First Sentier Investors

Global Responsible Investment and Stewardship Policy

1.0 Introduction

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

1.2 This document sets out a series of standards relating to responsible investment (RI) and stewardship that all FSI investment professionals are expected to adhere to in practice. These standards are set out in section 2 and specifically relate to:

a. the integration of environment, social and governance (ESG) factors into the investment processes of FSI investment teams;

b. corporate engagement;

c. proxy voting in public markets; and

d. investment screens.

1.3 **The standards are shown in bold print.** Additional information in non-bold print is included to provide context to the standards.

1.4 We recognise that responsible investment practices continue to evolve and that appropriate approaches to RI will differ between asset classes, industries, and individual investments. As such, adherence to these standards may take the form of different actions and the nature of actions required to adhere to these standards may evolve over time. Therefore, consideration as to whether these standards have been adhered to will take into account the various asset-class and investment style specific considerations set out in section 3.

1.5 This document should be read in conjunction with our Global Responsible Investment and Stewardship Principles.

1.6 This document has been approved by FSI's Global Responsible Investment Executive Committee (GRIEC) and shall be reviewed at least every two years.

2.0 Responsible investment process

ESG integration

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

2.2 **FSI expects its investment teams to:**

- **Assess active investments for relevant ESG risks and opportunities and document the results of those assessments. These include risks and opportunities that are relevant at both an operational level (e.g. pollution, human capital management) and at a strategic level (e.g. resource constraints, regulatory change).**
- **Monitor ESG risks and opportunities and changes regarding these on an ongoing basis. Where companies are confronted from time to time with social, environmental or corporate governance issues, establish the willingness and ability of the company to improve its practices prior to and post investment and seek to engage the company on any outstanding issues.**
- **Raise with companies material issues that are identified which are not being appropriately addressed in accordance with section 2.5 below.**
- **Where an investment team manages a European Union domiciled product, and that product considers Principal Adverse Impact indicators on sustainability factors (as defined under the Sustainable Finance Disclosure Regulation):**
  - » **assess companies/issuers for such impacts and document the results of this assessment. This analysis does not currently extend to derivatives, FX, FX hedging and uninvested cash held within portfolios; and**
  - » **where such impacts are identified, investment teams shall engage with the company in accordance with the commitments made under section 2.5 of this policy.**

Corporate engagement

2.3 Our approach to stewardship more broadly is set out in our Global Responsible Investment and Stewardship Principles.

2.4 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.

2.5 **FSI expects its investment teams to:**

- **Where they are in a position to engage with a company's management and board, endeavour to do so with a view to:**
  - » **Building a respectful, constructive and long-term dialogue with a company's management and board on the performance and strategy of the company (including on material ESG issues).**
  - » **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.**
  - » **Raising any material ESG issues identified.**
  - » **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.**
  - » **Encouraging and recommending companies to disclose their material ESG risks and performance in keeping with widely adopted and emerging global standards.**
- **Develop an engagement strategy with defined objectives (that where possible and relevant, are SMART – specific, measurable, attainable, relevant and time-based) and escalation points where a company is not recognising or addressing material ESG concerns. Escalation measures such as votes against directors, collaboration with other investors or ultimately selling of securities may be pursued following intensive engagement.**

- **Keep a record of engagement activities and any issues raised for follow up purposes. Progress against objectives shall be reviewed periodically.**
- **Engage collectively with other teams and investors where appropriate and subject to complying with any applicable fiduciary, market conduct, regulatory and/or confidentiality obligations.**

Proxy voting in public markets

2.6 We believe proxy voting is an important investor right and responsibility and should be exercised wherever possible. In addition, the ability to vote strengthens our position when engaging with investee companies and supports the stewardship of our clients' investments.

2.7 **FSI expects its investment teams to:**

- **Vote on resolutions at company meetings where they have the authority to do so.**
- **Review all company resolutions and make appropriate recommendations. This includes considering the merits of all 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 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 FSI 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 FSI's attention; and**
  - » **High profile votes subject to a degree of controversy and/or public scrutiny.**

2.8 Our Global Responsible Investment and Stewardship Principles includes guidance on a number of voting issues and our current position.

2.9 These standards do not apply in relation to any stocks that are subject to a securities lending program.[1]

Investment screens

2.10 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.

2.11 In exceptional circumstances, we may implement a group-wide ban on investment (in both equity and debt) in certain sectors or companies. The GRIEC may decide to implement such a ban. In making any such decision, the GRIEC will consider: (i) our fiduciary obligations; (ii) whether the relevant company or sector practices conflicts with international norms and standards enshrined in widely adopted treaties, conventions and codes of practice; (iii) client sentiment; (iv) long-term sustainability and investment risk; (v) recommendations from our investment and RI teams; and (vi) any other factor that it considers relevant.

2.12 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.

1 Only two investment teams within First Sentier Investors currently engage in securities lending. In the event that the timing of a stock being on loan coincides with voting at the annual general meeting, there is no automated share recall process in place.

2.13 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.
- 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.

2.14 **Investment teams that predominantly trade in public market investments: All such 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 listed companies is updated on a quarterly basis and is available on our website.**

2.15 **Investment teams that predominantly trade in private market investments and/or liquid credit investments: Such investment teams will apply the above firm-wide exclusions to their direct investments at the time of the original investment decision but may not monitor for compliance against the above firm-wide exclusions on an ongoing basis. Where such investment teams do have monitoring in place and/or an investment is assessed as being captured by the above firm-wide exclusions, it may not be possible or commercially viable to divest from such assets, however the relevant investment teams will review the investments to assess the practicalities of divestment. The RI team compiles a list of private companies it reasonably believes are captured by the above firm wide exclusions based on available information. This list is provided to the relevant investment teams who supplement it with their own research and manage the implementation of these exclusions in accordance with their internal processes.**
The implementation of the firm-wide exclusions for these investment teams is heavily dependent on the availability and reliability of information relating to activities of private companies. Where such information is not available, or proves to be unreliable, the implementation of the firm-wide exclusions with respect to private market investments may be delayed or not implemented.

03. Asset class and investment style specific considerations

3.1 Consideration as to whether the standards have been adhered to will take into account the following asset-class and investment style specific considerations:

- ESG integration is not generally undertaken for investments in government bodies, agencies or departments (which we define as Supranational bodies, Sovereign bodies and Agencies). Fixed income investors should be proactive in engaging with counterparties, credit rating agencies, government, semi-government and supra-national issuers where they have the opportunity to do so, however we recognise that engagement may take a different form to how it is outlined in section 2.5 above.
- The Igneo Infrastructure Partners team takes significant ownership stakes in portfolio companies, with lead or co-lead shareholder roles and in many cases 100% ownership. This ensures board representation and enables the team to engage directly with all portfolio companies and proactively manage all aspects of the business, including ESG performance. The team has developed specific ESG guidelines in line with this policy.
- The nature of systematic investment strategies may limit the ability to have the level of ESG analysis and engagement committed to by other investment teams under sections 2.2 and 2.5. However they have a range of unique opportunities to identify and address ESG issues, and are expected to:
  - » Develop signals that incorporate responsible investment principles.
  - » Exercise their ownership rights, particularly as they relate to proxy voting and engagement, and develop their own policy in line with this policy.
  - » Engage with companies either directly or by considering collaborative engagement opportunities (either internally with other investment teams or externally).
  - » Produce relevant research and other thought leadership that can support clients to incorporate ESG and other non-financial factors in their investment mandates.

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