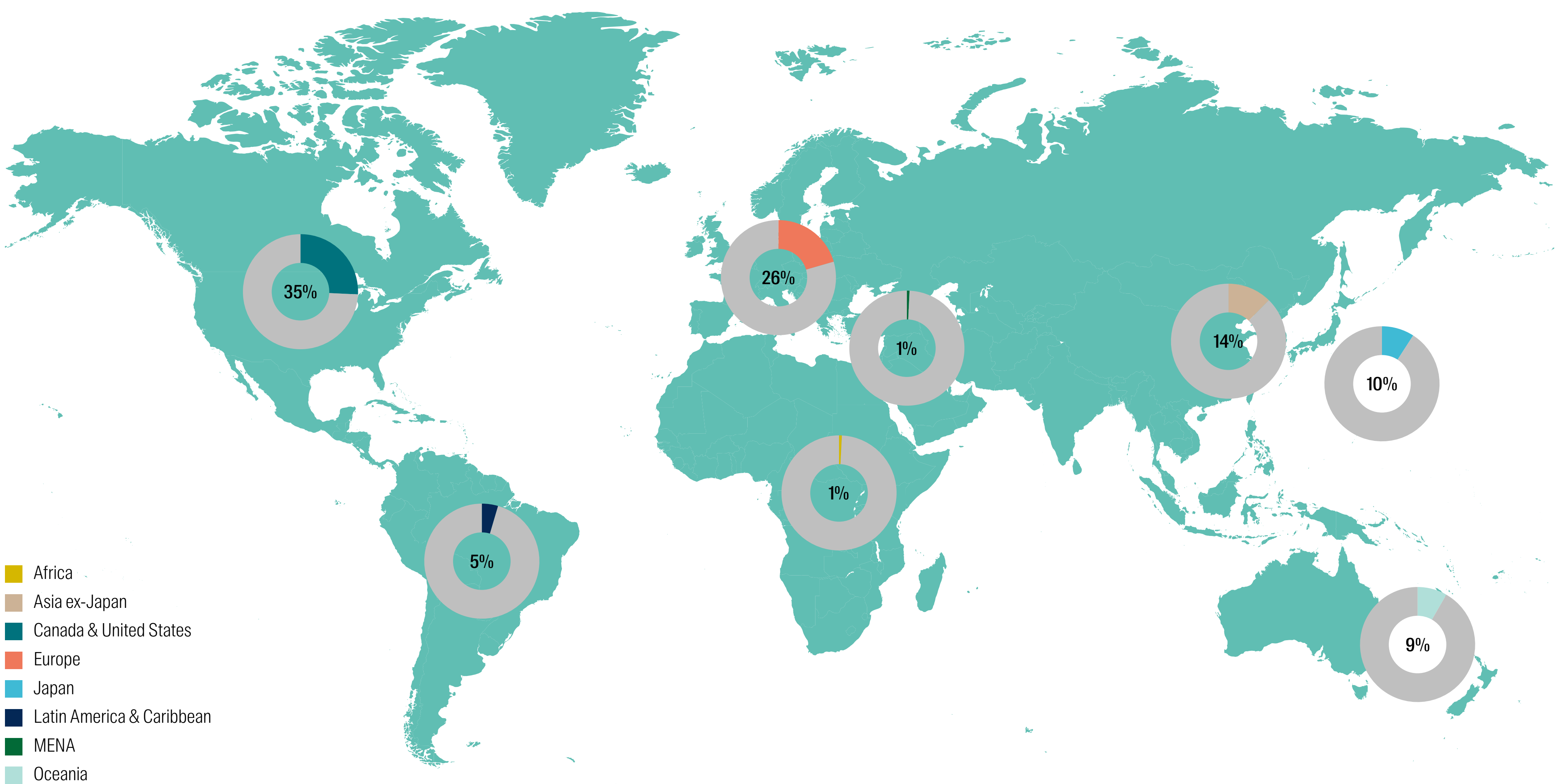
Topic: Shareholder rights around authority to issue shares without pre-emptive rights

Our primary reasons: Excessive dilution and poor disclosure

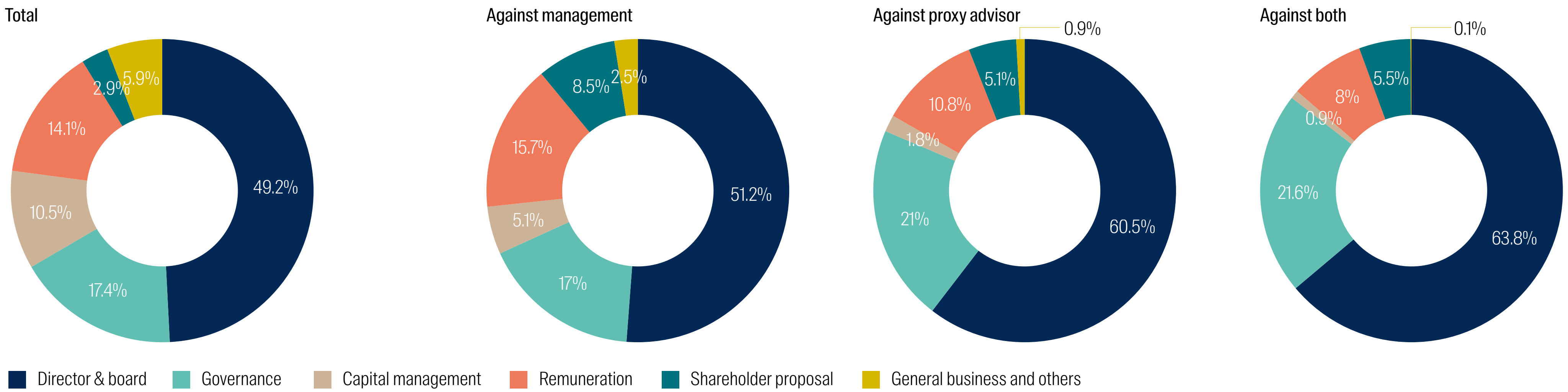
Votes against management: 162

13%

Geographical breakdown of proxy votes



Where we used our voice most



Proxy voting information as at 31 December 2023. Source: First Sentier Investors/CGI Glass Lewis

Case study
Expressing views on climate policy

Team
- Australian Equities Growth

Company
- Oil and gas company

The Australian Equities Growth team (AEQ) believes global oil and gas producers are particularly exposed to transition risk. In 2022, Australian oil and gas companies received very high shareholder votes against their climate plans and the team was concerned that one company in particular had not heard and considered shareholder feedback.

Objective
To encourage an improved transition plan and new members with energy experience to be added to the Board.

Approach
The AEQ team sought to provide feedback through the exercise of shareholder rights. The only appropriate resolutions to consider voting against in this context were the non-executive director resolutions. The team therefore voted against one non-executive director.

Outcome
In the period following the vote, AEQ observed more willingness from the company to listen to shareholder feedback.

The team met with the CEO, the CFO, the climate team (twice), and the company chair since the 2023 Annual General Meeting (AGM). AEQ has also participated in the Climate Action 100+ meetings with the company. It looks forward to reviewing the company's updated climate report when it is released in 2024.

First Sentier Investors | **Stewardship Report 2023**

Case study
Tenure of auditors

Team
- Stewart Investors

Company
- Infineon Technologies

Background
Infineon Technologies makes semiconductors for auto, industrial and power management sectors. Stewart Investors (SI) believes that it is good practice for companies to change their auditors at least every ten years to manage the risk of over-familiarity and complacency. The SI team often votes against the appointment of auditors whose tenure exceeds ten years of continuous service. This is in alignment with its investment approach which focuses on good governance and high-quality management and financials.

Objective
To seek the appointment of a new auditor at the company.

Approach
In January 2023, SI voted against the Appointment of Auditor resolution at the company's 2023 AGM, as the auditor has been in place for 23 years. This is the second consecutive year that SI has voted against such a proposal at the company. The team sent a letter to the company explaining the voting decision.

Outcome
The Investor Relations team at the company responded to the letter and explained that KPMG ensure its auditor personnel are rotated at prescribed intervals; however, they are also in phase-over period starting in 2023 to Deloitte, who will be proposed as the statutory auditor to their next AGM in 2024.

Case study
Medium and long-term planning

Team
- Stewart Investors

Company
- Philips - Healthcare technology for diagnosis and treatment, connected care, and personal health

Background
The company provides Healthcare technology for diagnosis and treatment, connected care, and personal health. It has been facing lawsuits and investigations over alleged health risks associated with its sleep apnea and respiratory care devices. The company has recalled impacted devices and has not yet been found liable for these claims, however, should an adverse outcome occur, the Stewart Investors (SI) team wanted to understand how this might affect the balance sheet.

Objective
To improve the quality of the company's financials.

Approach
In March 2023, SI met with the company's new CEO and the CFO, to discuss recent leadership changes and the medium and long-term plan for the company. This included focusing investments to accelerate growth, driving margin improvement, and restoring the Sleep and Respiratory Care business. The team also discussed the company's balance sheet, particularly how an adverse outcome in the sleep apnea litigation could negatively impact its finances.

Following the meeting, SI wrote to the CEO regarding the company's approach to its balance sheet. The company did not respond to these emails.

At the company's AGM in May 2023, SI voted against a number of proposals, as noted below, alongside the voting rationale:

- Allocation of Dividends - believing the company should pay back debts before paying out dividends;
- Remuneration Report - believing the remuneration structure needs a complete overhaul;
- Election of the CFO and Chair of the Audit Committee - given the precarious position of the company's finances;
- Authority to Suppress Pre-emptive Rights of Shareholders – the use of readjusted metrics to overlook accountability for acquisitions and other restructuring decisions is not something management and the Board had earned; and
- Authority to repurchase shares - believing the company should use cash flows to reduce leverage.

Outcome
The team was not satisfied with the lack of response to its concerns regarding the financials, nor with the outcomes of the AGM. SI sold out of the company in October 2023 having lost conviction in the quality of the financials.

Appendix 1

Proxy voting guidelines
In 2023 the RI team, together with our listed equities investment teams, reviewed the firm's proxy voting guidelines. The previous guidelines had a very prescriptive approach which were not always compatible with individual strategies or did not account for differences in regional practices or client expectations. The revised voting guidelines have been designed to cover four pillars of good governance (accountability, independence, transparency, stewardship). These principles articulate the characteristics that investment teams should take into consideration whilst assessing company boards and directors. In our view, a principles-based model is better suited to our firm's decentralised voting approach.

At First Sentier Investors we consider each resolution based on its merits. First Sentier Investors applies the following principles together with issues we consider to be material when making voting decisions. The following text is taken from our proxy voting guidelines, which are part of the Global Responsible Investment and Stewardship Principles.

Section 1: Governance Principles
When voting on both management and shareholder proposals, our voting decisions are guided by the following four corporate governance pillars: accountability, independence, transparency and stewardship. We believe a well-functioning board should demonstrate these characteristics and set their strategy with these principles in mind.

Accountability
1. First Sentier Investors believes that the board of directors and CEO are accountable to shareholders and broader stakeholders such as employees, customers, regulators for their actions and their management style.

1.1 Our engagement and voting rights allow us to ensure that boards remain answerable to shareholders.

1.2. In voting on directors, we will consider holding the board of directors and management accountable for situations where a lack of risk oversight is perceived, or when the board is not responsive to shareholder concerns.

Independence
2. First Sentier Investors believes that the board of directors plays a leadership role in shaping the governance structure of an organisation.

2.1. We look for independent, engaged and diverse boards whose composition reflects the company's stakeholders.

2.2. Boards should be sufficiently independent to ensure effective oversight of management's performance and remuneration.

2.3. Boards should be majority independent and have a separation of Chair/CEO roles. However, we recognise that in certain circumstances an executive chair may be considered to effectively combine both roles.

2.4. In voting on directors, we will consider whether the board provides a balance of independence, a diversity of skills and knowledge, experience, cultural background, perspective and gender. It is also important that the board has an effective size and composition, and that directors are sufficiently committed.

Transparency
3. First Sentier Investors believes that companies should provide accurate, clear and timely information that enables shareholders to understand key issues, to make informed vote decisions, and to effectively engage with companies on matters that impact long-term value creation.

3.1. The board should have appropriate processes in place to verify the integrity of information.

3.2. Auditors provide a valuable protection to shareholders. In voting on auditor ratifications, we will consider the auditor's independence and ensure they are free from conflicts of interest. We will consider auditor tenure and rotation as well as 'audit' versus 'non-audit' fees paid by the company.

3.3. Timeliness of information: First Sentier Investors believes that relevant information (notice of meeting, meeting agenda, directors up for election) should be released in a timely manner if shareholders are to make informed voting decisions.

Stewardship
4. Environmental, social and governance (ESG) considerations pose significant risks and opportunities for both companies and investors. The impacts of climate change, use of our natural resources, social inequality, poor stakeholder relations and lack of sound governance structures all have the potential to escalate rapidly into crises.

4.1. As businesses prepare for the potential adverse impact of future systemic risks, First Sentier Investors expects boards to consider relevant ESG risks and opportunities.

4.2. A company should conduct its business with a regard for environmental, health, safety and other sustainability issues relevant to its operations.

4.3. Boards should be cognisant of developments relating to economic, social and environmental issues and should understand which issues are most important to the company's business and to its shareholders.

4.4. First Sentier Investors expects boards to consider a range of ESG risks that affect their company, sector and value chain. Amongst environmental issues covered, climate change is generally the most prominent, followed by nature-related topics, such as deforestation and freshwater use.

4.5. When evaluating environmental and social shareholder proposals we will ensure that those proposals are assessed based on their merits and effectiveness, that they are well-framed and reasonable, assess what the company has already done in response to similar issues and how effective the proposals will be in reaching the objectives sought.

4.6. As part of First Sentier Investors net zero ambition, we believe that our investee companies have an important role to play. We will use our voting rights when we do not see any progress made, and in voting on directors, climate change related shareholder proposals and/or Say on Climate proposals, we will consider if companies have detailed disclosure in line with the Taskforce for Climate-related Financial Disclosure principles, have set a net zero target broken down in short, medium and long-term targets for reducing their material carbon emissions and a developed credible transition plan that supports their transition to a low carbon world.

4.7. First Sentier Investors believes social issues may have a material impact on a company's performance. Boards should give consideration to issues including diversity, equity, and inclusion; human rights and modern slavery; and fair work and labour rights. We will consider voting against directors and/or supporting relevant shareholder proposals where we feel these issues are not being managed effectively or fairly.

Section 2: Renumeration

5. A key responsibility of the board is making executive remuneration decisions and set director fees.

5.1. An effective remuneration strategy is designed to assist the organisation in achieving its strategic goals and objectives.

5.2. When evaluating a remuneration plan and whether we will consider whether the proposed plan:

- is reasonable and simple?
- is linked to long-term performance?
- does it promote long-term stewardship?
- is the structure likely to result in excessive pay rewards?

Appendix 2

Stewardship Code mappings

Principle		Requirements	Pages
Principle 1	Be committed	Signatories will establish, and publicly articulate, how their investment philosophy, governance structures, and resourcing supports the goals of effective stewardship.	6, 8-9, 12-15, 20, 22
Principle 2	Establish and maintain policies	Signatories will develop and implement measurable and effective stewardship policies.	9-10, 24-27, 45-46, 54, 62, 71-72
Principle 3	Incorporate material ESG matters	Signatories will incorporate material ESG matters into their investment decisions and stewardship practices.	24-27, 39-41, 43
Principle 4	Be engaged	Signatories will engage regularly and effectively with underlying managers, issuers, and other key stakeholders.	10, 29, 45-60
Principle 5	Vote responsibly	Signatories will exercise voting rights in accordance with their investment mandate, and regularly and transparently disclose voting actions and outcomes.	62, 64-72
Principle 6	Manage conflicts of interest	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.	22
Principle 7	Collaborate and advocate for change	Signatories will work collaboratively to amplify investor influence on ESG matters with issuers, policy makers, index providers, standard setters, and other key stakeholders.	29, 54-60
Principle 8	Measure and report	Signatories will regularly measure, and publicly report, on their actions taken to support stewardship, and demonstrate how these have contributed to the goals of effective stewardship.	47-59
Principle 9	Educate and Improve	Signatories will invest to improve clients' and beneficiaries' awareness of stewardship, improve their internal capabilities, and provide resources to deliver impactful stewardship.	12-15, 24-28, 31-33, 35-37

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