First Sentier Investors

Responsible Investment and Stewardship Report 2024

Contents

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

Welcome to the First Sentier Investors Responsible Investment and Stewardship Report 2024. This document outlines how we act as stewards of our clients' capital, as active, responsible investors with a focus on achieving investment excellence and real-world outcomes.

The **Responsible Investment** and **Stewardship** Report details how we operate as a firm, how we approach **systemic risks**, and how 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** and the **Aotearoa New Zealand Stewardship Code**.

In 2024, political violence saw a surge, with two major global hotspots of conflict ongoing in Ukraine, Russia, Israel and Palestine. The intensity of these conflicts has resulted in ongoing humanitarian crises among impacted, vulnerable populations.

The world experienced the hottest year on record[1] and is on pace for a temperature rise of between 2.6° and 3.1° celsius[2] over the course of this century. This sharpens the focus on achieving the ambitions of the Paris Agreement to minimise greenhouse gas emissions by more than 40 per cent by 2030.

Climate change is also exacerbating biodiversity and nature risks. Many of these risks are at a tipping point for potentially creating catastrophic and irreversible damage to the natural world and to humanity.

The conflation of all these environmental and social issues emphasises the ongoing need for an integrative approach to environmental, social and governance issues. Coordinated action is needed across climate change, human rights and nature and biodiversity loss.

In 2024, we continued to exercise influence beyond direct **engagement** and voting,[3] to actively participate in collaborative stewardship initiatives and engaging with policy makers. We believe that through collaboration, we can contribute to a financial system that is underpinned by well-functioning markets and an equitable and inclusive society, creating better outcomes for our clients and society.

This Responsible Investment and Stewardship Report explains how First Sentier Investors seeks to do this in practice. 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

1 Climate.gov. (2025). 2024 was the warmest year in the modern record for the globe.
2 United Nations Environment Programme. (2024). Nations must close huge emissions gap in new climate pledges and deliver immediate action, or 1.5°C lost.
3 Direct engagement refers to engaging directly with key decision-makers in the companies in which we invest to understand their commitment and approach, including their attitudes towards sustainability. Proxy voting is a way for investors in a company to vote on important issues related to that company without having to attend the actual shareholder meeting in person (see page 43).

02 | About us and this report

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Our 2024 **Responsible Investment** and **Stewardship** Report is structured into the following four sections.

- **Purpose and governance:** How we operate as a firm, encompassing our strategy, policies, and the ways in which we communicate our approach to clients.
- **Promoting well-functioning markets:** How we have identified and responded to market-wide and **systemic risk(s)** through our work on our focus areas of climate change, nature and biodiversity, human rights and modern slavery, **policy advocacy** activities, and **thought leadership**.
- **Investment approach:** How our investment teams integrate environmental, social and governance (**ESG**) considerations and how we use and monitor our service providers.
- **Engagement and voting:** How we apply our responsible investment (RI) and stewardship approach into action with real case studies of our 2024 **engagement** and voting activities.

First Sentier Investors is a global asset management group and the home of investment teams AlbaCore Capital Group, FSSA Investment Managers, Igneo Infrastructure Partners, RQI Investors and Stewart Investors. All our investment teams – whether in-house or individually branded – operate with **discrete investment autonomy** and investment processes, according to their investment objectives.

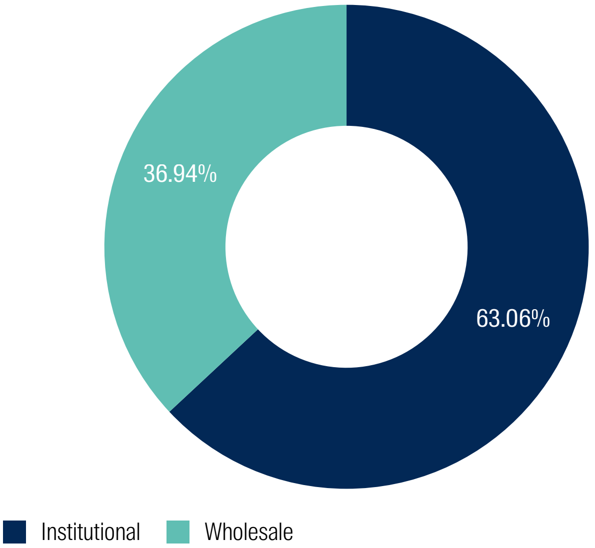
We are stewards of assets under management (AUM) of GBP107.7 billion (as at 31 Dec 2024), across **asset classes** global and regional equities, cash and **fixed income**, infrastructure, property and **alternative credit**, on behalf of institutional investors, pension funds, wholesale distributors and platforms, financial advisers and their clients.

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

Investment time horizon

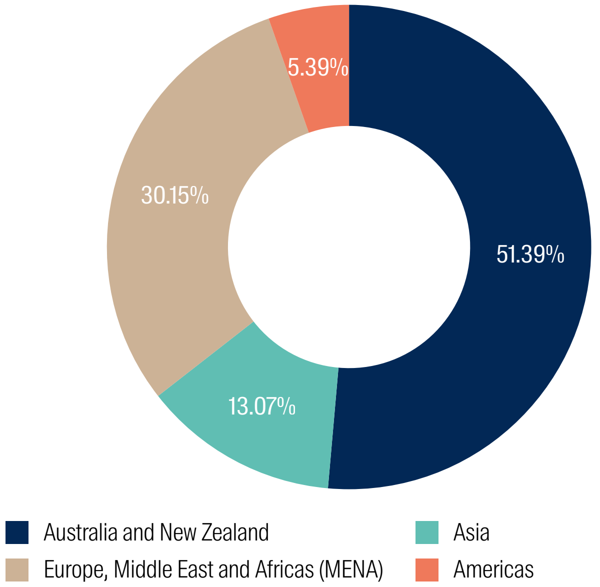
Investment time horizon refers to the period over which an investor expects to hold an investment before taking the capital out. Whether they are retail or institutional, we believe most of our clients are best served taking a medium- to long-term or long-term view of their investments based on the strategy they are investing in. As a holding period, we see three to five years for medium- to long-term investing and five years or more for long-term. It is worth noting that there is a regional element that should be considered where medium- to long-term or long-term may be shorter or longer depending on the region that clients are based in.

AUM by client segment

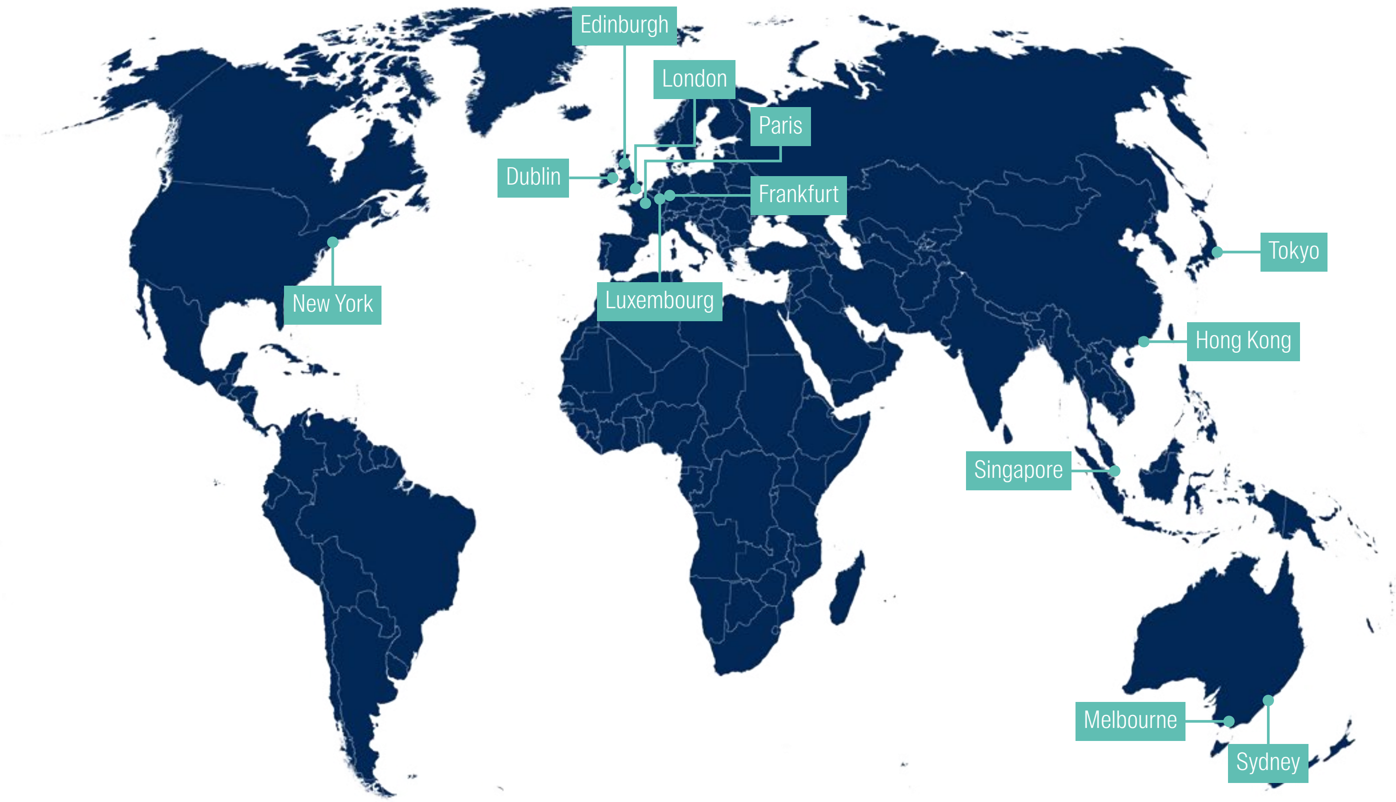


Source: First Sentier Investors, as at 31/12/24.

AUM by region



Our office locations



Global investment capabilities by AUM

31 December 2024 (bn)	AUD	USD	GBP	EUR
Australian Equities				
Growth	18.3	11.3	9.0	10.9
Small and Mid-Cap Companies	4.9	3.0	2.4	2.9
Emerging Companies	0	0	0	0
Equity Income	0	0	0	0
Total	**23.2**	**14.3**	**11.4**	**13.8**
FSSA Investment Managers				
Asia Pacific	21.5	13.3	10.6	12.9
Global Emerging Markets	1.7	1.1	0.8	1.0
Greater China	9.9	6.1	4.9	5.9
India	2.0	1.3	1.0	1.2
Japan	0	0	0	0
Total	**35.2**	**21.8**	**17.4**	**21.0**
Stewart Investors				
Asia Pacific	19.0	11.8	9.4	11.4
Europe[1]	0.009	0.006	0.005	0.006
Global Emerging Markets	5.0	3.1	2.5	3.0
Indian Subcontinent	1.4	0.9	0.7	0.8
Worldwide	3.3	2.0	1.6	2.0
Total	**28.6**	**17.7**	**14.2**	**17.1**
Real Estate and Infrastructure				
Global Property Securities	1.3	0.8	0.7	0.8
Global Listed Infrastructure	9.0	5.6	4.4	5.4
Igneo Infrastructure Partners[1]	31.0	19.2	15.3	18.5
Total	**41.3**	**25.6**	**20.4**	**24.7**
Fixed Income				
Asia Fixed Income	5.6	3.5	2.8	3.4
Global Credit	0	0	0	0
Australian Fixed Income	0	0	0	0
Cash Management	47.3	29.3	23.4	28.3
Total	**52.9**	**32.7**	**26.1**	**31.6**
Systematic Equities				
Global	14.9	9.2	7.4	8.9
Global Smalls	1.5	0.9	0.7	0.9
Emerging Markets	1.1	0.7	0.5	0.7
Australian	7.4	4.6	3.6	4.4
Australian **Index**	0	0	0	0
Total	**24.9**	**15.4**	**12.3**	**14.9**
AlbaCore				
AlbaCore[1]				
Total	**11.9**	**7.4**	**5.9**	**7.1**
Total AUM	**217.9**	**134.9**	**107.7**	**130.3**

1 Is reported one month in arrears and excludes any **undrawn commitments**.
Source: First Sentier Investors as at 31 December 2024. Numbers have been rounded. Gross AUM associated with First Sentier Investors' strategic partnership with AlbaCore Capital Group.

03 | Purpose and governance

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

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

- **Care** – We care about our clients, society and each other
- **Collaboration** – We collaborate to deliver the best solutions
- **Openness** – We are open with each other and to different ways of thinking
- **Dedication** – We are dedicated to being experts in our respective fields

Strategy

Through our people, we aim to provide high quality, differentiated and relevant investment capabilities to deliver exceptional investment performance for our clients and our shareholder (our ultimate owner, MUFG).

Our goal is to deliver distinct and quality products as a globally relevant asset manager, aligned to our shareholder's growth aspirations of becoming the #1 asset manager in Japan with a global presence.

Our strategic objectives are:

- **Sustainable growth:** investing in organic and inorganic opportunities to build sustainable, profitable growth from investment capabilities that are relevant to clients
- **People and culture:** attract, develop, and retain high calibre talent through a diverse, equitable and inclusive culture, and by investing in leadership capabilities
- **Our business model:** enhancing the operating model to better align investment teams with First Sentier Investors
- **Simplification and innovation:** rationalise systems and suppliers to enable scale and achieve flex via strategic relationships; and embed the use of technology and artificial intelligence (AI) to inspire innovation and drive operational and financial efficiencies

Our firmwide purpose and strategy guides our approach to fostering a strong culture of **stewardship** across the firm. 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.

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

Please refer to page 6 of our 2023 Stewardship Report for information on our purpose and values. For more information on how this guides our investment strategy, our **ESG** investment beliefs are on page 9 of the 2023 Stewardship Report. Updates on our **RI** & **Stewardship** strategy in 2024 can be found on page 12 of this report.

The following section details 2024 updates on employee **engagement**, our Corporate Sustainability function, and an assessment of how effective our investment strategies have been in serving the best interests of our clients.

Employee Engagement Survey

In 2024, 87% of our employees completed our annual Employee Engagement Survey. The survey provided useful insights for us to develop priority action areas to be delivered across the firm. This includes helping our people to better understand the firm's strategy, continuing to invest in elevating leadership, and providing our people opportunities for career growth. We continue to plan company-wide initiatives and local team-based actions to address these priority areas.

Corporate Sustainability

We continue to work towards holding our global operations to the same high standards of corporate behaviour and practices that we expect of the companies that we invest our clients' money in. The focus areas of our Corporate Sustainability strategy are: Environment; Diversity, Equity and Inclusion; Supply Chains; and Community. Please refer to page 7 of our 2023 Stewardship Report for further details on our Corporate Sustainability strategy.

During 2024, we continued to make progress across our four focus areas:

Environment:

- Since 2020, we have steadily increased the percentage of renewable energy i.e derived from non-fossil fuel sources, procured for our office operations. As of 2024, 100% of our reported office electricity consumption came from renewable sources, either via energy retailers or through the purchase of Renewable Energy Certificates (RECs).
- We completed an initial assessment of our operations in alignment with the Taskforce on Nature-related Financial Disclosures (TNFD) framework, a voluntary initiative setting out recommendations for nature related disclosures, to identify our key dependencies and impacts on nature.
- Our London and Dublin offices were awarded the ISO 14001:2015 certification in December 2024 for our Environmental Management System (EMS). The ISO EMS standard has been developed to help organisations identify, manage and control those activities that have an environmental impact. The scope of these certifications relates to the management of office activities and the operation of the Corporate Sustainability team.

Diversity, equity and inclusion (DE&I):
Several initiatives were delivered throughout 2024, including:

- Launched a 'Reflect' Reconciliation Action Plan[1] to strategically take meaningful action to advance reconciliation between Aboriginal and Torres Strait Islander peoples and non-Indigenous people, for the benefit of all Australians, given our Australian heritage. A copy of our Reflect Reconciliation Action Plan can be found on our website here;
- A training program to address workplace behaviour in response to Australian and UK legislative requirements;
- Certification with the Australian Workplace Equality **Index** for Lesbian, Gay, Bisexual, Transgender and Queer+ (LGBTQ+) inclusion;
- Employee community programs including registration with the UK Government Disability Confident scheme; and
- Development of a female talent leadership program.

Supply chains:
A copy of our most recent Modern Slavery Statement, which outlines the actions that we are taking to address the risks of Modern Slavery throughout our operations, supply chains and investments, can be found on our website here.

Community:
The First Sentier Foundation is First Sentier Investors' philanthropic initiative, founded in 2012. The First Sentier Foundation is dedicated to building sustainable lives through education. The philanthropic vision and mission of the First Sentier Foundation is intrinsically linked to our work, including in the areas of DE&I, financial literacy, modern slavery and climate action.

- 30% of our staff volunteered at least one day during 2024, up from 18% in 2023.
- The First Sentier Foundation partnered with 19 charities across the world that align with our vision and mission.

1 Reconciliation Australia collaborates with organisations to develop Reconciliation Action Plans, which detail a strategy for organisations to take meaningful action to advance reconciliation in Australia. Reconciliation Action Plans follow the framework of Reflect, Innovate, Stretch and Elevate.

B Corp Recertification

In 2022, First Sentier Investors became a globally Certified B Corporation (B Corp). With a view to achieving our recertification in 2025, we continue to focus on making improvements, in line with our Corporate Sustainability strategy and the B Corp framework.

Internal Capability Building

First Sentier Investors believes that building a strong **stewardship** mindset requires a knowledgeable and engaged staff with access to quality education. To achieve this, we launched an organisation-wide learning and development program, **ESG** Learning pathways, which we continually evolve. Key updates in 2024 were:

- **ESG Foundations:** We created an ESG Foundations collection on LinkedIn Learning, available to all staff. This self-paced learning includes key ESG concepts and topics on environmental and social impacts, living sustainably, as well as some modules tailored to support our functional teams i.e non-investment related teams. This content will be reviewed and updated over time.
- **Functional learning:** A range of formal and informal learning sessions were facilitated for different learning groups in the firm during 2024. The topics related to First Sentier Investors' **responsible investment** and corporate sustainability priorities.
- **Early Careers:** The second cohort of our 2023 Australian Graduate Program participated in a sustainability related project in partnership with the Corporate Sustainability team.

More details can be found in the Corporate Sustainability report here.

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) for the **share classes** in funds they operate. For First Sentier Investors, the 2024 AoV in relation to First Sentier Investors ICVC (the OEIC or Open Ended Investment Company) covered the twelve-month period to 31 July 2024 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.

We recognise individual and collective investment decisions have far-reaching implications, and we believe an emphasis on stewardship underpins the quality of our investment process, is in our investors' best interests and is part of our broader social licence to operate. Therefore, RI and stewardship are metrics that inform the measurement of quality of service under the AoV.

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
- **Red** – the share class has been identified for remedial actions and we are currently considering options for addressing them

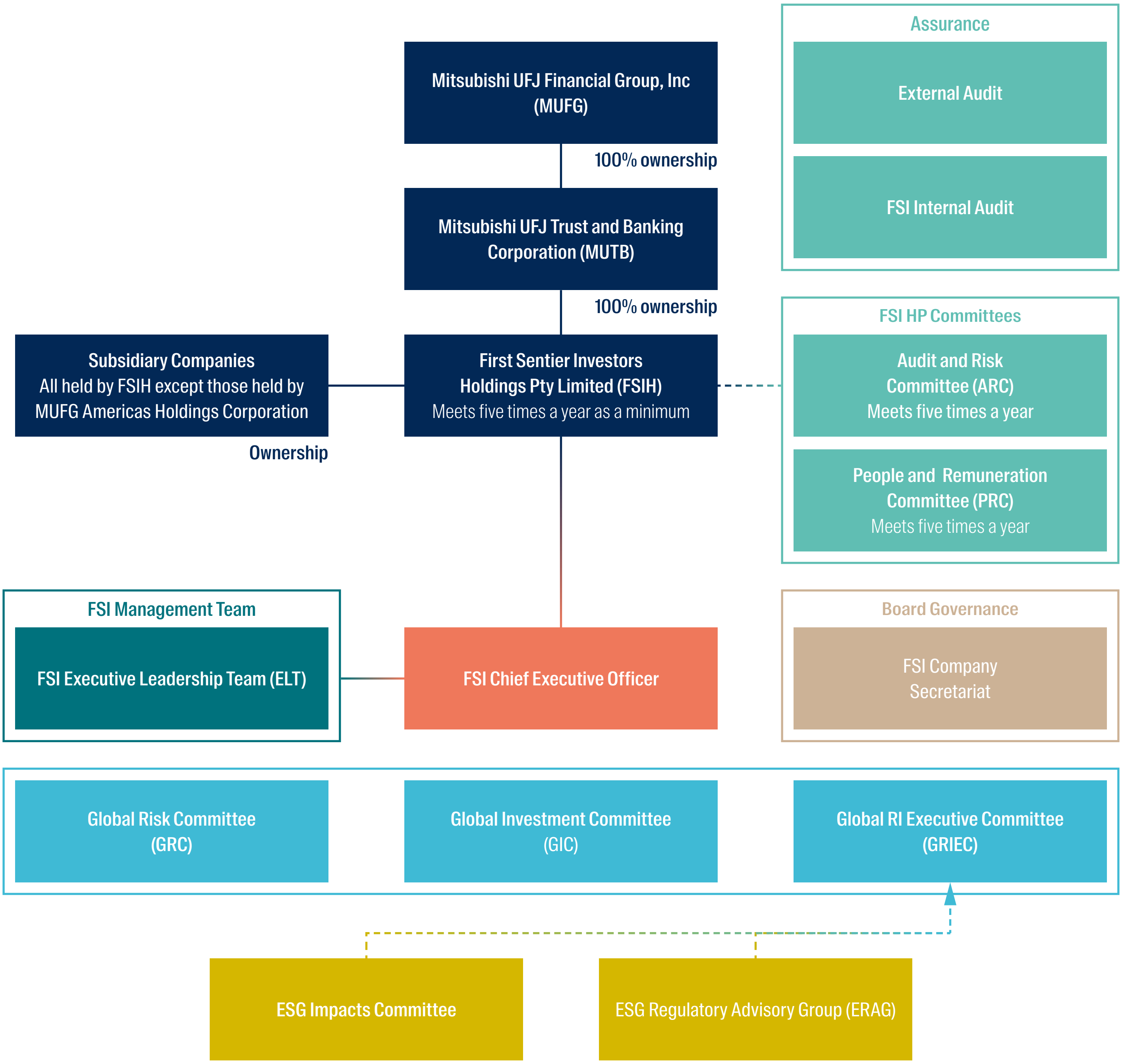
Each of the OEIC's sub-funds is reviewed and analysed across all share classes. Of the 84 share classes outstanding on 31 July 2024, the following overall ratings were applied:

- **88%** (74 share classes) were rated green overall. In the 2023 AoV this was 91%.
- **12%** (10 share classes) were rated amber overall. In the 2023 AoV this was 9%.
- **0%** (no share classes) were rated red overall. In the 2023 AoV this was 0%.

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.

Governance, resources and incentives

Our governance framework is wide-ranging and in-depth. This structure ensures thorough oversight and accountability for effective **stewardship** in the business. The governance structure is shown below:



First Sentier Investors governance structure as at 31 December 2024.[2]

Please refer to pages 12–15 of our 2023 Stewardship Report for further detail on our governance structure.

2 The GRIEC, GIC and GRC were dissolved 01/2025. The ELT has been replaced by the Executive Committee.

In 2024, a review was conducted of the **Responsible Investment** governance structure and the following changes were made:

- The responsibilities of the **ESG** Communications Oversight Group were reassigned back to business as usual (BAU) activities.
- Expanded duties of the ESG Regulatory Advisory Group (ERAG) to include oversight of the identification and management of ESG risks relevant to First Sentier Investors' business.
- AlbaCore Capital Group (AlbaCore) was integrated into the following governance structures: Global Investment Committee (GIC), Global Responsible Investment Executive Committee (GRIEC) and the ESG Impacts Committee.
- Igneo Infrastructure Partners (Igneo) was integrated into the GIC. The updated governance structure for Igneo is outlined below.

Governance structure: Igneo Infrastructure Partners

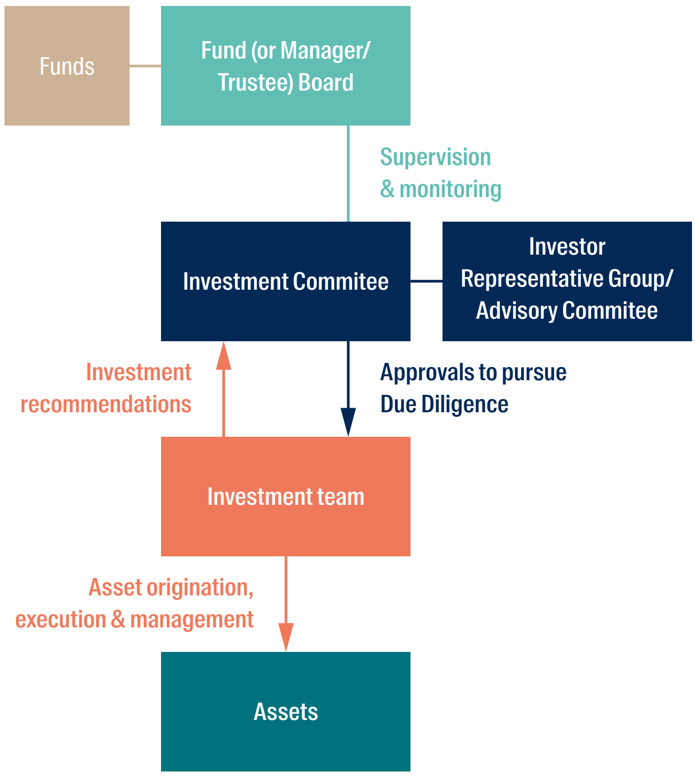
The funds managed or advised by Igneo have a different governance structure, which reflects the unique nature of the infrastructure **asset class**. Each fund has a Board or similar top-level governing body that supervises and monitors fund activity.

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

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

Oversight is also provided by Igneo's Investment Committee as well as the Alternative Investment Fund Manager (AIFM) (for the European funds), General Partner (GP) boards (for the North America 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:



Igneo Governance Structure as at 31 December 2024.

Responsible Investment and Stewardship Strategy

With First Sentier Investors refreshing its business strategy, the **RI** & **Stewardship** Strategy was reviewed for its effectiveness in ensuring effective stewardship across the business. The RI & Stewardship Strategy is carried out by the central Responsible Investment team (detailed below) which provides support to all the investment teams at First Sentier Investors. Please refer to pages 8–10 of our 2023 Stewardship Report for details on our approach to RI, stewardship and **engagement**.

Strategic updates made in 2024 were:

- We updated our exclusions list (a list of companies that we prohibit our investment teams from investing in due to specific business activities[3]) process for private markets (investment markets that are not publicly traded on stock exchanges) and updated the Global Responsible Investment & Stewardship Policy to benefit from improvements in availability of private markets data in February.
- The team internally restructured across three lines of function: advisory (providing system stewardship and investment team support), regulatory and reporting, and research from the MUFG First Sentier Investors Sustainable Investment Institute (the 'Institute'). To maintain a diverse and qualified team with a breadth of experience, two additional appointments were made; an RI analyst was appointed to support with regulation and reporting, and an RI director was appointed to lead on system stewardship and investment team support. The organisation of the central Responsible Investment team is as shown below:

Global Head of Responsible Investment
Kate Turner
Sydney

Finian Power
Responsible Investment Director, Dublin
ESG Regulation & Reporting

Stephan Gabadou
Responsible Investment Director, Sydney
System stewardship and investment team support

Joanne Lee
Responsible Investment Director, Hong Kong
System stewardship and investment team support

Sudip Hazra
Director, FSI-MUFG Sustainable Investment Institute, London

Helena Gandhi
Responsible Investment Analyst, Sydney
ESG Regulation & Reporting

Bjorn De Smedt
Responsible Investment Senior Analyst, Sydney
System stewardship and investment team support

Yuichi Nakao
Responsible Investment Manager (Secondee), London

Andrea Masselos
Responsible Investment Analyst (Secondee), Sydney
System stewardship and investment team support

Elena Zharikova
Analyst, FSI-MUFG Sustainable Investment Institute, London

Regulatory and reporting
System stewardship and investment team support
Dual role split between First Sentier Investors and MUFG First Sentier Investors Sustainable Investment Institute
MUFG First Sentier Investors Sustainable Investment Institute

3 Subject to certain qualifications, as explained in the Global Responsible Investment and Stewardship Policy document.

Remuneration and incentives

First Sentier Investors' Remuneration Policy (the Policy) is in line with our Global Code of Conduct (the Code) and adheres to applicable legal and regulatory requirements in each of the jurisdictions in which First Sentier Investors' people are located.

Please refer to page 20 of our 2023 Stewardship Report for details on the Code. The Policy covers First Sentier Investors' principles and frameworks, and also outlines how incentives are structured to integrate **stewardship** and investment decision making. The Policy outlines the formal mid-year and annual review, which includes an assessment of risk, behaviour and outcomes. The values assessment within our performance framework links to our **Responsible Investment** and Stewardship Policies and Principles.

For all employees based in the Europe, Middle East and Africa (EMEA) region, the risk assessment includes ensuring they have met their responsibilities under the UK's Financial Conduct Authority Consumer Duty.

The remuneration framework promotes sound and effective risk management. For investment professionals, the implications of sustainability (Environmental, Social and Governance related) risk in the investment process have been incorporated into the performance framework.

Conflicts of interest

Conflicts of interest do arise from time to time so it is essential that we have adequate arrangements in place to identify, evaluate and appropriately manage them. We seek to act in a manner that is fair, honest and in good faith towards our clients such that we avoid causing them foreseeable harm. First Sentier Investors' conflict of interest policy and any conflicts registered are confidential in nature. Please refer to the 2023 Stewardship Report for a summary of the policy on page 22.

In 2024, the Employee Compliance and Front of Office Surveillance teams merged to form the Market Conduct Compliance (MCC) team, a global team that falls within Investment Compliance. The MCC team covers and oversees conflicts of interest, including but not limited to personal account dealing, gifts & entertainment and outside business activities (where an employee has a business activity outside of the firm).

To ensure compliance across these activities, we deliver relevant induction and ongoing training for our people. A third-party provider, ACA ComplianceAlpha, is used to manage and monitor the key obligations within these policies, such as helping to prevent front-running and insider trading, supporting the restriction of investment team employees from investing in certain securities, and to manage other activities that have the potential to conflict with clients' best interests.

A practical example of the process:

- There are cases where 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, the Responsible Investment team may be consulted on external ESG statements for a retail audience or in relation to a fund where there are ESG/sustainability claims prior to publication.
- Several 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.

An example of a potential conflict that could occur and how it would be managed:

- Qualifying team members may invest into a fund managed by Igneo, 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 relevant Partnership Agreement, which is made available to all investors.

Another area for potential conflicts of interest is where we vote on the shares in companies we invest in on behalf of our 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.

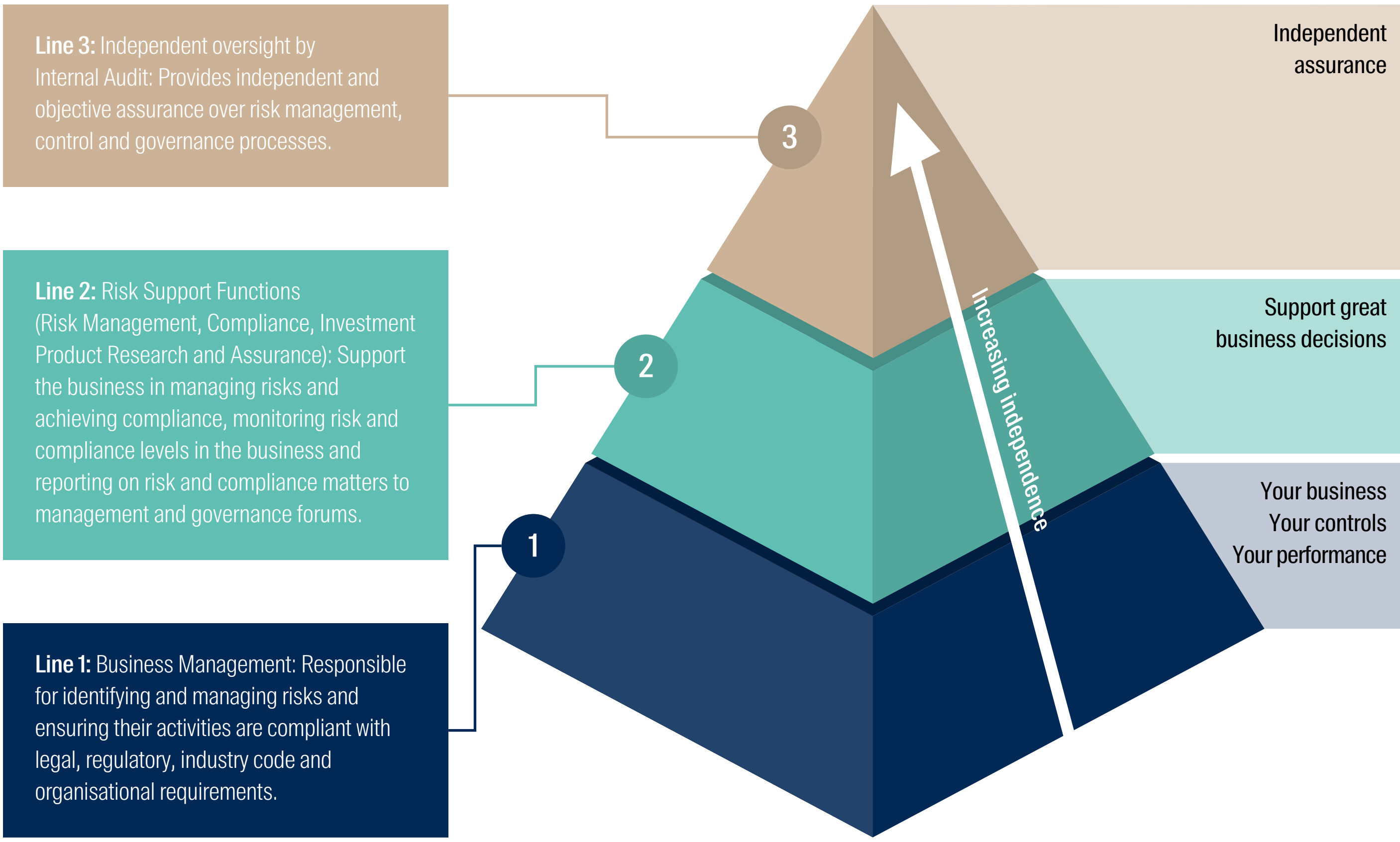
If a material conflict is identified, the Business Head/Managing Partner or their nominee determines how to vote the proxy in consultation with Regulatory Compliance, and in such cases must keep adequate records to demonstrate that the resulting vote was not the product of the material conflict(s).

Review and assurance

Three lines of defence: assurance and risk management

In 2024, First Sentier Investors' risk culture has remained unchanged (please refer to pages 31–33 of the 2023 Stewardship Report).

First Sentier Investors applies a '*three-lines-of-defence*' model, which 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:



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, **RI** team
Line 2	Risk Management Compliance	Investment Product Research and Assurance
Line 3	Internal audit	

In 2024, the Risk Management team continued to provide risk support services to the business. Their responsibilities include:

- Developing, maintaining and facilitating the risk management framework, policies and procedures
- Monitoring and assurance of risk through oversight of business risks and controls including assurance activity, risk assessments and controls testing
- Managing business risk reporting internally to appropriate boards and committees

To enable effective stewardship, the following updates were made in 2024:

- AlbaCore and Igneo are now integrated in the quarterly Global Investment Committee activities, and as such are included in the Investment Product Research and Assurance function (IPRA) oversight remit.
- The operation of detective controls for personal dealing to ensure no conflicts with client accounts are in the remit of the newly formed MCC team (as previously noted on page 13).

Through IPRA's oversight in the second line of defence (please refer to page 32 of our 2023 Stewardship Report for a summary of the policy), it has continued to strengthen its assurance activities through enhanced reporting, oversight and verification activities throughout 2024. As part of this effort, the team implemented broader **ESG** risk monitoring through a range of tools and processes, which has ensured the firm is able to continuously improve its **stewardship** processes.

Updates to sustainability reporting to the GIC in 2024 included:

- Enhancements to oversight and verification activities
- Conducting a Climate Scenario Analysis, which aims to assess the potential impacts of different climate scenarios on a company or investment **portfolio**, for different First Sentier Investors portfolios, and reviewing investment teams' progress towards the firm's Net Zero ambition[4]
- Review of modern slavery risk and assessing how investment teams are addressing, engaging and managing these risks

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 **Responsible Investment** and Stewardship Report to articulate our approach in a relatable and easy-to-understand manner.

This report has been reviewed and approved by the Executive Committee.[5] 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 as part of the verification process.

Client and beneficiary needs

Client communication

First Sentier Investors recognises the importance of open and transparent communication to our clients about our stewardship and investment activities and outcomes to meet our clients' needs.

In 2024, we streamlined our reports to meet client needs more efficiently. As part of this effort, we have:

- Piloted integrating ESG data metrics into monthly factsheets and quarterly reports for select investment teams, with the goal to integrate additional ESG metrics in 2025; and
- Merged the annual Responsible Investment and Stewardship Reports.

To ensure we are being transparent, our website contains a live record of our proxy voting activity, quarterly reporting on our climate metrics for our Listed Equities teams, over 130 **engagement** case studies, and Task Force on Climate-related Financial Disclosures (a voluntary initiative that developed climate-related financial disclosure recommendations) aligned climate reports.

Taking into account the UK Consumer Duty Legislation's recommendations, we have revised our private sector materials and website content on the UK private investor website, including updating the language, layout and navigation. We seek continuous feedback around what content and insights clients deem valuable from a strategy perspective, taking on board direct and indirect feedback to provide clients with more relevant information.

4 First Sentier Investors' net zero ambition can be found on the website here.

5 GRIEC and GIC were dissolved 01/2025, along with the Global Risk Committee. Replaced with Executive Committee.

Building on the work with The Wisdom Council (an independent body providing consumer insight to the financial services sector) in 2023, we broadened the investor satisfaction survey undertaken with the objective of reviewing our websites more comprehensively and using plain English in our investor communications. The findings from the survey have helped with our assessment on quality of service, provided some key focus areas for us to develop regarding plain English for direct investors, and have set a revised baseline which we will build on to guide future communications with clients.

We leverage client events to have meaningful conversations and provide useful insights on our **stewardship** activities. Examples in 2024 include:

- In June, we hosted a biodiversity-themed client roundtable in Melbourne, where we shared insights from the 'Investors Can Assess Nature Now' (ICANN) guide and the Institute's Biodiversity Research Series. Additionally, the Institute presented their findings on Perfluoroalkyl and Polyfluoroalkyl Substances (PFAs, otherwise known as forever chemicals) in a round table hosted with Chronos Sustainability in London. These events provide opportunities for us to share insights that contribute to our collective understanding of these issues with other investors.
- Igneo held a European Funds Annual Investor Meeting in Mannheim, Germany, including a tour of MVV Energie AG's multi-utility plant. They also hosted a Global Fund Annual Investor Meeting in Leeds, UK. This also included a tour of enfinium's waste to energy plants. Both events had record attendance with presentations from the management of the company as well as the global team showcasing a business update, progress in responsible investing and initiatives across our **portfolio** companies.

Investment teams frequently meet with clients and are available to answer their queries on an ad-hoc basis. Clients can request meetings with members of the **Responsible Investment** team or the Institute to deep dive into **ESG** topics.

04 | Promoting well-functioning markets

04 | 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 **portfolio diversification**. As a firm, our four **RI** focus areas continue to be climate change; nature and biodiversity; human rights; and diversity, equity and inclusion. Focusing on these primary areas has allowed us to concentrate our resources more effectively and improve First Sentier Investors' visibility across these areas.

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

We continued our series of papers on the Sustainable Financial Disclosure Regulation (SFDR) Principle Adverse Impacts (PAIs), by releasing two explainer papers in 2024, on United Nations Global Compact (UNGC) Principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, and on Nature and Biodiversity.

The following section outlines how we have worked with internal and external stakeholders, to provide deep expertise across our focus areas, as well as contribute to **policy advocacy** and **thought leadership** across these focus areas in 2024.

Climate change

Climate change continues to be 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 assets 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

Internal education is a core part of our RI strategy. In 2024, we prepared guidance for First Sentier Investors' investment teams on assessing banks' policies and financing for coal, with respect to their overall climate policy. It provides a set of questions to check during assessments followed by high-level expectations to ask from banks. We also hosted an interactive workshop for Australian based investment teams on the Climate Change Authority's review of the potential technology transition and emissions pathways that best support Australia's transition to net zero emissions by 2050, facilitated by an external expert. This review, commissioned by the Australian Parliament, identifies barriers and proposed strategies and actions on the journey to decarbonisation. This workshop provided guidance to investment teams on assessing and engaging with companies.

Additionally, we continued to deliver on the **ESG** data strategy in 2024, by implementing a net zero dashboard on Bloomberg, a third-party data provider, to make net zero data more accessible for our investment teams.

Industry initiatives and stakeholder collaboration

We are active in several industry initiatives and **collaborative engagements**, including Climate Action 100+[1] (CA 100+), an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take appropriate action on climate change, and the Investor Group on Climate Change (IGCC)[2], a not-for-profit that connects investors together to share knowledge on climate change policy and corporate updates in Australia.

We use frameworks provided to continuously improve our net zero approach, including guidance provided from Global Financial Alliance for Net Zero, Transition Pathway Initiative, and Monetary Authority of Singapore, to map against our Climate Change Action Plan, as well as upgrading our net zero model in line with the Net Zero Investment Framework 2.0 guidance.

Our net zero alignment model is currently undergoing an effectiveness overview. This tool is used internally to enable investment teams to monitor their own progress against their net zero targets and identifying companies that are falling behind in the transition to a low carbon economy. This will allow our RI and Risk Management teams to work together on reviewing the model's methodology and effectiveness.

First Sentier Investors is continuing to develop its internal capabilities around climate scenario analysis modelling in 2025. Improved scenario analysis capabilities will enhance our understanding of the potential risks and opportunities associated with climate change.

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1 Climate Action 100+ (https://www.climateaction100.org/)
2 Investor Group on Climate Change (https://igcc.org.au/)

Challenges and progress

While access to reliable data remains a challenge, globally we are seeing increasing regulatory reporting requirements around company's climate-related risks, impacts and strategies. This means we expect to see more disclosure around granular data climate points over the next few years from companies. Increased transparency is a crucial step in the transition to net zero.

Because we know that addressing issues like climate change requires an approach from multiple stakeholders, we are also working on integrating our climate and nature reporting approach in 2025. As we hold ourselves to the same standards as the companies we invest in, we are undertaking work on developing suggested areas for improvement to our climate change action plan, a strategic document that sets out the steps and pathways we are taking on climate change, available here.

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.[3] Biodiversity conservation and climate action are intrinsically linked.[4] As one of the planet's best defences against climate change,[5] 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

Following the release of the Investors Can Assess Nature Now (ICANN) guide for investors in 2023, First Sentier Investors' work on biodiversity continued in 2024, with joining the list of TNFD Adopters (organisations which register their intention to start making public disclosures aligned with the TNFD Recommendations in their corporate reporting in respect of their financial years 2024 or 2025) in October, as announced at the Nature Positive Summit hosted by the Australian Government. A core focus for 2024 was supporting investment teams in implementing First Sentier Investors' nature and biodiversity toolkit to support some of their work in prioritising sectors/ companies, assessing water and deforestation risks and **engagement** plans. Some investment teams that have identified freshwater and deforestation as material issues for their investments have engaged with companies directly using the toolkit.

Teams exposed to infrastructure or real estate assets (e.g. the Global Listed Infrastructure and Global Property Securities teams) face a unique set of nature-related risks, opportunities, dependencies and impacts. The **RI** team has developed dedicated nature sector guidance in 2024, which includes detailed questions to check during research and engagement for companies in sectors including electric utilities, ports, linear infrastructure, data centres and property management.

Industry initiatives and stakeholder collaboration

In 2021, First Sentier Investors became a signatory to the Finance for Biodiversity (FfB) Pledge, a pledge from financial institutions to call on global leaders and commit to take responsibility and contribute to protecting and restoring biodiversity through their finance activities and investments. As a member of the FfB Foundation's Target Setting Working Group, First Sentier Investors reviewed and provided input for the second edition of the Nature Target Setting Framework for Asset Managers and Asset Owners beta version, which was published in July 2024. Following the work on this Framework, First Sentier Investors has set three types of Initiation Targets relating to Governance, Assessment and Training, as outlined on our website.

Members of the RI team also contributed to the development of a section on risk assessment in the Responsible Investment Association Australasia's (RIAA) Nature Investor toolkit, launched in October 2024. With practical actions and case studies, the toolkit is an important resource and guide for investors.

Challenges and progress

There is limited nature guidance from the industry on sectors like infrastructure of data centres which has provided an opportunity for First Sentier Investors to support our investment teams by developing our own guidance.

Although the issue is pressing, nature and biodiversity is often de-prioritised in **ESG** engagements. Through engagements in 2024, we have learnt that highlighting the connections between nature and biodiversity to climate change, can bring the topic to the table. We plan to continue applying the ICANN guide and nature and biodiversity toolkit in more company engagements.

We have worked with external research providers to further understand our investment holdings' dependencies and impacts on nature. The research work with one of the external providers focused on 17 companies' disclosure on deforestation. We also used Institutional Shareholder Services (ISS) Biodiversity Impact Assessment Tool, a tool from ISS, a third party provider of corporate governance and responsible investment solutions for institutional investors. The Biodiversity Impact Assessment Tool enables investors to assess the impact of companies' business and supply chain activities on biodiversity. This work allowed us to assess our biodiversity footprints in targeted **portfolios**.

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3 Worldwide Fund for Nature. (2024). Living planet report 2024.

4 Financial Times. 'Climate change and biodiversity: twin challenges for today's business leaders'.

5 Source: Gov.uk. (2021). Final report – 'The Economics of Biodiversity: The Dasgupta Review'.

In 2025, we plan to discuss this research with investment teams to inform company assessments, prioritisation and **engagements**. We also plan to work on nature disclosure in line with the TNFD recommendations, integrate governance oversight on nature to our existing **RI** governance structure, and make further progress in meeting our nature targets.

Human rights and modern slavery

As geopolitical turbulence and the physical impacts of climate change increase, so do human rights risks. The World Bank has estimated that by 2030, two thirds of the world's poorest populations will live in countries plagued by violence, fragility and conflict.[6] Human rights harms occurring in these areas often translate into material risks for companies including regulatory, operational and reputational risks.

The systemic nature of human rights risks means we cannot silo the issue. To understand the risks that human rights harms pose to **portfolios**, we need to undertake both qualitative and quantitative analysis (quantitative analysis involves numerical data while qualitative analysis involves non-numerical sources, these methods often complement each other). As investors, we have the leverage to engage with companies and collaborate with key stakeholders to address this issue.

Alignment with investments

In 2024, the RI team continued to focus on conflict, aiming to better understand how our investments are exposed to conflict affected high-risk areas[7] (CAHRA). We teamed up with the Heartland Initiative, an initiative aiming to advance human rights in investment to assess the most severe and systemic human rights and material risks in our investment portfolios. This work is ongoing and will continue into 2025.

As modern slavery is a constantly evolving issue, we continue to keep abreast of relevant emerging research. In 2024, we gathered research regarding forced labour risks in the renewable energy sector and responsible contracting. As further detailed below, the Institute worked with Walk Free, an international human rights group focussed on the eradication of modern slavery, in all its forms, in our lifetime, to develop guidance on remedial actions investors can pursue before, during and after finding cases of modern slavery.

Industry initiatives and stakeholder collaboration

First Sentier Investors continues to convene and chair the Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) initiative. The group represents 50 investors with a combined A$12 trillion in assets under management (as at 30 June 2024). The investor initiative aims to promote effective action by member companies to find, fix and prevent modern slavery, labour exploitation and human trafficking across the value chain.

A work stream within IAST APAC developed a set of core metrics that provides insights on a company's policies and processes, and how they are applying them in practice. Pleasingly, ISS Stoxx (a provider of comprehensive and data-centric research and technology solutions for capital providers) is implementing the metrics into their suite of modern slavery data and analytics. Further details can be found on page 41.

IAST APAC won the 'Recognition for Action – Human Rights' category at the Principles for Responsible Investment (PRI) Awards in October 2024. This award is recognition of the hard work undertaken by investors to promote effective action in finding, fixing and preventing modern slavery in operations and supply chains.

To ensure that we share relevant findings with other key stakeholders in the industry, we participated in and led a number of roundtables and events on managing conflict risk and peace finance with RIAA and the PRI. We also continue to be members of RIAA's Human Rights Working Group. Members of the RI team provided input into the Artificial Intelligence and Human Rights Investor toolkit, another emerging area in this space.

Challenges and progress

As human rights risks continue to heighten globally, First Sentier Investors continues to advocate for a more comprehensive approach that considers climate change, nature and human rights together. Encouragingly, there is increasing recognition of the interconnectedness between these issues across the industry.

Lack of access to good quality data remains a problem. Improving data disclosure can complement qualitative analysis when investors are identifying and assessing modern slavery risks. This increased transparency can serve as a foundational approach to assessing modern slavery risk and facilitating engagement discussions.

6 Independent Evaluation Group. Fragility, conflict and violence.

7 As defined by the OECD, conflict-affected and high-risk areas are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterised by widespread human rights abuses and violations of national or international law.

To overcome this issue, we cannot work alone. Along with working with data providers as explained above, IAST APAC has made its views clear through advocating to the International Sustainability Standards Board (ISSB) to align social reporting standards with international human rights frameworks.

Continuing to collaborate with stakeholders will help progress the issue in the right direction.

Research by First Sentier MUFG Sustainable Investment Institute[8]

Please refer to page 27 of our 2023 Stewardship Report for detail on the role and structure of the Institute. Through producing research on sustainability-related topics, the Institute can enhance investors' knowledge and contribute to industry debate. The research published in 2024 continues to help investors to understand the plethora of sustainability-linked topics including market-wide and **systemic risks**, and how they impact financial performance, society and the environment. The Institute's research is available on its dedicated website. Further details are below.

Diversity, Equity & Inclusion: Gender and Beyond

- This report aims to broaden the scope of diversity for investors, to include identities beyond gender and to focus on equity and inclusion. As Diversity, Equity and Inclusion (DEI) has been receiving increasing attention from investors, the report provides a comprehensive overview of the business and moral case for DEI, and how companies and investors can best approach this topic.
- In July, the Institute held a webinar discussing the key insights from the report with the participants from Sutton Trust and the Asset Owner Diversity Charter. In November, First Sentier Investors and the Institute organised a training session which was available to First Sentier Investors' employees on the key insights from this paper. There were 134 attendees for the APAC session and 92 attendees for the UK/EMEA session.

State of Nature-Related Disclosures: Assessing TNFD alignment of nature-related disclosures of firms in high-risk sectors

- This report follows on from the 'Why Nature' video published in December 2023. It explores what is currently being disclosed, measured and assessed by companies, highlighting good practices and identifying gaps and challenges to provide investors with useful information that can be used in company **engagements**.
- From analysing the disclosure of 16 companies, the assessment found that firms from most sectors are well on the way to aligning their disclosure with the TNFD framework. There are still gaps between material drivers of nature loss and indicators disclosed, and reporting on material nature impact drivers is inconsistent across sectors.

PFAS: Forever Chemicals – Investor Briefing

- Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) are a group of chemicals whose typical properties make them extremely useful in a broad range of consumer and industrial applications. Major industry sectors such as aerospace and defence, automotive, aviation, textiles, construction, household products, electronics, food processing, food packaging and medical devices all use PFAS.
- Due to the health and environmental impacts of PFAS chemicals, there is an increasing regulatory and litigation focus on PFAS. This report discusses the risks and opportunities this poses.
- In September, the Institute and Chronos Sustainability hosted a webinar based on the PFAS report findings with other speakers including Stewart Investors, Aviva Investors and Chemsec.

Modern Slavery & Remediation – An Investor's Guide

- Remedy is the provision of redress and resolution for human rights impacts incurred because of business activities. A key component of remedy is the prevention and mitigation of future harm.
- This report analyses the role that investors can play in facilitating remedy and provides case studies to demonstrate examples of remediation in practice.

8 Only available for professional audiences.

Sustainable investment: What it is and how you can get involved?

- First Sentier Investors and the Institute contributed to the development of the UK Sustainable Investment and Finance Association (UKSIF) guide 'Sustainable Investment: What it is and how you can get involved?'
- The guide is aimed at UK retail investors interested in sustainable finance and covers key relevant concepts, including the definitions of sustainable investing, its importance and aims, relevant terms, types of financial products and an overview of UK-specific sustainable fund labels.

Video: How are children's rights evolving for investors?

- To date, the common understanding of children's rights focused mostly on child labour through investment screening. However, societal, economic and technological developments necessitate acknowledgement of the broad scope of impacts businesses have on children. We emphasise product impact, particularly in an ever-growing online consumer world. This video provides a high-level overview of business impacts on children across these key areas and focuses on business and investor responsibility to uphold and promote children's rights.

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 2024, our approach to policy advocacy continued to be informed by our Policy Advocacy Principles.

Below are some examples of policy advocacy activities over 2024:

- Became a signatory to a statement to the United Nations expressing support for an international legally binding instrument to end plastic pollution (United Nations Environment Programme Finance Initiative, Principles for Responsible Investment, Finance for Biodiversity Foundation, Business Coalition for a Global Plastics Treaty, Dutch Association of Investors for Sustainable Development (VBDO) and CDP);
- Provided feedback on a discussion paper released by the Office of the New South Wales Anti-Slavery Commissioner on the development of an Australian code of practice to reduce modern slavery through lending, investment and asset management;
- Became a signatory to the Investor Agenda's 2024 Global Investor Statement to Governments on the Climate Crisis ahead of the 2024 United Nations Climate Change Conference (COP29) in Baku;
- Became a signatory to the submission by Be Slavery Free Australia to provide feedback to the Australian Consumer and Competition Commission (ACCC) on the ACCC's draft guide on sustainability collaborations and Australian competition law; and
- Submitted a response to the UK Financial Conduct Authority's consultation on its guidance on the anti-greenwashing rule.

05 | Investment approach

05 | Investment approach

Stewardship and ESG integration approaches

Please refer to page 39 of our 2023 Stewardship Report for detail on our firm-wide approach to assessing investments.

We believe that the range of approaches taken by our diverse investment teams are key strengths in achieving their **responsible investment** 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)[1]

AlbaCore is committed to investing responsibly, by considering and integrating material **ESG** factors in decision-making. This commitment applies to both investment practice and business operations, to support the identification and management of risks and opportunities. By incorporating material ESG factors in AlbaCore's investment process and business operations, we seek to meaningfully preserve the value of **portfolio** assets and protect the interests of investors.

During pre-investment due diligence, AlbaCore screens potential investments for risks in accordance with the negative screening process (screening is the application of rules based on defined criteria that determine whether investments are permitted in a portfolio). At the time of the original investment decision, certain industries are excluded based on revenue thresholds. AlbaCore also seeks to screen out direct investments in certain high-risk industries and business activities, including but not limited to the manufacture of controversial weapons and tobacco products.[2] During pre-investment due diligence, AlbaCore's investment team reviews potentially material ESG topics in relation to each proposed investment; these factors are considered by the Investment Committee prior to investment. Where potentially material risks are identified, investment and ESG teams monitor these factors following investment, where practicable and reasonable.

In respect of structured credit investments, AlbaCore considers ESG factors relevant and material to each Manager ("Manager" refers to the external third parties managing AlbaCore investments for its structured credit portfolios) prior to investment. To assist with the assessment, AlbaCore has developed an ESG checklist to determine each Manager's ESG profile; an ESG due diligence questionnaire is also issued during pre-investment due diligence to support conclusions about each Manager's ESG credentials. Responses are included in a **Collateralised Loan Obligation** Investment Committee memo and contribute towards an overall manager-level ESG score.

For further information relating to ESG integration in investment practice, please refer to AlbaCore's Responsible Investing & ESG Policy, as included on its website.

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. The team's ESG assessments have an important bearing on ESG Relative Valuation score that is assigned to every credit they review, in turn influencing **portfolio construction** decisions. Through this process, ESG risks are identified. Asian issuers, particularly those in more carbon intensive economies, also face both physical and transition risks[3] 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 influence investment decisions across portfolios, both in terms of **security selection** and portfolio positioning.

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1 Only available for institutional clients.

2 "Controversial Weapons" include anti-personnel mines, cluster weapons, biological and chemical weapons, depleted uranium, nuclear weapons produced in support of (i) the nuclear weapons programs of non-nuclear weapon state parties and (ii) non-signatories to the Treaty on the Non-Proliferation of Nuclear Weapons, and white phosphorus munitions. "Tobacco Products" refers to traditional cigarettes and other tobacco products (including cigars and chewing tobacco), but excludes vaping and e-cigarette products. For these investments that AlbaCore seeks to screen out, this does not apply to investments in broad-based **indices**, investments in entities with minority investments (i.e. <50%) in other entities or joint ventures that are involved in those sectors. More information on the sectors this applies to can be found here.

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

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 (excess performance compared to the chosen **benchmark** which the fund tracks its performance against). As fundamental investors (a style of investing involving examining a company's financial statements and broader economic indicators), the team seeks to identify material financial and non-financial ESG issues and incorporate these into stock analysis. When relevant, the team incorporates ESG issues into **financial models** and analyst stock ratings.

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

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 ESG factors, according to the sector and/or industry, as well as being influenced by entity-specific details. The emphasis placed by the team on a particular ESG factor in the assessment of the sustainability criterion is based on the team's assessment of the extent to which that factor is likely to have an impact on the returns of the relevant security over the long-term.

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

Cash and Short Term Investments
The team believes that ESG issues can have a significant bearing on default risk (the risk that an issuer will be unable to meet its debt obligations), and has observed that historically, poor corporate and regulatory governance can contribute to corporate failures. Consequently, ESG risks are identified as part of the team's credit research process to help manage default risks in the Cash and Short Term Investments **portfolios**. Every investment the team owns has an **internal credit rating**, and the analysts' ESG assessments influence internal credit ratings, which in turn influences sizing and **portfolio construction** decisions. The ESG assessment is also a factor in determining whether portfolios participate in a new issuance (where a company, government, or other entity issues new securities to investors for the first time).

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

FSSA also considers the evaluation of ESG factors as part of their approach to mitigating risks in their portfolios. However, they do not apply a check-box approach as the materiality of specific ESG factors will differ in each company and from time to time.

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

Global Listed Infrastructure
The Global Listed Infrastructure team invests in infrastructure (e.g transportation, utilities, energy and communication) companies publicly listed on the stock market. The team views ESG issues as essential for infrastructure companies, due to their service obligations and moral accountability to communities. As long-term investors, the team takes an active approach to proxy voting to convey their views to boards and management on key ESG topics including board composition, remuneration and corporate governance. The team also carries out company engagements, both directly and in collaboration with industry groups, to tackle challenges like energy transition and achieving Net Zero. Through company engagement, the team aims to understand **portfolio risks** better, highlight areas for potential improvement, promote ESG transparency, and support companies making progress. The team believes that integrating ESG considerations into their investment strategy enhances decision-making and leads to stronger long-term performance for clients.

Global Property Securities
The Global Property Securities (GPS) team believes that implementing ESG considerations into their investment process leads to better risk return outcomes,[4] which will ultimately improve long-term returns for clients.

4 The relationship between the level of risk associated with an investment and the potential return it can generate.

ESG considerations have been directly integrated into the investment process since 2012, ensuring an ESG bias in the **portfolio**. The team has developed their own proprietary ESG assessment methods, including their own **ESG scoring**, rating and carbon analysis methodologies (analysis of a company's carbon characteristics and net zero forecasts). These are part of the team's full **ESG pre-due diligence** process. The team is committed to continuous ESG disclosure.

The team does not rely on external ESG data providers for any stage of the investment process. In-house ESG research and company dialogue are the most important sources of reference for ESG analysis for this team. Whilst not used for their own ESG analysis, the firm does also subscribe to products from third party data providers for ESG data, including Sustainalytics, ISS climate data and MSCI Ratings for broader ESG reporting.

Voting is an important investor right and responsibility. Glass Lewis is the firm-wide platform for proxy voting, which is where the investment teams vote on decisions of the companies which they manage for their clients. The team votes independently.

Igneo Infrastructure Partners[5]

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 believes that managing ESG-related risks and opportunities is an important part of creating, protecting and enhancing long-term value. **Responsible investment** considerations are integrated throughout the investment process. The team can engage directly with its portfolio of companies via board representation and workshops with management, giving it the opportunity to provide input into targets, initiatives and help drive cultural change related to ESG matters.

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 (excess performance compared to the **benchmark**) sources; stewardship activities including voting and **engagement**; and exclusions, as per First Sentier Investors' exclusion policy and/or client mandates.

Stewart Investors

Stewart Investors' first investment strategy was launched in 1988, and its first dedicated sustainability strategy was launched in 2005. The team manages equity portfolios investing in Asia (including and excluding Japan), Global Emerging Markets (including and excluding China), Europe (including and excluding the UK), the Indian Subcontinent and also Worldwide. Stewart Investors strategies aim to achieve long-term capital appreciation by investing in high quality companies which both contribute to, and benefit from, sustainable development. 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 individual company analysis, and a focus on the quality and sustainability attributes of every company. The team seeks to address sustainability concerns and issues and improve sustainable outcomes by investing in companies achieving positive social and environmental outcomes, focusing on company stewardship and sound governance, avoiding businesses linked to harmful activities, and engaging and voting for change.

More information on how these **ESG integration** approaches have informed investment decisions to best serve our clients and beneficiaries can be found on pages 33–39 in the case studies section.

5 Only available for institutional clients.

Monitoring managers and service providers

As part of our **ESG integration** approach, we supplement investment team analysis with external **ESG** research. The **Responsible Investment** team subscribes to several third-party providers for ESG data to be used by our investment teams, as detailed below. Investment teams may supplement this data with additional datasets.

As the ESG market is constantly evolving, service providers should be monitored to ensure the data is high quality and is suitably fitting our needs. The Responsible Investment team conducts quarterly calls with representatives from selected service providers to discuss the firm's focus areas, address any service issues, and keep abreast of any developments from the service providers. It also offers an opportunity to provide our vendors some insights on our areas of focus for the upcoming quarter.

Throughout 2023 and 2024, we conducted a review of ESG service providers. Providers were evaluated on several relevant metrics, including data coverage, research methodology and providing clear, accurate and timely information. This review covered the following areas:

- ESG ratings and business involvement screening[6]
- EU Taxonomy (an EU-wide classification for sustainable activities) and the Sustainable Finance Disclosures Regulation (SFDR)
- Climate data and analysis
- Biodiversity impact and dependencies
- Governance and diversity data

These areas were well-aligned with our business needs relating to our ESG integration, risk management and measurement processes, and negative and positive screening (negative screen excludes companies based on a certain criteria, positive screening selects companies based on a certain criteria).

As an example, we assessed vendors' coverage of biodiversity impact and dependencies data to fit into our ESG integration, biodiversity reporting and target setting needs. ISS ESG was retained as a service provider because of its continued investment in biodiversity data and analysis and their responsive client servicing. ISS ESG also provides the necessary data and tools to assist us with the calculation of our biodiversity footprint as part of our TNFD reporting.

Following the results of the broader ESG service provider review we subscribe to the following services (as at 31 December 2024):

- **Sustainalytics** – ESG Risk Ratings research, Product Involvement research, Global Standards Screening, Country Risk Ratings, SFDR Principle Adverse Sustainability Impacts research and EU Taxonomy research
- **ISS** – carbon and climate data and analysis, fossil fuel data, biodiversity data, corporate governance and director data
- **RepRisk** – provider of intelligence on ESG controversies
- **Glass Lewis** – provider of governance services including proxy vote management
- **Ownership Matters** – provides proxy voting research and recommendations on S&P ASX 300 (stock market **index** of Australian stocks listed on the Australian Securities Exchange) companies
- **Qontigo** – maps companies' business activities to the Sustainable Development Goals (SDGs) (17 goals established by the United Nations, aiming to address a wide range of global challenges)

We integrate ESG research and data from external research providers into our data warehouse and investment systems, including into a series of internal ESG dashboards. To meet the needs of our investment teams, we make ESG data available through third-party systems, such as FactSet, Aladdin and Bloomberg.

Our investment teams may also access ESG information from other sources such as sell-side broker research (research from brokerage firms or investment banks), reports, conferences, webinars hosted by industry specialists, and reports by other interested parties such as regulators, government agencies and non-governmental organisations (NGOs).

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.

6 Screening companies based on their involvement in specific business activities considered controversial.

Proxy advisers

Proxy voting is a mechanism that allows shareholders to vote on corporate matters without being physically present at a shareholder meeting (typically at annual general meetings (AGM)). Instead of attending the meeting in person, shareholders can authorise another individual, known as a proxy, to cast their votes on their behalf. This process is commonly used in corporate governance to facilitate shareholder participation in important decisions, such as electing board members, approving mergers and acquisitions, or voting on executive compensation. Details of how our investment teams voted on these themes can be found on pages 43–46.

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

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

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

Each investment team is responsible for assessing voting resolutions and making an appropriate and consistent recommendation in line with corporate governance guidelines and principles. Every portfolio that is set up on the Glass Lewis voting portal can be monitored and audited for voting decisions to ensure alignment with our principles.

Monitoring proxy advisers

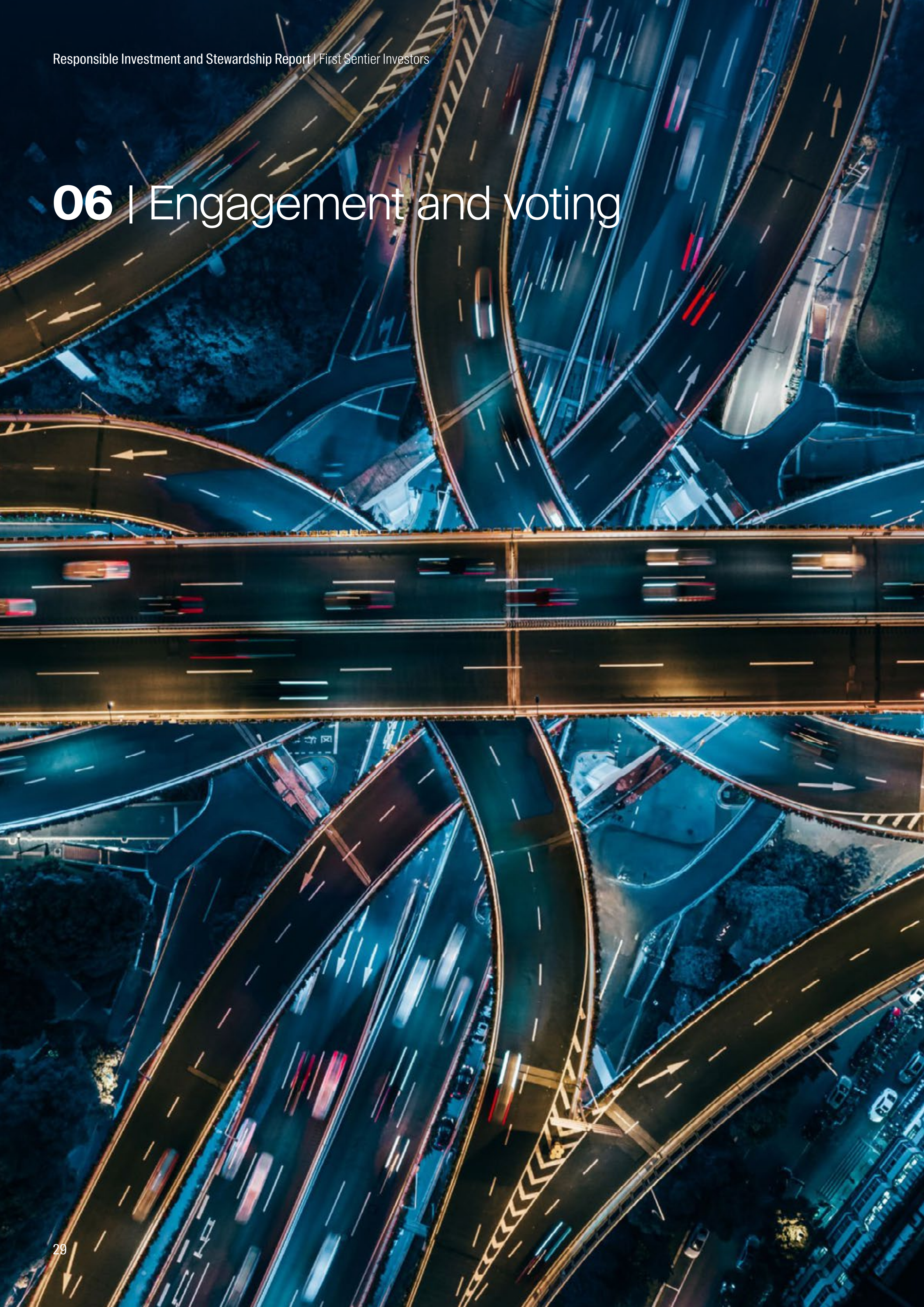
To ensure that the service providers are meeting the needs of the business, we undertake quarterly monitoring, including measurement against key performance indicators (KPIs), on Glass Lewis ensuring they are performing in line with agreed KPIs. As part of this process, we review our proxy voting advisers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

Further to this monitoring, in 2024, 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 enquiries

These quarterly KPI-based meetings are in addition to regular supplier due diligence assessments we conduct.



06 | Engagement and voting

06 | Engagement and voting

Engagement and escalation

Effective and responsible active ownership has long been part of our fundamental approach to investment. Active ownership represents a proactive approach to investment that seeks to influence corporate behaviour and decision-making to enhance long-term value. Through exercising voting rights and engaging on issues related to factors like strategy, risk, performance, climate change, human rights and governance, we can undertake active ownership and **stewardship**. This section sets out how we approach **engagement** as a firm, how this differs for different **asset classes**, and examples of where we have engaged with companies throughout 2024.

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

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

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 due to circumstances, the investment teams have also agreed to several common approaches. These include:

- Seeking to build a respectful, constructive and long-term dialogue with a company's management and board;
- Aiming to understand the company's approach to managing key business risks and opportunities to support better investment decision-making;
- Making clear any expectations or preferences for improvements in the company's practices and the importance of the company demonstrating those improvements;
- Emphasising our long-term investment horizon and avoiding encouraging short-term behaviours by company management that aim to maximise corporate revenue without due consideration of the impacts on stakeholders, the environment and society; and
- Encouraging and recommending companies to disclose their material ESG risks and performance in keeping with widely adopted and emerging global standards.

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; nature and biodiversity; and diversity, equity and inclusion. 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 33–39 below.

As with all engagement activities, it can be difficult to accurately attribute success or failure to specific engagements. For example, other investors may well be engaging with management on the same issue at the same time, the timeframe between engagement commencing and resolving can be long, and the engaged company may claim any changes we were advocating 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 (teams that continuously monitor the performance of investee companies), company engagement is a key source of insight into ESG risks and opportunities. Analysing and assessing a company's ESG issues helps the investment teams to identify risks that may not show up in its financial statements.

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

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

- Report the issue to the **RI** team who will escalate internally, for example by reporting to the Global Investment Committee and/or Global Responsible Investment Executive Committee
- Write to or meet with the company's management or Board
- Vote against directors they feel are not providing appropriate oversight
- Consider filing or supporting a relevant shareholder proposal
- Engage collaboratively with other investors
- Make their views public
- Reduce or divest the holding of the issuer

Cash and Short Term Investments

Ongoing engagement forms a critical part of our research process as we seek to understand and, where relevant, influence issuers on **ESG**, strategy and treasury policies. Unlike listed equities, our cash and **short term investments** team does not have voting rights, so direct engagements, **collaborative engagement**, and providing feedback at industry events are the primary avenues for us to escalate issues. There are three ways credit analysts can engage with companies on ESG concerns:

1. Direct engagement – which are at investor/earnings updates, at company sustainability days and/or upon a meeting request by the analyst;
2. A firm-wide collaborative effort usually led by our Responsible Investment team; and
3. External collaborative engagement, where we join a group of investors usually led by an external party (for example United Nations Principles for Responsible Investment).

The majority of our engagement is conducted on a direct engagement basis and is logged in an internal database. Our engagement primarily focuses on the material items of most concern to us, which in our view can have a material impact on a company's long-term financial performance and a security's spreads/margins, both positive and negative.

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

On an internal basis, an increase in ESG risks could result in a lower ESG rating, which feeds into the **internal credit rating**, and therefore influences the relative value assessment and position sizing in **portfolios**. As a last resort, the team may divest fully from deposits and bonds issued by a particular entity.

Asia Fixed Income

Ongoing engagement forms a critical part of the research process as the team seeks to understand, and where relevant, influence issuers on ESG, strategy and treasury policies. Any ESG concerns are logged within an internal database.

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 sovereign-related bonds tend to be tied to broader economic agendas. Individual private institutions, like First Sentier Investors, may not wield sufficient influence in the context of a sovereign's national objectives. The Asia Fixed Income team is nevertheless proactive in engaging with those parties who can influence long-term investment outcomes.

Unlike equity investors, **fixed income** investors 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.

A deteriorating ESG assessment would lead to a poorer credit assessment and influence the relative value assessment and position sizing of the issuer in portfolios. As a last resort, the team may divest fully from bonds issued by a particular entity.

Direct Infrastructure Investment – Igneo Infrastructure Partners (Igneo)[1]

As an **asset class** that involves companies that are not listed publicly on the stock exchange, Igneo 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 allows the team to influence cultural change and provide input into **ESG** KPIs (measurable indicators to assess performance in ESG areas). It 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.

Private Credit approach – AlbaCore[2]

AlbaCore believes that **engagement** practice, both with portfolio companies and external collaboration, forms part of its role to act responsibly and promote long-term economic objectives of investors and other stakeholders. Underpinning AlbaCore's engagement philosophy is sustainable value creation and risk reduction; engagement supports informed decision-making processes as well as seeking to maintain the value of its fund investments. **Stewardship** practice is therefore considered a formal and complementary part of the investment process.

During 2024, AlbaCore's ESG team began drafting its inaugural "Engagement framework", a tool designed to support the investment team to undertake discussions with borrowers, issuers and/or deal sponsors (a deal sponsor is typically a private equity firm, which owns private companies and, from time-to-time, may seek debt from private credit investors for general corporate purposes) on ESG topics in a consistent and systematic manner. The framework encourages consideration of when and how to engage, as well as the determination of relevant, material topics to discuss in accordance with AlbaCore's ESG risk matrix. As part of this workstream, AlbaCore will build a proprietary engagement tool to support the investment team's stewardship activities.

Engagement may be undertaken during pre-investment due diligence and portfolio monitoring, supporting the identification and monitoring of potentially material sustainability risks. Engagement activity might include raising borrowers' and/or sponsors' awareness about certain ESG topics and encourage borrowers to adopt better corporate sustainability practices. Where material ESG matters are identified, the investment team will seek to engage with deal sponsors and/or management on an ongoing basis to monitor these issues, where possible and practicable. If deemed severe and/or could result in a breach of relevant regulation and legislation, the investment team escalate concern(s) to the relevant portfolio manager and Investment Committee.

AlbaCore may also collaborate with peers and external initiatives.

1 Igneo is only available for institutional clients.
2 AlbaCore is only available for institutional clients.

The following section provides examples of how we have put **engagement** principles into action in 2024.

Case Studies
Engagement and escalation

Case study 1
Greenhouse gas (GHG) emissions reduction plan

Team: Igneo Infrastructure Partners
Company: enfinium
Theme: Climate change

Background
enfinium owns and operates energy-from-waste (EfW) facilities in the UK. It processes around 2.3 million tonnes of waste per year, equivalent to the waste produced by more than 2 million UK households annually. As enfinium has a relatively large carbon footprint, Igneo has been working with the team to develop a plan on reducing greenhouse gas emissions.

Objective
To work with enfinium to develop a plan for reducing greenhouse gas emissions.

Approach
Through engagement with executive management and participating in board meetings, the Igneo team were able to work with the company on developing a net zero transition plan (a roadmap detailing how to achieve net zero GHG emissions by a target date).

Outcome
Following Igneo's engagement and support, enfinium developed an ambitious net zero transition plan in 2023, based on a five-step roadmap, launching it in 2024. The plan includes a target to reach net zero across enfinium's EfW fleet by 2033, achieved by installing carbon capture technology across its six EfW sites. enfinium could become carbon negative by capturing both the fossil and the biogenic carbon dioxide (CO_2) arising from the waste enfinium processes, delivering the net removal of up to 1.2 million tonnes of carbon from the atmosphere per year by 2039. The vision is to transform enfinium from a traditional EfW company into a carbon removals business, powered by unrecyclable waste.

enfinium made the following progress towards its goals in 2024:

- In February, the UK Government designated enfinium's carbon capture and storage (CCS) project at Ferrybridge a 'Project of National Significance' and in September, enfinium launched the UK's first EfW carbon capture pilot at its Ferrybridge 1 and 2 facilities. The trial will run for at least 12 months and is being used to demonstrate how the technology can be applied at scale across enfinium's fleet. The pilot is currently capturing around one tonne of CO_2 per day and collecting real operational data such as the CO_2 capture rate and solvent degradation, and will assess the performance of different amine solvents.
- In September, the UK Government's Department for Energy Security and Net Zero confirmed that enfinium's Parc Adfer CCS project had passed the 'deliverability assessment' as part of the Track-1 HyNet Expansion programme and will progress to the shortlisting and cluster integration assessment stage. The announcement underscores that, if finally selected, Parc Adfer could have carbon capture running by 2030.
- Other ongoing investments to decarbonise enfinium's operations include the installation of gale breakers at the Ferrybridge 1 site to enhance energy efficiency.

Next steps
Igneo plans to continue to engage with the board and executive management on monitoring and implementing the net zero transition plan.

Case study 2
Investors can assess nature now

Team: FSSA Investment Managers
Company: China Mengniu Dairy
Theme: Biodiversity

Background
Mengniu is one of the top leaders in China's dairy industry focused on providing dairy-based products to Chinese and global consumers. It is a sizable position across the team's strategies (i.e. in the top 10 holdings of the strategies) and has been held for many years. Given its exposure to raw materials, it was an obvious potential candidate for nature-related risks.

The company was tagged as high-risk for biodiversity loss from the proactive analysis conducted by the First Sentier Investors' **Responsible Investment** Director utilising the First Sentier Investors' nature and biodiversity toolkit, 'Investors can assess nature now' (ICANN).

Objectives

The main objective of the **engagement** was to discuss questions relating to environmental topics as an outcome of applying ICANN.

Approach

After detailed research was produced by First Sentier Investors' RI team in late 2023, the FSSA team requested an **ESG**-focused call, engaging with Mengniu's Investor Relations Director and two members of its ESG team in early Q1 2024. Prior to the meeting, the FSSA team sent specific topics for discussion including those relating to water, deforestation, energy and disclosure quality.

Outcome

The meeting revealed an openness to engage, including consideration for the suggested best practices by the FSSA team including information on key commodities and suppliers in their next report(s). Mengniu's efforts seemed genuine and the team felt it could consider the company one of the best-in-class examples on biodiversity progress, especially in China. The team learned that Mengniu had upgraded its supplier codes of conduct, increased supplier management tools (Sedex) and issued a Forest Policy in 2022. After the call, the team sent a follow-up email with specific disclosure recommendations to specify the key commodities (raw materials used to manufacture consumer products), to add specific location details, adding water withdrawal (the taking of water from ground/surface water source) year-on-year figures, which was well received.

Next steps

FSSA plans to continue to engage with Mengniu after its new Task Force on Nature related Financial Disclosures report becomes available. It has also been included in a commissioned third party research report, led by an external data provider, related to deforestation risks and FSSA will send them a related engagement letter in Q1 2025.

Case study 3
Modern slavery in supply chains

Team: Stewart Investors
Company: Bicycle components, fishing tackle and rowing equipment company
Theme: Modern slavery

Background

In December 2023, the team received a controversy alert in relation to allegations that one of the company's suppliers had been accused of exploiting over 200 Nepalese migrant workers in Malaysia. The alleged exploitation included physical, abusive and threatening behaviour and unlawful salary deductions made without employee consent, including charges for use of the company canteen, high recruitment fees equivalent to seven months' salary, and unpaid suspensions.

Objectives

To understand what actions the company is taking to address these allegations, the measures being taken to investigate them and how it will resolve the situation.

Approach

The team emailed the company to ask for more information regarding the controversy.

Outcomes

The company confirmed that the media reports were accurate, and they had launched an investigation into the matter. The company advised that it had repeatedly engaged with its supplier on the need for compensation to be paid to all workers affected. The supplier did pay the compensation inclusive of interest incurred on any loans that were taken out to pay the recruitment fees.

The company continued to emphasise its focus on human rights and the necessity for this to be applied to the entirety of its supply chain. The company has adopted an industry-wide code of conduct and has been engaging internally and with its suppliers on the importance of human rights issues. The company is also in the process of creating and implementing a system to identify and monitor human rights issues. It will also release a human rights policy and grievance procedure mechanism.

Next steps

The team will follow up on the company's progress towards improving human rights issues within its supply chain and the disclosure of its processes.

Case study 4
Circular economy research

Team: Stewart Investors
Theme: Circular economy

Background
As part of their investment process, Stewart Investors regularly commissions external expert research to better understand how different issues might impact the companies they invest in. This research supports both their assessment of company quality and **engagement** activities.

The team is interested in learning more about the circular economy. The Ellen Macarthur Foundation defines the circular economy as a system where materials never become waste and nature is regenerated. In a circular economy, products and materials are kept in circulation through processes like maintenance, reuse, refurbishment, remanufacture, recycling and composting.

Objectives
To understand how well a selection of leading industrial companies were positioned to take advantage of a shift to a circular economy.

Approach
The team commissioned research on industrial circularity from Columbia Centre for Sustainable Investment (CCSI) because they believe this is a business-critical issue that will become increasingly relevant over the next decade. The purpose and scope of the research tender is set out here: https://www.stewartinvestors.com/content/dam/stewartinvestors/pdf/research-tenders/Industrial-Circularity.pdf

The transition to a more resource-efficient economy will require companies to adopt circularity into their business models. Companies that integrate circular economy principles into their processes stand to benefit from:

- Reduced manufacturing costs from more efficient design.
- Closer, more recurring, relationships with customers who rely on repair, refurbishment and recycling services.
- Reduced risk that the growing extended producer responsibility movement forces them to pay for large end of product life externalities (e.g. environmental damage).

Outcomes
A publicly accessible version of the research report is available on the CCSI website. Please note this version omits the detailed assessments of companies featured in the original report commissioned by Stewart Investors.

The report which was produced, "Circular Economy in the Industrial Goods Sector: A Framework for Understanding Private Sector Progress and Innovation" establishes a framework for assessing a selection of companies relevant to us as investors. It identifies examples of best practice across various dimensions of circularity. The report emphasises practical, replicable and scalable examples rather than unproven concepts.

The report identifies five areas of focus:

1. **Circular design and production: designing products for greater longevity, ease of repair, recycling, reducing the volume of materials needed for production, eliminating waste, or using recycled materials during production.**

   Example: Bosch developed a Design for Environment (DfE) standard. This has been applied across its products (including design, manufacture, packaging, transport, use and end of life). The firm conducts life cycle assessments which evaluate product-specific environmental aspects, for example, the use of materials, consumption of energy during manufacturing, use of recycled materials and remanufacturing at the end of the product's life. By using recycled materials, Bosch's latest cordless screwdriver lowered its through-life-cycle carbon footprint by 20%.

2. **Facilitating life extension and recycling of products: facilitating the repair, refurbishment, reuse, or recycling of products by end users.**

   Example: WEG Industries takes back used motors (damaged or with low efficiency levels) and provides a discount on the purchase of new high-efficiency motors. This promotes the use of more efficient motors and raises awareness of energy conservation, improving efficiency and reliability, and reducing operating costs.

3 **Direct collaboration: collaborating with other firms to achieve circular economy gains or develop new circularity approaches.**

Example: Lincoln Electric has piloted a programme which enables customers to return slag (a byproduct of the welding process) to be converted into new flux (a chemical substance used to remove impurities) which the customer can reuse.

4 **Standard setting and policy engagement: contributing to wider, societal progress towards a more circular economy, including participating in multi-stakeholder collaborations or lobbying activities which aim to advance circularity goals.**

Example: Mahindra & Mahindra speak at various forums such as the World Economic Forum and World Bank convenings to advocate for circular economy practices. In India, it helped lead a circular economy committee set-up by the Federation of Indian Chambers of Commerce and Industry, which aims to mainstream the circular economy as a concept.

5 **Public reporting: publicly articulating concrete circularity goals and credibly measuring progress against targets in a transparent manner.**

Example: Delta Electronics' publicly available sustainability report outlines a clear approach to identifying and meeting its circularity goals. It's clear and coherent reporting provides a model for other companies.

CCSI found large variances in approach across the companies assessed. Some have barely considered circularity while others have fundamentally overhauled their practices.

Next steps

The team hope that by sharing the report with companies and investors it can be a useful resource for anyone interested in evolving their approaches to the circular economy.

Stewart Investors will share the report and engage with **portfolio** companies, prioritising those that are early in their circularity journey. These companies should benefit more from an introduction to best practice than peers that have already embraced circular thinking.

Through the process of engagement, the team hopes to learn more about the practical aspects of implementing best practice. This will help Stewart Investors to better understand the risks and opportunities associated with putting the principles into practice which will enable the team to evolve their approach to company selection and engagement.

Case study 5
Traditional land owners in Australia

Team: Australian Equities Growth
Company: Rio Tinto
Theme: Human rights

Background
In 2020, Rio Tinto (Rio) destroyed a 46,000-year-old cave in the Pilbara in Puutu Kunti Kurrama peoples' country. This led the Australian Equities Growth team to research the legal and social expectations regarding cultural heritage management and consider the quality of the miner's relationships with traditional owners. They visited the Pilbara in July 2024 to meet with traditional owners and deepen their understanding of the challenges in modernising land use agreements.

Objective
The team have sought to understand whether Rio is effectively implementing free prior and informed consent and best practice cultural heritage management. They are also seeking to understand the challenges associated with agreement modernisation, particularly in the Pilbara in Western Australia (WA).

Approach
Since November 2023, the team has had eight meetings with Rio's chair and members of the executive team including the head of WA Iron Ore and the head of Australia. The discussions have included the following:

- Legal requirements and community expectations regarding consultation with traditional owners.
- Traditional owner feedback including access to water and historic compensation.
- Rehabilitation of mine sites.
- Quality and type of consultation.

Outcomes
The company recognises the challenges that remain. It is currently negotiating modern land use agreements with traditional owners in the Pilbara and has taken steps to address some of the issues regarding water use, including the commissioning of a desalination plant in the Pilbara.

Next steps
The team plans to continue to engage on this topic with the company.

Case study 6
Improving disclosure

Team: RQI Investors
Theme: Sustainability reporting

Background
As a signatory to the Carbon Disclosures Project (CDP), the RQI Investors team signed up to help encourage disclosure from firms that currently do not disclose either climate, water or forestry information.

Objectives
To encourage companies to improve their sustainability disclosures.

Approach
The team reached out to 27 firms asking them to disclose data on either climate, water or forestry, depending on what was most relevant to their industry. The team wrote a letter (prepared by the CDP) to each of the companies. The team owned these companies when they engaged with them.

Outcomes
From the **engagement**, one company in the information technology sector completed the climate reporting, one company declined to respond, and other companies provided no response. Whilst the team would have preferred a more positive outcome, it believes receiving one company response is a positive result. As a quantitative manager, data is very important to the team and having better disclosure from the companies means the team can better understand the companies and analyse them.

Next steps
When participating in the initiative next year, the team plan to send a follow up email to the initial firms they engaged with to look to improve the response rate.

Case study 7
Lapse of governance

Team: Cash and **Short Term Investments**
Company: ANZ Bank
Theme: Governance

Background
In July 2024, the Australian Securities and Investments Commission (ASIC) launched an investigation into ANZ Bank (ANZ) concerning its execution of an April 2023 issuance of a 10-year government bond. It is alleged that ANZ manipulated the interest rates in favour of ANZ, and to the disadvantage of the government, during the pricing of the government bond issue.

Objective
To understand ANZ's next steps in addressing any lapse of governance in its trading division.

Approach
The team approached ANZ for a meeting to discuss the investigation in September 2024. Given the market sensitive information, ANZ was only able to discuss what had been publicly reported at the time of the meeting. The team's **ESG** assessment of ANZ remains at "high risk".

Next steps
The team will continue to monitor developments and engage with the company, via its normal credit process.

Case study 8
Safety and environmental risks

Team: Australian Small and Mid-Cap Companies
Company: Cleanaway Waste Management
Theme: ESG progress

Background
Cleanaway is a waste management and resource recovery company that takes an innovative approach to putting waste to use as a resource. As the team has a strong conviction in the company, the Australian Small and Mid Caps team continued to engage with Cleanaway to understand and monitor their ESG approach in 2024.

Objectives
The waste management industry has elevated safety and environmental risks. The team seeks assurance that these risks are being appropriately managed, as well as understanding Cleanaway's strategic approach to ESG and the considerable investment it is making towards its carbon reduction strategy and the potential of creating energy from waste.

Approach
The team engaged with Cleanaway senior management where a range of ESG issues were discussed, including a fatality at the company's recycling facility in Sydney. On safety more broadly, the company believes there has been a significant improvement following investment in systems and safety culture. The team also discussed Cleanaway's ongoing focus on the environment, including route efficiencies and trials of biofuel and electric trucks.

Outcome
The team are satisfied that Cleanaway adequately manages ESG risks. The team are supportive of Cleanaway's broader strategic approach to ESG issues and believes it will confer them with a competitive advantage over the medium to longer term.

Next steps
The team will continue to engage with Cleanaway and monitor how progress is tracking towards its longer-term goals.

Case study 9
Nature and biodiversity disclosures and risks

Team: Asia Fixed Income
Company: Indofood
Theme: Nature and biodiversity

Background
Indofood is one of the largest producers of packaged food in Indonesia, including instant noodles, dairy products, snacks, seasonings and beverages. It has more than 30 factories across South East Asia, the Middle East and Africa and with production capacity of 28 billion packs of instant noodles per annum.

Certain external ESG providers as well as First Sentier Investors' internal ESG research had picked up on some ESG concerns related to Indofood's operations. There were multiple criticisms related to its socio-environment impact of reported plastic sachet waste pollution in Indonesia. The firm also has been criticised for its withdrawal from the Roundtable on Sustainable Palm Oil, as well as for its alleged lack of compliance with the No Deforestation, No Peat, and No Exploitation (NDPE) supply chain framework due to alleged repeated violations of deforestation policies. The firm's affiliates (Salim Group, Indofood Agri) have had alleged association with palm oil deforestation and peatland development.

Objective
With this information, the Asia Fixed Income team aimed to better understand how the company was approaching ESG, improving its ESG disclosures, and their response to the ESG criticisms.

Approach
In 2023, the team conducted desktop research, which included using the First Sentier Investors' biodiversity toolkit and research from third party sources. The team then assessed this information against the company's public disclosures. The team met with the company in a group investor meeting and used this opportunity to bring up biodiversity-related topics. In 2024, the Asia Fixed Income team attended another group investor meeting with the company, where biodiversity was raised again. From this meeting, the team noted how the company is approaching biodiversity related disclosures, as well as identifying and addressing biodiversity risks.

Outcome
Although there could be room for improvements in disclosures, the investment team found that the firm was on an improved ESG trajectory. Findings from the team's latest analysis and engagements with the firm, found that Indofood has biodiversity targets in place for 2024 and 2025. The company also has various waste reduction initiatives in place and is developing other initiatives with other leading industry players. As such, while noting a high ESG risk rating for Indofood, the Asia Fixed Income team believes the company is on an improving ESG trajectory.

Case studies
Collaboration and escalation

Direct **engagements** are our most common approach to engagement activities.

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

Our record of collaborative engagement with other global investors covers a number of important topics, such as:

- Microfibres (as it impacts oceans)[3]
- Human trafficking and modern slavery
- Conflict minerals[4]
- Climate change

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 (as at 31 December 2024) are listed in Appendix 1.

3 As profiled in our 2020 **Responsible Investment** Report, First Sentier Investors partnered with the UK Marine Conservation Society to engage with key stakeholders on the issue of marine microplastic pollution. Specifically, on engaging with manufacturers of domestic and commercial washing machines to fit filtration technology to their products, as a standard feature, that prevent plastic microfibres entering the world's marine ecosystems.

4 Tantalum, tin, tungsten and gold (referred to collectively as conflict minerals) along with cobalt, are essential 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 often be in conflict-affected regions, and inadvertently finance armed conflict and the abuse of human rights. As profiled on the Stewart Investors website, Stewart Investors is the convener of the multi-year collaborative engagement initiative: 'Tackling conflict mineral content in the semiconductor supply chain'.

Below are examples of how we have put **engagement** principles through collaboration into action in 2024.

Case study 1
Increasing data disclosure

Team: First Sentier Investors
Collaboration: Investors Against Slavery and Trafficking APAC
Theme: Modern slavery

Background
First Sentier Investors convened and chaired the Investors Against Slavery and Trafficking (IAST) APAC Initiative, which represents 50 investors, with a combined A$12 trillion in assets under management (as at 30 June 2024). The investor initiative aims to promote effective action by member companies to find, fix and prevent modern slavery, labour exploitation and human trafficking across the value chain.

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

Approach
During 2023 and 2024, a working group within the investor advocacy workstream worked to increase data transparency from companies on this topic. After engaging with several stakeholders, the workstream developed a set of 'core metrics'. These are focused on understanding whether a company has the right policies and processes in place (input metrics) and how they are applying them in practice (output metrics).

Outcome
In 2024, IAST APAC partnered with ISS Stoxx to integrate these 'core metrics' into their modern slavery data and analytics offering. This is not a comprehensive solution to modern slavery risk identification and assessment, but it is a strong step forward in the right direction given the influence **ESG** research providers have in relation to company disclosure.

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

Case study 2
Climate Action 100+

Team: Australian Equities Growth
Company: Santos
Theme: Climate change

Background
Santos is a global oil and gas producer with significant carbon emissions. As climate change is a material financial issue to Santos, the team joined the CA100+ engagement in addition to the meetings they held individually with the company.

Objectives
The purpose of this collaborative engagement is to encourage Santos to further develop its transition plan and deepen the group's understanding of the company's strategy with respect to climate. In 2024, the group set several engagement objectives including the following:

1. Encourage the company to set science-based carbon reduction targets.
2. Obtain more information on the company's new energy solutions business, including its plans for carbon capture and storage.
3. Understand more about the company's carbon offset strategy and see more disclosed on the projects the company plans to develop.

Approach
In 2024, the CA100+ group met twice to discuss engagement objectives and approach. The Australian Equities Growth team participated in that discussion, sharing their knowledge of the company's transition plan.

The CA100+ group met with members of the company three times and discussed the company's transition plan, its carbon targets, its new energy business, methane emissions and its approach to offsets.

Outcome
The company has since disclosed a new scope 3 target (indirect emissions that occur in the upstream and downstream activities of an organisation) and discussed changes it is planning on making to its three-yearly climate transition plan, which is expected to be published in March 2025.

Next steps
The team plans to continue to engage with Santos to discuss its climate strategy.

Exercising rights and responsibilities

Asia Fixed Income, Short Term Investments & Cash lack the right to vote, but they do have rights related to bond documentation.

Due to the nature of the **asset class**, **fixed income** has a different approach to exercising rights and responsibilities than listed equities (as detailed on page 43). The following sets out how fixed income teams review bond transaction documents (a legal document that outlines the terms and conditions of a bond issuance) and their escalation process.

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

The teams review key terms which includes:

- The events of default,[5] its priority in the event of a default.[6]
- The presence or absence of change of control clauses.
- Coupon step-ups or step-downs (coupons are the periodic interest payments made to bondholders during the life of the bond, step-ups or step-downs refers to an increase or decrease in the coupon, or interest rate) if external credit ratings change.
- Cross default provisions (which are where a default on one payment obligation automatically triggers a default on another payment obligation).
- **Limitation to asset sales.**
- Financial covenants (impose certain financial performance requirements on the issuer).
- Early rights to redemption (repayment) by issuer or the bondholder.
- The structure of parent company or group guarantees.

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

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

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

If the teams are not satisfied with the documentation, they will provide this feedback, along with their recommended changes, to the banks co-ordinating the bond transaction. They 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 the teams consider to be of weaker quality, they might recommend changes in clauses such as cross default, change of control clauses and coupon step-ups on external ratings downgrades.[7] If the changes they ask for don't happen, or they're still not satisfied with the supporting documentation even after amendments, they will not invest in the bond.

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

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

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

Voting

Our approach to voting remains unchanged, please see our 2023 Stewardship Report on page 62. Details of all votes we cast in 2024 can be found on our website. A comprehensive guide detailing our voting approach regarding major issues can be found in Appendix 1 of our Global **Responsible Investment** & **Stewardship** Principles document.

Our voting practices and voting record

We believe that proxy voting is an important investor right and responsibility and should be exercised wherever possible. Indeed, these rights (together with other share-related rights such as pre-emption rights) should be afforded the same attention and diligence as any other assets we manage for our clients. In addition, the ability to vote strengthens our position when engaging with investee companies and supports the stewardship of our clients' investments.

As detailed on page 28, we use a selection of proxy voting advisers to provide governance services, to advise on and deliver our proxy votes to the companies we invest in. Our investment teams retain full control of their voting decisions (subject to specific client voting arrangements in the case of segregated accounts) and may not always follow the guidance issued by the providers.

The following section details how our listed equities teams voted in 2024.

Our active listed equity teams voted on 40,289 resolutions at company meetings between 1 January 2024 and 31 December 2024. This represents 96.21% of resolutions. As a firm, we aim to vote on all resolutions where possible. We don't vote in certain share blocking markets (where shareholders cannot sell or transfer their shares for a certain period before a shareholder meeting or vote) or where there'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 or our Global Responsible Investment & Stewardship Principles document.

A deep-dive into the proxy voting records for 2024, highlighted that board and director elections are the category that has recorded the most votes against management, which is in line with previous years. These votes accounted for 49.28% of the total votes against management. This is consistent with the trend in votes against proxy advice, with director and board elections accounting for 57.47% of the total votes against the proxy advisor. While the reasons for these votes vary, concerns include a lack of diversity, independence, or insufficient sustainability reporting. This reflects the independent and active approach to proxy voting from our investment teams, and our emphasis on an independent, engaged and diverse board.

The category most likely to witness a vote against management advice was shareholder proposals. First Sentier Investors' investment teams supported 38.30% of shareholder proposals and 4.74% of the total votes against proxy advice. The levels of support have decreased from last year, down from 46% and 18% respectively. Shareholder proposals were more likely to be supported by our investment teams if they felt, following **engagement**, that the company was not making adequate progress and particularly where proposals advocated for additional disclosure or reporting on an issue.

First Sentier Investors' investment teams voted on 2,611 resolutions related to Audit/Financials in 2024. 20.06% was against management and 15.41% of the total votes against proxy advice. The most common theme was excessive auditor tenure, which raises concerns of independence. Other governance related votes against management concerned a lack of transparency or independence.

Votes related to executive remuneration recorded 8.77% of the total votes against management. Concerns raised in 2023 regarding excessive compensation and poor compensation design continued to be an area of scrutiny in 2024. Recurring themes include a poor link between executive remuneration and sustainability, excessive compensation, and misalignment between compensation and company performance.

Voting autonomy

The figures below show the number of times our active listed equity teams voted against management recommendations, our proxy advisor recommendations, or against both during 2024, and the proportion of total votes case in 2024. These illustrate the independent judgement which is applied by the teams when making voting decisions:

- Against proxy adviser 3,419 (8.49%)
- Aagainst management 5,678 (14.09%)
- Against both 2,752 (6.83%)

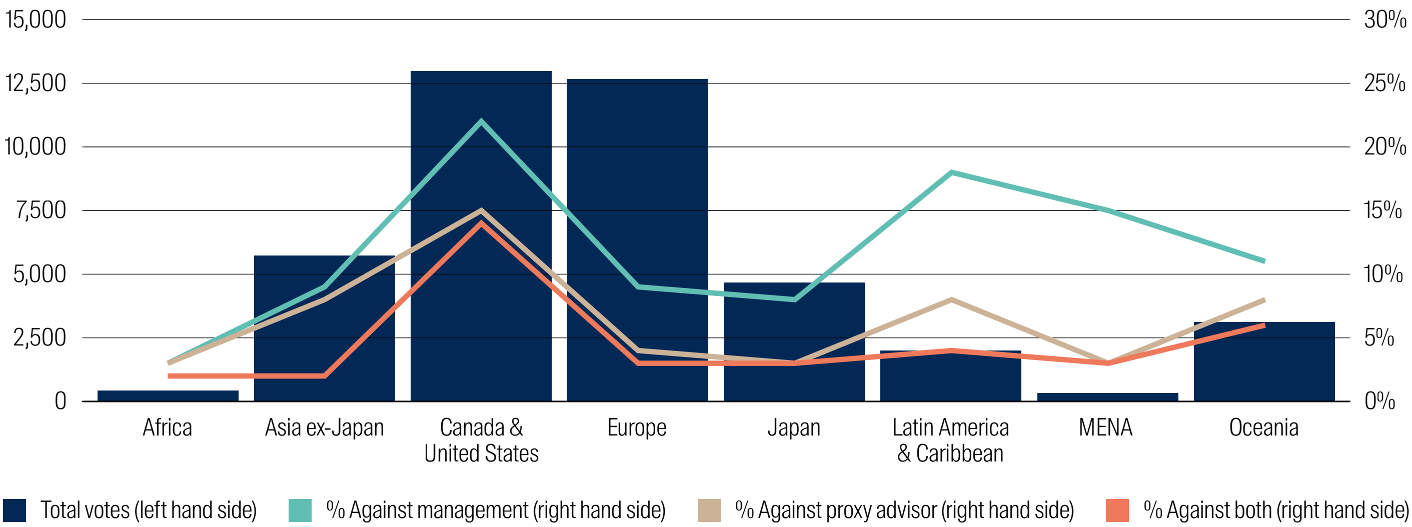
Source: First Sentier Investors/Glass Lewis
Date: 1 January 2024 – 31 December 2024

Table: Our proxy voting record by category

	Abstain	For	Against	Total
Audit/Financials	30	2,066	515	2,611
Capital management	25	2,872	154	3,051
Director election	61	16,687	2,747	19,495
Director remuneration	7	1,087	41	1,135
Executive remuneration	0	1,836	514	2,350
General business	61	2,436	107	2,604
Governance related	53	4,178	554	4,785
Merger & acquisition	4	170	2	176
Remuneration related	2	1,620	391	2,013
Shareholder proposal	26	422	562	1,010
Shareholder rights	4	918	137	1,059
Grand Total	**273**	**34,292**	**5,724**	**40,289**

Source: First Sentier Investors/Glass Lewis.
Date: 1 January 2024 – 31 December 2024.

Table: Proxy voting record by region



Source: First Sentier Investors, as at 31 December 2024.
Date: 1/1/24 - 31/12/24.

What we voted against and why

Topic: Director and board election

Our primary reasons: Lack of diversity, independence, insufficient sustainability reporting or action (for example voting against a director when the company lacks GHG emission targets)

Votes against management: 2,798

13.92%

Topic: Shareholder proposal

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

Votes against management: 419

38.30%

Topic: Governance

Our primary reasons: Excessive auditor tenure

Votes against management: 1,060

13.92%

Topic: Capital management

Our primary reasons: Concerns around potential dilution, lack of disclosure for issue price discount and excessive debt

Votes against management: 179

5.73%

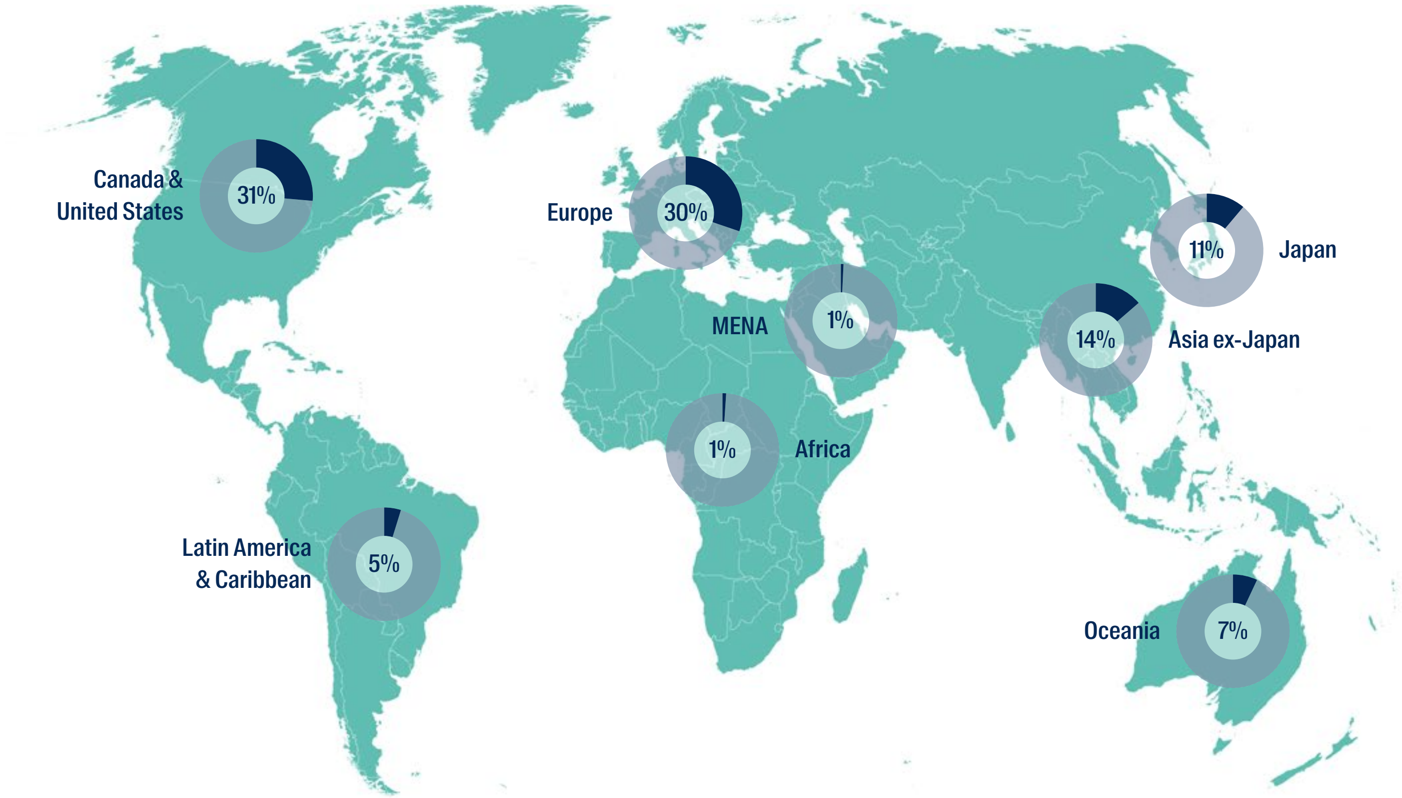
Topic: Director & executive remuneration, and other remuneration related issues

Our primary reasons: No ties between compensation and sustainability, excessive compensation, and misalignment between compensation and company performance

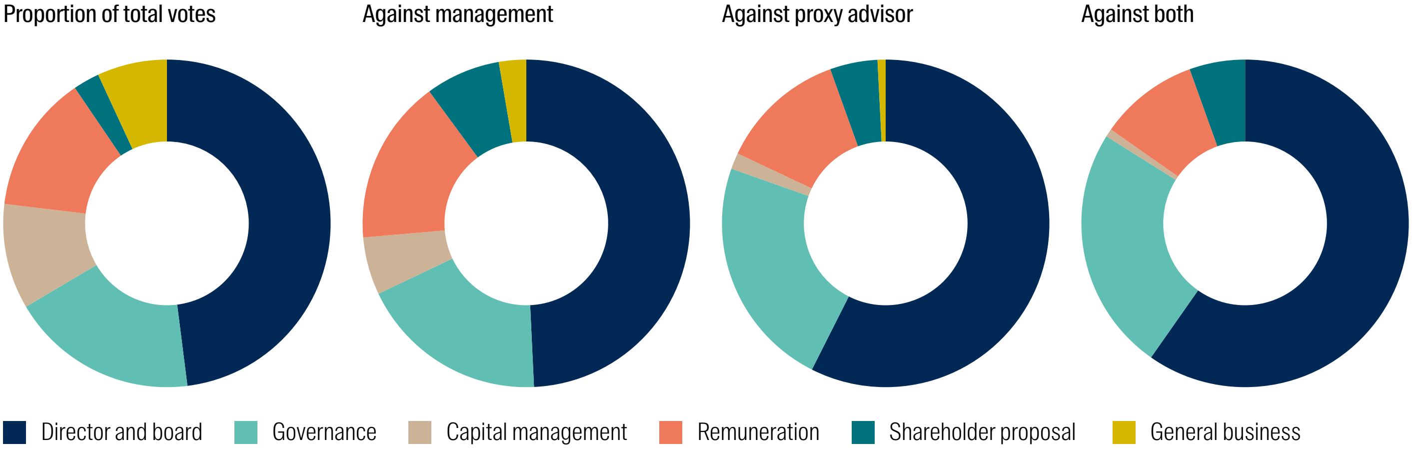
Votes against management: 924

13.67%

Geographical breakdown of proxy votes



Where we used our voice most



Proxy voting information as at 31 December 2024.
Source: First Sentier Investors/Glass Lewis.
Date: 1/1/2024–31/12/2024.

The following section details examples of resolutions our investment teams have voted on over the past 12 months.

Case study 1
Ensuring safety and board effectiveness

Team: Global Listed Infrastructure
Company: Norfolk Southern Corporation

Norfolk Southern Corporation (NSC) is a large North American freight railroad operating primarily along the densely populated US East Coast. Headquartered in Atlanta, Georgia, the company manages approximately 20,000 miles of track across 22 states, serving major regions from New York City to Jacksonville.

In recent years, the Global Listed Infrastructure team (GLI) has engaged with NSC on critical issues such as safety and customer satisfaction. Despite claims from proponents of precision scheduled railroading (PSR) that safety should improve under this model (this model is based on trains leaving at a scheduled time instead of waiting for carloads to turn up and be 'sorted'), NSC has seen a decline in safety metrics. The discussions aimed to uncover the reasons behind this decline and the measures NSC is taking to enhance safety performance.

In February 2024, activist investor Ancora announced plans to initiate a proxy fight (where an investor persuades other shareholders to influence significant corporate decisions through using their proxy votes) to overhaul NSC's board and replace CEO Alan Shaw. Like the GLI team, Ancora expressed concerns about the company's leadership, operational inefficiencies, and safety issues, arguing that NSC was lagging its peers in profit margins and operational improvements. Ancora advocated for broader adoption of the PSR model to streamline operations, reduce costs, and enhance performance, proposing the appointment of seven new board members to revitalise the company's leadership.

Objective
To support Ancora in their advocacy efforts.

Approach
Over the following months, the team organised meetings with the NSC board, the NSC management team, Ancora, and Ancora's proposed CEO and CIO. The team also requested a meeting with proxy voting advisor Glass Lewis to share their views ahead of the upcoming vote. They expressed their loss of confidence in NSC's current management, strategy, and board, citing concerns about corporate governance and accountability. Ultimately, they communicated their intention to support Ancora's efforts.

Outcome
In May 2024, shareholders elected three of Ancora's seven nominees, resulting in the ousting of the chair and two other directors. Although Alan Shaw retained his CEO position initially, he was removed a few months later due to allegations of misconduct related to company policies.

While the vote from the GLI team did not secure full support for Ancora's bid to overhaul the board and replace the CEO, the **engagement** discussions helped bring these issues to light, raised awareness among proxy voters like Glass Lewis, and ultimately contributed to the CEO's departure for unrelated reasons.

Next steps
The team will continue to engage with the company on important issues such as this, ensuring that governance practices are strengthened and that the company remains accountable to its stakeholders.

Case Study 2
Gender diversity on boards

Team: Global Property Securities
Company: American Homes 4 Rent

Background
American Homes 4 Rent is a large-scale integrated owner, operator and developer of single-family rental homes. At the annual general meeting (AGM) in May, 12 board directors were up for re-election. At the time of the AGM, the board had three out of 12 females on the board.

One of the male directors up for re-election had served the longest time on the board (referred to as tenure), at 12 years (at the time of the AGM). While Glass Lewis recommended re-electing one of the male board directors for another year, the Global Property Securities (GPS) team felt that given the director's tenure and skill set, this election was an opportunity to improve the board's gender diversity.

Objective
To not re-elect the aforementioned director to the board for another term.

Approach
At the AGM, the GPS team voted on a number of proposals, including to not re-elect the director. This vote is consistent with the team's earlier discussions with American Homes 4 Rent's management.

Outcome
The director was elected to another 1-year term on the board. The GPS team continues to proactively engage and monitors companies on their diversity progress, in line with their investment approach.

Case Study 3
New director appointments

Team: Stewart Investors
Company: DBH Finance

Background
DBH Finance is a leading private home financing company in Bangladesh.

As part of Stewart Investors' long-term investment approach, the **stewardship** of companies, particularly the quality of management, is a key consideration in the investment decision making process. At the company's AGM in May, the company sought to appoint two new independent directors to replace retirees.

Objective
To communicate the team's reasoning for abstaining from voting on proposals prior to the AGM.

Approach
Prior to the company's AGM in May, the team wrote to the investor relations (IR) team at DBH Finance to inform them that the team would abstain from voting on the election of two new independent directors at the company due to insufficient information on the candidates. The team sent a letter to the company explaining their voting decision.

Outcome
The company's IR team responded to the letter and provided additional information on the nominated directors prior to the upcoming AGM. As a result, the team changed their initial vote to support the election of the directors. The Stewart Investors team also encouraged the company to provide shareholders with more information on future director appointments well in advance of the AGM.

07 | Appendix 1

Initiatives we were involved in as at 31 December 2024:

Global

Cambridge University Investment Leaders Group (since 2013)
- Founder member
- Nature working group member

Climate Action 100+ (since 2017)
- Supporting investor

Finance for Biodiversity pledge (since 2021)
- Signatory

Nature Action 100 (since 2023)
- Investor participant, member of **engagement** team with one company

Net Zero Asset Managers initiative (since 2022)
- Member
- Advisory group member

Principles for Responsible Investment (PRI) (since 2007)
- Signatory
- Pilot sovereign engagement, member (2023)
- Spring (PRI **stewardship** initiative on nature) endorser (2023)

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

Taskforce on Nature-related Financial Disclosures (since 2022)
- Forum member
- Adopter

Tobacco Free Portfolios Pledge (since 2021)
- Signatory and pledge stamp member

EMEA

FAIRR (since 2023)
- Investment member

Irish Funds Association (since 2020)
- **ESG** data reporting working group

UK Sustainable Investment Forum (since 2013)
- Member

World Benchmarking Alliance (since 2023)
- Ally

Asia Pacific

30% Club Australia (since 2018)
- Investor working group member

40:40 Vision (since 2020)
- Steering group member
- Investor working group member

Australian Sustainable Finance Initiative (since 2022)
Financial Services Council (since 2020)
- Director of the FSC Board
- Member of the Fund Management Board Committee
- Member of the Investment Expert Group
- Member of the ESG Working Group

Hong Kong Green Finance Association (since 2023)
- Member

Investors Against Slavery and Trafficking APAC (since 2019)
- Chair

Investor Group on Climate Change (since 2013)
- Member

Japan Sustainable Investment Forum (JSIF) (since 2021)
- Signatory

Japan Stewardship Initiative (JSI) (since 2021)
- Signatory

Responsible Investment Association Australasia (since 2013)
- Board Member, Chair of the People, Remuneration, Nominations Committee
- Member of the Nature Working Group
- Member of the Human Rights Working Group

Women in Sustainable Finance (since 2019)
- Committee Member

08 | Appendix 2

UK Financial Reporting Council Stewardship Code Principle Mapping

Principle	Page number
Principle 1 – Purpose, strategy and culture	3–4, 7–9
Principle 2 – Governance, resources and incentives	10–13
Principle 3 – Conflicts of interest	13
Principle 4 – Promoting well-functioning markets	18–22
Principle 5 – Review and assurance	14–15
Principle 6 – Client and beneficiary needs	3–5, 15–16
Principle 7 – **Stewardship**, investment & **ESG integration**	24–27, 33–39
Principle 8 – Monitoring managers and service providers	27–28
Principle 9 – Engagement	30–39
Principle 10 – Collaboration	40–41
Principle 11 – Escalation	30–39
Principle 12 – Exercising rights and responsibilities	42–48

09 | Appendix 3

Aotearoa New Zealand Stewardship Code Principle Mapping

Principle	Requirements	Page number
Principle 1 – Be committed	Signatories will establish, and publicly articulate, how their investment philosophy, governance structures, and resourcing supports the goals of effective stewardship.	7–15
Principle 2 – Establish and maintain policies	Signatories will develop and implement measurable and effective stewardship policies.	7, 12, 14–15, 24–26
Principle 3 – Incorporate material ESG matters	Signatories will incorporate material **ESG** matters into their investment decisions and stewardship practices.	18–22, 24–26
Principle 4 – Be engaged	Signatories will engage regularly and effectively with underlying managers, issuers, and other key stakeholders.	15, 27–28, 30–39
Principle 5 – Vote responsibly	Signatories will exercise voting rights in accordance with their investment mandate, and regularly and transparently disclose voting actions and outcomes.	43–48
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.	13
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.	18–22, 40–41
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.	15–16
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, 14–16

10 | Glossary

Active investor: Refers to active investment, an investment strategy using a manager's skill and judgement to select investments.

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

Aotearoa New Zealand Stewardship Code: New Zealand's investment community has developed a Stewardship Code for Aotearoa New Zealand. The Aotearoa New Zealand Stewardship Code provides a principles based framework for achieving stewardship, recognising the importance of incorporating **ESG** matters, and consideration of a Te Ao Māori worldview.

Asset class: A group of similar type of investments.

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

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

Collateralised loan obligation: A type of structured credit product that pools together a number of loans, typically leveraged loans made to companies with lower credit ratings, and then issues securities backed by this loan **portfolio** to investors.

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

ESG: Environmental, social and governance criteria.

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

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

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

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

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

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

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

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

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

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

Non-disclosure agreements: A contract by which one or more parties agree not to disclose confidential information that they have shared with the other as a necessary part of doing business together.

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

Policy advocacy: Policy advocacy may include lobbying activities such as communications with government officials for the purpose of influencing government action. When lobbying activities are conducted, First Sentier Investors will always aim to adhere to regional lobbying laws and other applicable laws and/or regulations.

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

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

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

Portfolio risks: The risk of loss or underperformance in an investment portfolio due to various factors including market fluctuations, economic conditions, or specific asset performance.

Responsible investment (RI): First Sentier Investors' approach to responsible investment involves considering environmental, social and governance (**ESG**) issues when making investment decisions and influencing companies or assets (known as active ownership or **stewardship**).

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

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

Share class: Different classes of shares in a fund with different terms and conditions.

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

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

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

Systemic risk: Market-wide risks are those that lead to financial loss or affect overall performance of the entire market and include but are not limited to changes in interest rates, geopolitical issues and currency rates. Systemic risks are those that may cause the collapse of an industry, financial market or economy, such as climate change.

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

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

UK Stewardship Code 2020: The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them.

Undrawn commitments: Money which has been committed by investors, that can be invested as investment opportunities arise.

Important Information

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Designed by the EMEA/US Design Team – FSI-PC1263-RI and Stewardship Report 2024 rs15