STEWARDSHIP

MARTIN CURRIE

INVESTING TO IMPROVE LIVES

ANNUAL REPORT 2021

REPORT SUMMARY

HIGHLIGHTS IN 2020

- Mapping of companies to the UN Sustainable Development Goals.
- The launch of the Australia Sustainability Equity strategy.
- The establishment of Carbon Value-at-Risk modelling.
- Development of modern slavery analysis through our ESG working group.
- Becoming a signatory to Climate Action 100+ as lead investor on an Indian cement company.

ENGAGEMENT ACTIVITY	187 # companies engaged with (private)	3 # structured engagement programmes commenced
VOTING ACTIVITY	543 shareholder meetings	5,271 resolutions

PRI RATINGS HISTORY

		Module		
Year	Strategy	Integration	Active Ownership	Reporting period
2020	A+	A+	A+	1 Jan 19 – 31 Dec 19
2019	A+	A+	A+	1 Jan 18 – 31 Dec 18
2018	A+	A+	A+	1 Jan 17 – 31 Dec 17
2017	A+	A+	A+	1 Jan 16 – 31 Dec 16
2016	A+	A+	A	1 Jan 15 – 31 Dec 15

ACTIVE PARTICIPANTS IN COLLABORATIVE ENGAGEMENT INITIATIVES

Climate Action 100+
Global Investors Driving Business Transition

CYBERSECURITY

WATER RISK

*PRI – Principles for Responsible Investment. Engagement and voting activity is for the period 1 January 2019 to 31 December 2019.

FOREWORD

From Neil Gaskell
Former Chairman of Martin Currie Global Portfolio Trust

There is now a gathering momentum behind the asset management industry's view that good stewardship is an integral part of its core purpose. Active engagement with companies to understand, in depth, their responses to Environmental, Social and Governance (ESG) issues, is no longer a 'bolt on' to investment performance. The focus on stewardship not only strengthens the sustainability of good investment performance, it encourages improved long-term ESG behaviours from investee companies within the wider context of contributing to the UN Sustainable Development Goals (SDGs).

During my nine-year tenure as Chairman of the Martin Currie Global Portfolio Trust, Martin Currie has developed its dynamic approach to active ESG-related engagement across its investment portfolios. Martin Currie has played a leading role, in my view, towards positive stewardship and a more sustainable investment environment. The 2021 Annual Stewardship Report highlights some of the results of this sustained commitment to the development of productive ESG engagements embedded in the investment process.

2020 was undoubtedly a year of social and economic disruption caused by the COVID-19 pandemic, and 2021 will focus attention on climate change in the run up to COP26 in Glasgow. However, alongside climate change, there is an emerging emphasis on social issues such as modern slavery, workforce diversity and health. I am delighted that Martin Currie is committed to staying at the forefront of the asset management industry in its stewardship behaviours as this year's Stewardship Report demonstrates.

Neil Gaskell

Former Chairman of Martin Currie Global Portfolio Trust

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MARTIN CURRIE HAS PLAYED A LEADING ROLE, IN MY VIEW, TOWARDS POSITIVE STEWARDSHIP AND A MORE SUSTAINABLE INVESTMENT ENVIRONMENT.

INVESTING TO IMPROVE LIVES

Our mission of 'Investing to Improve Lives' is what guides us, drives us and defines us. It is the purpose behind everything we do. Whether as stewards of our clients' capital, as investors in equity markets or as members of our local and global communities, we never forget the responsibilities our work brings.

CREATING LONG-TERM VALUE

Investing to create long-term, sustainable value is at the heart of our business. We believe in looking beyond the numbers, understanding that the investments we make and the returns we deliver have more than just a financial impact.

By doing so, we not only help fulfil the real-life ambitions of our clients, but align with companies that over the long-term will contribute to a more sustainable economy, society and environment.

Investing to create long-term, sustainable value is at the heart of our business.

BEYOND THE BALANCE SHEET

As investors, we believe financial returns and environmental, social and governance (ESG) factors are fundamentally intertwined.

ESG analysis is therefore fully embedded in our investment processes, allowing us to meaningfully improve our understanding of investee companies, their material risks and their opportunities.

MORE THAN A BUSINESS

We understand that our business is bigger than its sum of parts and that its influence reaches many stakeholders.

It is why we hold ourselves to the same exacting standards that we expect of others: from fostering a diverse and inclusive workplace, being trusted advisors to our clients, and positively contributing to where we live and work.

Martin Currie is an equity only asset manager. Assets under management as of 31 December 2020 in US dollars, split by region of domicile.

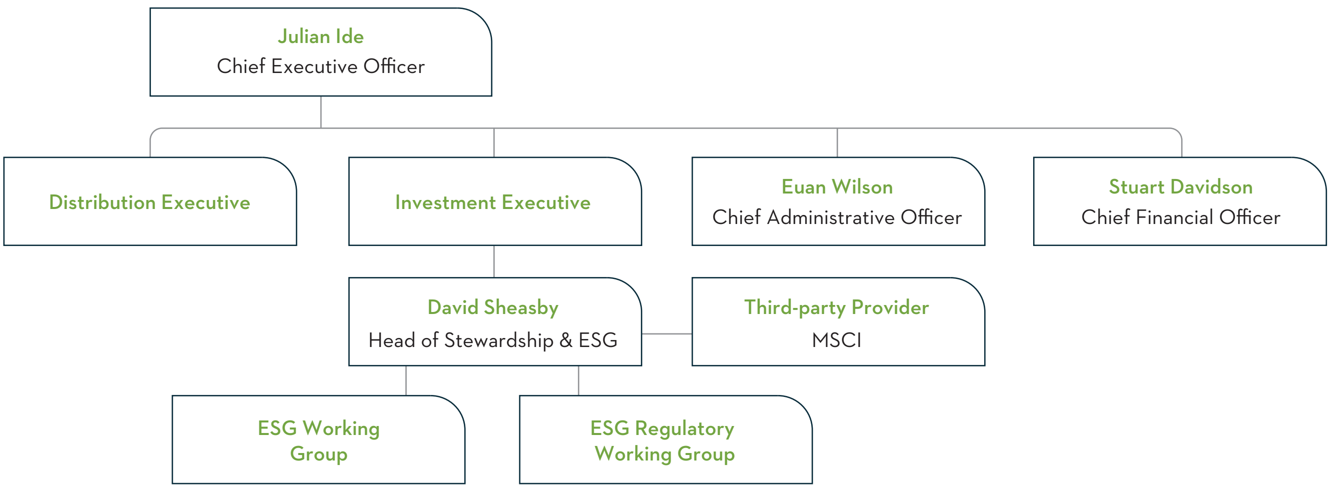
Africa & Middle East	Asia & Australia	Europe (ex UK)	North America	UK & Channel Islands
Total: 1.7	Total 12.4	Total 0.3	Total 4.9	Total 1.5

TOTAL ASSETS UNDER MANAGEMENT US$20.8 billion

Source: Martin Currie.

STEWARDSHIP OVERSIGHT

Stewardship oversight follows a clear line of structure within the organisation. David Sheasby, Head of Stewardship and ESG oversees the ESG Working Group and the ESG Regulatory Working Group. The former is an investment-led forum for the integration and sharing of best practice across our investment teams; the latter is focused on managing current and future regulatory changes. Our third-party provider for ESG-related information (MSCI) is also overseen by David Sheasby. David reports directly to the Investment Executive and is independent of the investment teams, having oversight of the overall stewardship approach as well as reporting on our stewardship activities including engagement and active ownership.



LEARNING TO IMPROVE LIVES

In such a tumultuous year, there was much for us as investors, to rapidly assess, evaluate and learn from. Amid the unprecedented human, economic and societal impacts of the COVID-19 outbreak there were several key ESG-related themes that we saw emerge.

A TEST OF STAKEHOLDER VALUE

As the crisis began to unfold, it became clear that the pandemic would be a stern test for businesses that had publicly committed to broaden their corporate purpose by shifting towards a more 'stakeholder value' approach. One core question centred around how companies responded to their various stakeholder groups as well as functioning in a more virtual environment.

Our response: Our proactive engagement with companies was as strong as ever during 2020, despite global travel restrictions. In addition to understanding how the operating models and profitability of our investee companies would be affected by the crisis, interactions also centred on analysing managements' response to the pandemic in relation to employees, customers, shareholders, suppliers and wider communities.

ESG TRANSPARENCY

Another theme we observed during the year was an increasing interest from investors regarding the ESG activities that asset managers undertake on their behalf. Across the industry, clients have asked for more hard evidence to support the broad ESG statements made by managers regarding their investment processes. We see this as a positive trend that should enable greater levels of transparency for clients and one which is likely to continue after the pandemic.

Our response: Throughout this crisis, we have been keen to provide as much information as possible to our clients on the activities of our investment teams. We initiated weekly investment updates and calls on all of our strategies framed specifically around our engagements with companies. In addition, we produced a wide-reaching content series (the Aftermath), which analysed the impacts of COVID-19 on the global economy, equity markets, society, politics, the environment, and our portfolios. As part of our commitment to broadening our ESG transparency and in response to client requests, we also published the first issue of Stewardship Matters – our regular review of Martin Currie's work in the stewardship and ESG space, insights into future trends and a full update of our engagement and voting activities. Finally, over the past year we have been refining the analytical framework that our investment teams use to scale ESG research findings across all our investment universes. This proprietary scoring system helps our investors to consistently measure the way companies approach ESG, to identify potential risks and to inform our engagement work with companies, guiding them towards positive change.

CLIMATE CHANGE REMAINS KEY

Although COVID-19 temporarily upended the world's operating assumptions, the pandemic also reinforced the importance of managing the even greater systemic risk posed by climate change. Indeed, as the year progressed, we saw renewed efforts from policy makers to reduce carbon emissions and at a company level, climate change continued to be the dominant theme for our clients.

Our response: We have been analysing climate risk in portfolios for some time and we have recently developed a proprietary Carbon Value-at-Risk tool to help us understand the sensitivity and potential impact of carbon pricing on a company's earnings and market cap. This helps us to better understand the future impact of climate and energy policy changes on companies and portfolios. In addition, as part of Martin Currie's Country Risk Framework tool, we undertook analysis to look at the capabilities and preparedness of individual countries in relation to climate change, including factors such as carbon emissions, air pollution and vulnerabilities to physical risk. Addressing climate change requires co-ordinated action across the financial industry and during 2020 we also became signatories of Climate Action 100+, the largest collaborative engagement focused on higher-emitting sectors.

CONTINUOUS LEARNING

However, there is always more that we can do, and we are constantly evolving our understanding of the ESG landscape. Specifically, we have been looking at how we map the activities for investee companies against the UN Sustainable Development Goals. Elsewhere, as the world becomes more digitalised, cybersecurity and data privacy are also featuring in much of our analysis, as is modern slavery in supply chains. Again this year, ESG has also served as a lens for our own business, highlighting the areas in which we can grow and develop – as evidenced by the significant advances we have made with our diversity agenda.

Julian Ide
Chief Executive Officer

STEWARDSHIP YEAR IN REVIEW

A GREEN AWAKENING

Inevitably, COVID-19 dominated most of the headlines in 2020. However, viewed through a longer-term lens, the year was perhaps more significant for the growing consciousness and action on environmental issues globally. An increasing number of countries committed to reaching net zero emissions, including the UK, China, Japan and South Korea. Meanwhile, the European Union set out its ambitions to become the first climate-neutral continent by 2050 unveiling its Green Deal – a €750 billion 'green' stimulus package. Likewise, 2020 saw a huge rise in the numbers of companies announcing carbon neutrality targets. These ranged from small and medium-sized enterprises to major multinationals across a multitude of sectors, including Microsoft, Apple, Ford, Inditex, BP and American Airlines.

PANDEMIC IMPACTS

The 'social' aspect of ESG is often in the shadows of environment and governance, but the COVID-19 crisis brought it very much to the fore. Companies had to adapt very quickly to navigate near-term challenges presented by the crisis, with decisions taken on human capital, customers, suppliers and the communities in which they operate in. Corporate reactions to the crisis were, on balance, generally positive and we witnessed a wide range of short-term measures announced by companies to support various stakeholder groups. Capital allocation considerations (specifically, capital structure and share repurchases, dividends, remuneration, and capital raising and shareholder rights) also gained increased relevance during the crisis, with a heighted need for good corporate governance to enhance long-term financial stability and value creation.

NEW REGULATIONS

Although it may have gone under the radar for many investors, 2020 was actually a very significant period for policy development, with over 130 new policies and revisions recorded by the PRI in its regulation database. The EU led the pack: key regulations included the EU Taxonomy on mitigation and adaptation and the Sustainable Finance Disclosure Regulation (SFDR). In Asia, progress on financial policy reforms and net zero goals has built on the existing dialogue on green finance.

The focus on climate in the region has also increased, with Singapore preparing guidelines on environmental risk management, and the Hong Kong's Securities & Futures Commission (SFC) consulting on new regulation for the management and disclosure of climate-related risks by fund managers. Stewardship also gained momentum in the region, with India's first stewardship code (which is mandatory for all investment managers in the Indian market) coming into force during the year.

MARTIN CURRIE 2020: DEVELOPMENT AND PROGRESS

- Continued refinement of proprietary ESG scoring.
- Mapping of companies to the UN Sustainable Development Goals.
- The launch of the Australia Sustainability Equity strategy.
- The establishment of Carbon Value-at-Risk modelling.
- Ensuring all EU-domiciled funds are consistent with the requirements of 'Article 8' as part of the EU Sustainable Finance Disclosure Regulation.
- Development of modern slavery analysis through the ESG working group.
- Commencement of an in-depth engagement on cybersecurity.
- Becoming a signatory to Climate Action 100+ as lead investor on an Indian cement company.
- The launch of a new ESG reporting publication 'Stewardship Matters'.
- Publication of over 20 stewardship thought leadership pieces.

David Sheasby
Head of Stewardship and ESG

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ESG – AN INTEGRAL ELEMENT OF STEWARDSHIP

WHAT IS IT?

ESG refers to a set of factors that may impact the ability of companies to generate sustainable returns over the long term. It involves understanding the governance structures and culture of a company (and its broader social and environmental impacts), employing a broad view of changes taking place in the world and assessing the effect these can have on a company's cash flows, balance sheet, reputation and, ultimately, corporate value.

WHY DO WE DO IT?

Stewardship is increasingly important for our clients and we engage with them to understand their needs and to ensure that we report our activities (on their behalf) effectively to them. As stewards of our clients' capital we take a holistic view of investee companies, looking at all material information, whether quantitative or qualitative. There is compelling evidence that ESG factors influence returns over the long term, and therefore have to be incorporated by fiduciaries when assessing risks and opportunities. We leverage both our own analysis and that of external data providers.

HOW DO WE DO IT?

As bottom-up investors, our process starts at the company level. Once an idea has been identified, we subject it to rigorous fundamental analysis and peer review to decide whether it merits inclusion in our high-conviction portfolios. ESG analysis is embedded in this assessment, influencing key assumptions such as the cost of capital, revenues or costs and thus our estimate of a company's intrinsic value. Our starting point is governance which stems from the belief that this is a fundamental determinant of long-term performance. Problems here are more often than not reflected in a company's environmental and social track record, making it a reliable proxy for wider sustainability. In broad terms, we divide our process into three categories: identification, integration and active ownership. Responsibility for this work lies with the portfolio managers and analysts – the people who know the companies best. This way we can achieve true integration.

Our process and the relationships with external data providers is overseen and managed by the Head of Stewardship and ESG, who is independent of the investment teams and is responsible for oversight of the overall approach as well as the reporting on our stewardship activities, including engagement and active ownership. With a background in investment, the Head of Stewardship and ESG is able to provide informed oversight and assurance of how activities are undertaken and reported.

OUR PROCESS

IDENTIFICATION

- **Identify material ESG factors**
- **In-house industry frameworks used as a guide**
- **Understand the potential impact on returns**

INTEGRATION

- **Incorporation of key ESG factors into the investment case**
- **Consideration of business aspects likely to be impacted**
- **Financial modelling and portfolio construction**

ACTIVE OWNERSHIP

- **Monitoring and engagement of investee companies**
- **Private and collaborative engagement**
- **Proxy voting**
- **Disclosures and reporting**

To explain more about our ESG process and rationale, we have written the following papers:

- *The value of ESG*
- *Accessing the true value of ESG*
- *The positive impact of ESG integration*

Available from our website.

IDENTIFICATION

WHAT WE LOOK AT:

Below is a non-exhaustive list of some of the factors we may consider as part of our fundamental analysis. The level of research and engagement varies depending on region, sector and, critically, the materiality of the issues in question. The overarching aim is to assess the extent to which ESG factors will contribute to, or detract from the long-term value of a firm.

Governance

We value transparency and clear, accountable governance structures, paying considerable attention to the extent to which a company demonstrates alignment with the interests of long-term investors.

- Board leadership, diversity and independence
- Management remuneration
- Shareholder rights
- Succession planning
- Accounting and audit standards

Environmental

Knowing how a company identifies and manages potential environmental issues helps us to understand how it is preparing for changes to regulation and disclosure requirements.

- Pollution
- Water usage
- Climate change
- Energy efficiency
- Resource management

Social

How a company treats its people, customers and other stakeholders, can give valuable insight into its culture – a good proxy for long-term business success.

- Data protection and privacy
- Equality and diversity
- Community relations
- Human capital management
- Product safety and liability
- Supply-chain management
- Human rights

MATERIAL MATTERS

Materiality is a concept used frequently in this report. In simple terms, this refers to the strength of the relationship between an ESG factor and corporate performance. Some of this is common sense. For example, carbon risk is clearly more material to an oil & gas firm than it is to an IT-services business. Similarly, cybersecurity and data protection is likely to be more material to the latter than the former. In other instances, it may be less intuitive. To make the best use of our research time we have created hierarchies of the most material issues industry by industry. This way we can gauge whether managements are focusing on the right areas – an approach that is backed up by research showing a clear link between a firm's integration of material sustainability issues and enhanced shareholder value (versus a less-discriminating approach). Once the most material issues have been isolated and analysed, the challenge is to translate this information into numbers in our modelling of key financial variables, such as the cost of capital, cash flow, turnover and capital expenditure.

THE OVERARCHING AIM IS TO ASSESS THE EXTENT TO WHICH ESG FACTORS WILL CONTRIBUTE TO, OR DETRACT FROM THE LONG-TERM VALUE OF A FIRM.

INTEGRATION

ESG factors are integrated into our fundamental analysis and decision-making process. We make both qualitative and quantitative assessments of issues deemed material to long-term performance, leveraging our proprietary industry frameworks to ensure that we focus on the most relevant issues/indicators in each industry.

EXAMPLES OF ESG INTEGRATION FOR THE REPORTING PERIOD:

FENG TAY

Taiwanese footwear manufacturer

Issue: To get clarity on whether Feng Tay sources materials and/or workers from Xinjiang Province in China. During 2020, US Customs and Border Protection had flagged that imports of cotton products from Xinjiang would face bans because of the issue of forced labour suspected in its production. Given the information also coming to light on the plight of the Uighur community in Northwest China, we were keen to check whether Feng Tay, as a large supplier of shoes to Nike, was sourcing any cotton or other materials from Xinjiang Province. In addition, we thought it timely to also enquire again about labour sourcing and whether the company had employed Uighurs in any of its Chinese plants. This was of relevance because of reports that had suggested the Chinese government had potentially facilitated the mass transfer of Uighurs to work in factories in different parts of the country.

Impact on manager's decision: Feng Tay was able to confirm that a) it doesn't source any materials from Xinjiang Province (and that it doesn't have any suppliers based in this province); and b) it has a 'hire local first' policy, which means it is very unlikely it has any Uighurs in any of its factories. The response provided comfort on the transparency of the firm's supply chain management as well as the treatment of its own labour force. This reduced our view of risk on this topic and gave us stronger conviction in the holding given the awareness and understanding the group demonstrates on employee welfare issues.

E[S]G

ALIBABA GROUP

Chinese e-commerce and internet giant

Issue: After we conducted an updated accounting diagnostic report, a number of issues were raised. In particular, there was a focus on management of conflicts of interest, acquisition accounting and general disclosure.

Impact on manager's decision: Engagement with the company followed the accounting report. Generally, we gained some comfort over the items raised. The concerns over acquisitions and goodwill were largely answered satisfactorily. However, there were two items which needed to be followed up over the following six to 12 months. One was with regard to a loan to Simon Xie, a founder of the company, and the second concerned compensation arrangements with affiliate Ant Group.

E S [G]

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INTEGRATION

CROWN RESORTS

Australian casino operator

Issue: The New South Wales (NSW) Government's inquiry to determine if Crown is fit and proper to hold a casino license in NSW exposed a number of serious ESG issues. Evidence presented at the inquiry demonstrated Crown had poor governance practices, anti-money laundering breaches, possible insider trading and tenuous links to organised crime through use of overseas junket operators.

Impact on manager's decision: As a result of the inquiry, Crown has risked losing its casino license (which may also have implications for its Melbourne and Perth licenses – where the infringements occurred). In addition, Crown was also facing criminal charges in China. While our existing Quality rating had been offset by Crown's strong market position, government-regulated monopoly and best-in-class operations, the evidence reflected our long-held view of Crown's poor governance record. The new evidence increased the risk around Crown's licenses, and as such, we reduced the Governance rating further from 4 to 5, and the overall Quality rating from 3 to 5. These ratings effectively preclude our investment in Crown at the current time, but we will continue to monitor for improvements in its governance and corporate culture.

E S [G]

MACQUARIE GROUP

Australian banking company

Issue: We were aware of the company's strategic ambitions to gain more exposure in the renewable energy space. We wanted to engage with the company to understand more about how it views the opportunity in green investments and the extent to which it is embracing this.

Impact on manager's decision: Our assessment has always indicated that the company's management is strong, but improvements to sustainability have given the company a pre-eminent position in renewables, which adds to its Quality rating. We upgraded the Sustainability rating from 3 to 2 to reflect the company's leadership in 'Green' investments. As a result, the overall Quality rating was also upgraded from 3 to 2 to reflect the improved Sustainability rating combined with existing top ratings for management, solid governance scores and better-than-average business strength.

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UNILEVER

Household, personal care and food manufacturing company with UK and Dutch listings

Issue: After a profit warning from Unilever that surprised the market in December 2019, we became aware of governance issues within two of its key West African geographies – Nigeria and Ghana, both of which are separately listed and report independently of the group.

Impact on manager's decision: While the company went straight into a closed period after the warning, we were able to note the subsequent dismissal of the senior officers in these geographies and their replacement by Unilever. In February 2020, we then engaged with the company on this issue post reporting, to understand where its internal reporting procedures had failed to pick up and audit material supply chain/distribution issues in each geography. While we believe that these issues have now been brought into sharp focus due to the subsequent results, our interactions with the company on these issues raised significant questions for us over its internal control functions which the investor relations team struggled to answer. This interaction informed part of our overall debate about our position in Unilever, which we exited in late February 2020.

E S [G]

SAMSUNG SDI

Korean industrial technology company

Issue: Battery safety is a notable risk to Samsung SDI's key growth business segment. The chemical engineering involved in producing batteries with high energy density, which is key to longer driving ranges for vehicles, can increase risks around battery safety. Specifically, electric vehicle fire incidents from faulty battery cells and battery management systems can lead to costly product recalls, reputational damage and obvious dangers to driver welfare.

Impact on manager's decision: We recognise the increased likelihood of financial provisions being made for battery recalls, which will ultimately dampen the level of profitability of the business. Ultimately, this will contribute to how we value the business, particularly relative to its peer group. We have engaged with the company to disclose more information on its safety procedures and the company has taken this feedback positively. As our key engagement item, we will continue to engage on improving disclosure. At this current point in time, having assessed its capacity expansion strategy, we are relatively encouraged. However, given this is a material risk in the investment thesis, we have sought to maintain good portfolio diversification across the battery manufacturing industry.

[E] S G

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ACTIVE OWNERSHIP

HOW WE ENGAGE

When considering engagement with an investee company we are clear about what we are looking to achieve. For example, where we are looking to encourage better corporate practice (including, improved disclosure or changes to corporate behaviour) we will outline our reasoning, set out our expectations and consider what should be an appropriate timeline for resolution.

We record any engagements on our internal research portals and they are tagged to ensure that they can be retrieved and followed up where necessary. We will revisit an engagement and adjust the objectives as necessary. We also report to clients on engagements that are relevant to them.

As an active manager of long-term concentrated portfolios, we place a significant emphasis on stewardship. Engagement is a key element of this. We are motivated by a firm belief that this both helps protect and enhance the risk-adjusted return on our clients' capital. We build strong relationships with investee companies and engage in a constructive manner. Our focus will always be on issues that are most material and thus could have an impact on long-term shareholder value, such as strategy, capital structure, governance and wider sustainability matters. While we typically engage in private, we will continue to join collaborative efforts, particularly when deemed likely to be more effective than acting alone. Our decision to pursue the latter will, among other things, be a function of: the specific nature of the issue; the likely efficacy against acting privately; and the degree of alignment with the other investors.

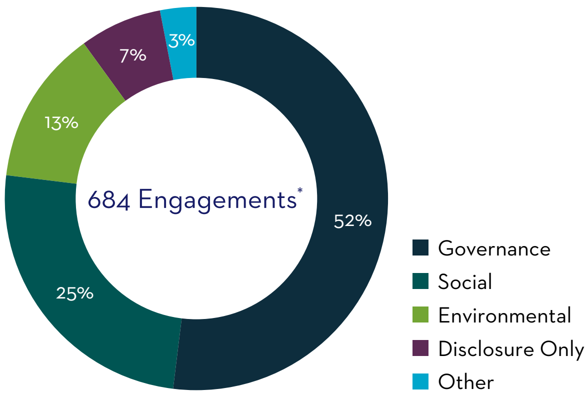
We are aware of the potential conflicts that can arise in active ownership and we have therefore clearly set out our approach in our **conflicts of interest policy** summarised at the end of the report. In addition, we recognise that engagement requires patience and persistence and in spite of our constructive approach, engagement is not always successful. We set out our overall approach and escalation process in our Stewardship and Engagement policy, available **here**.

NUMBER OF ENGAGEMENTS

681: NUMBER OF PRIVATE ENGAGEMENTS

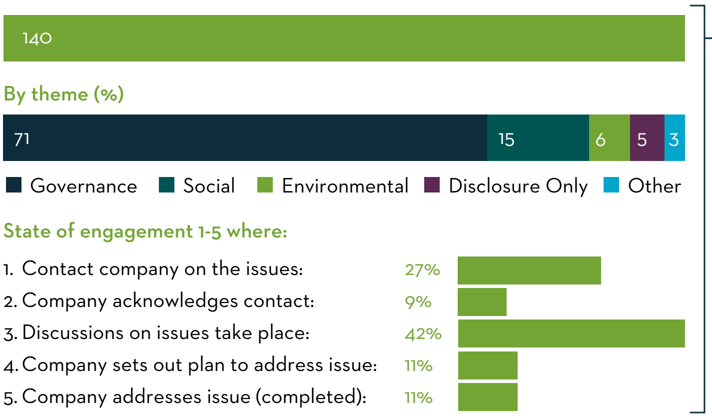
3: NUMBER OF STRUCTURED ENGAGEMENT PROGRAMMES

ENGAGEMENTS BY THEME

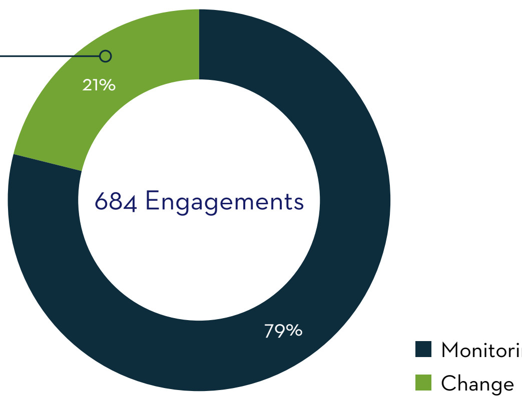


ENGAGEMENT OUTCOMES

Engagements for change (Companies engaged for change = 81)



ENGAGEMENTS BY PURPOSE



Source: Martin Currie. Engagement activity is for the period 1 January 2020 – 31 December 2020.

*187 companies engaged with.

ENGAGEMENT ACTIVITY EXAMPLES:*

Leading financial group in Peru

Reason for engagement: Concerns about the re-election of the current chairperson.

Objectives: We were keen to express our view and rationale for being unwilling to support the re-election of the current chairperson due to the lack of best practice followed regarding political donations and involvement.

Scope and process: While we welcomed the wider proposals to reform the board, we took the opportunity to express our view that the current chairperson, who is a member of the founding family and owns 14% of the outstanding shares, should not seek re-election. Although we understand some of the benefits of long-term stewardship that the family have brought to the business, on balance we felt minority investors would be best served with a new independent chairperson.

Engagement outcome: Subsequent to our meeting, the company released the agenda for the upcoming AGM and we were pleased to note a number of the proposed reforms were being tabled and, most importantly, the current chairperson would not be seeking re-election.

Brazilian financial market infrastructure provider

Reason for engagement: Sharing ESG expertise.

Objectives: As new shareholders, we wanted to offer our ESG expertise to the company and to be used as a sounding board in the future, as well as advise on a number of areas where we see room for improvement.

Scope and process: Our agenda was thorough and wide ranging, covering topics including the company's ESG strategy, its resources for ESG implementation, board diversity and management remuneration, as well as areas such UN SDGs and tax. In many cases, due to the size of the topics, we expected to explore these in further detail in future conversations with the firm. However, an example of our engagement approach being effective is on the topic of management remuneration. The company already provides good disclosure for shareholders to understand the reward mechanism for employees throughout the whole organisation. But while the actual metrics that will be used for performance evaluation are clear, we think they are missing two things: 1) numerical targets for the metrics, so we can also assess performance vs the target set; and 2) a clearer link between remuneration and 'living' the company's ESG agenda.

Engagement outcome: It was agreed that the reward metrics are something the company will look at improving soon. The link between remuneration and the company's ESG agenda is front of mind for the company, so we expect an improvement in this space in the near future.

*We have chosen not to name some of the companies in this section.

ACTIVE OWNERSHIP

ENGAGEMENT ACTIVITY EXAMPLES:

Indian cement company

Reason for engagement: Tackling greenhouse gas emissions.

Objectives: We think the company has a significant opportunity to address greenhouse gas emissions and drive a transition to a cleaner energy mix.

Scope and process: As part of an extensive collaborative engagement on climate change, we became involved to lead on the engagement with this company. We have been long-term holders of the group and have already engaged with the company on climate change and its approach over the last few years. We initially engaged with it to advise on best practice for its climate commitments, using case studies to guide the company. As well as helping to ensure that it continues to improve governance on climate change we have encouraged the company to strengthen climate-related financial disclosures around its targets.

Engagement outcome: This engagement builds on work that we have already carried out with the company and progress already observed. We will continue to monitor progress, with a target for completion extending beyond 2022.

Leading internet, gaming and social media company in China

Reason for engagement: Follow-up on previous engagement and a request for more disclosure.

Objectives: There were various objectives to the engagement: 1) to confirm details of the company's structured contract renewals, a subject we have been following and engaging with it on for over four years; 2) to request better disclosure in a number of ESG-related areas; and 3) to learn more about various ESG-related initiatives at the firm.

Scope and process: We arranged a dedicated call with the company to discuss the various ESG topics. This was a wide-ranging meeting covering the evolution of the firm's ESG reporting as well as detailed discussions on board issues, talent retention, data privacy and security. In addition, we requested that the company considers mapping its operations in line with Sustainable Development Goals, and we encouraged greater transparency on environmental data and management remuneration detail.

Engagement outcome: Very pleasingly we were able to close our engagement on the structured contracts which are now undated. This was a work in progress for over four years. However, in other areas focused on disclosure we are much earlier in the process and will be monitoring progress on these going forward.

Swedish global technology firm

Reason for engagement: Concerns around remuneration.

Objectives: We looked to engage with the company to ascertain the reasons behind the lack of a share-based compensation portion of remuneration at any employee level, and understand whether it had any intentions of introducing such a programme. There are two key reasons why we were interested in this changing. Firstly, we see a well-structured, stock-based compensation programme as a good way of ensuring management's interests and objectives are aligned with the company's shareholders. Secondly, within the software space that the company operates in there is a scarcity issue around talent, so being able to attract and retain employees is critical. Stock-based compensation is commonplace among other similar companies, so not having a similar offering could impact the firm's competitive advantage.

Scope and process: We initially spoke to investor relations to discuss our concerns. We gained some clarity around there being some structural complications with introducing such a programme in Sweden; however, this was something it was actively looking into. We were also able to follow up with the CEO who was able to confirm his direct support of such a move for the same reasons as we outlined.

Engagement outcome: In December 2020, the company held an Extraordinary Shareholders' Meeting where one of the proposals was to introduce a 'Performance Share Plan for Key Employees'. We engaged directly with the company to gain some additional details which addressed our concerns about a focus on talent attraction and retention. We voted in favour of the programme which will be introduced during 2021. However, we were clear that going forward we would look for increased disclosure and detail around performance targets. We will continue to engage with the company on this topic.

AusNet Services – Australian energy company

Reason for engagement: Consultation on the Task Force on Climate-related Financial Disclosures (TCFD) reporting and ESG practices.

Objectives: As a major, long-term investor in AusNet Services, the company approached the Martin Currie Australia investment team for advice on TCFD reporting and ESG practices. Our aim was to guide AusNet on ways to improve its sustainability to benefit society and shareholders. In addition, we planned to share best-in-class advice based on interactions with other utility companies and our own clients, and share what shareholders want in relation to TCFD as well as help AusNet on its sustainability pathway.

Scope and process: As long-term shareholders we have met representatives from the company over a number of years. The company has been grappling with how to best improve reporting on ESG factors despite its own carbon emissions being quite low. During 2020, AusNet specifically asked to engage with our sustainability experts on how to improve reporting of ESG, and we coordinated a meeting with our investment team and in-house ESG experts Will Baylis and David Sheasby.

Engagement outcome: We discussed why we are very supportive of the TCFD framework and highlighted to AusNet that it is a useful framework for identifying not only risk but also opportunities, for example, how connecting new renewable energy projects is good for shareholders and society. We advised that the best way is to start with high-level reporting then add detail over time. We also advised that TCFD reporting should be within its mainstream reporting and not just an 'ESG add-on'. We also provided the company examples from interactions by both the Australian and global investment teams with UK National Grid – a company we believe has one of the best examples of TCFD reporting. We also referenced Transurban as an Australia best-practise example in the real asset space. Our interactions have highlighted that strategically AusNet Services is very focused on improving the sustainability of energy such as supporting the transition to cleaner energy sources. Bushfires and climate change risk are particularly front of mind, and we are pleased to see that recent changes in senior management have brought both a greater focus on improving sustainability and investment into facilitating cleaner energy. We look forward to continuing to engage with the company on this topic and are monitoring for further positive changes in its ESG practices and TCFD reporting.

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ACTIVE OWNERSHIP

ENGAGEMENT ACTIVITY EXAMPLES:

Transurban – Australian toll road operator

Reason for engagement: Corporate actions, recapitalisations and acquisition decisions made during the COVID-19 pandemic have not always protected shareholder interests.

Objectives: Our aim was to ensure governance activities followed best practise and that potential equity raises being pushed by investment bankers during the pandemic were not dilutive and did not impair shareholder returns in the short and medium term.

Scope and process: We contacted the board regarding its capital structure and corporate activity during the COVID-19 crisis. We expressed our concern that investment bankers were misrepresenting shareholders views to companies and boards by pushing them to raise equity. We were of the view that in time, the COVID-19 crisis will pass but that equity, especially dilutive equity, is permanent. We highlighted that from a shareholder's perspective, we can tolerate higher leverage and debt levels going above strategic bands, as long as debt is comfortably serviced, and covenants are not pushed. We also flagged strongly that changing the strategic capital mix in the middle of a crisis creates lasting damage; however, we remain supportive of the company's growth strategy and we are supportive of equity to fund accretive growth.

Engagement outcome: Transurban described our feedback as useful and noted that it was aware of this issue. We were pleased to hear the following month that the board discussed raising equity but decided against it, being in agreement with our reasoning. Transurban's actions, such as continuing to pay distributions based on free cash flow excluding capital releases, were well balanced and sensible during the COVID-19 crisis, and the board is comfortable with the balance sheet position.

South Korean semiconductor supplier

Reason for engagement: Consultation on best practice.

Objectives: The company contacted us to ask for input on how it could improve its overall ESG performance and MSCI ESG rating. For the latter, it felt that this did not reflect its full ESG activities.

Scope and process: We held a dedicated ESG call with the company to discuss the material issues and opportunities it faces. Following the call, we sent the company eight areas, which we felt if addressed, would improve the ESG characteristics of the company and would likely lead to wider recognition from rating agencies such as MSCI.

Engagement outcome: The company has either fulfilled or made substantive progress on the key areas we outlined, although there are still areas where we will seek further engagement. In addition to the range of improvements it has made, the company also appointed a female non-executive director to the board, which is a good initial step towards achieving greater diversity. Furthermore, in October 2020 MSCI increased the rating of the company from 'BB' to 'BBB'. According to MSCI methodology this would now place the company within the highest 45% in its semiconductor peer group. A 'BB' rating would be within the top 60%.

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COLLABORATIVE ENGAGEMENT ACTIVITY

Although most of our engagement is private, we have participated in a number of collaborative efforts to address specific issues at companies held in our portfolios. Finding a coalition of like-minded shareholders is a good way of sharing knowledge and can generate more tangible results than acting alone. The following are a few examples of activities we are, or have been, involved in:

Signatory of:

PRI Principles for Responsible Investment

Climate Action 100+

CA100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. It is the largest collaborative engagement to date with more than 540 asset owners and asset managers signed up, representing more than US$50 trillion of AUM.

In early 2020, as the engagement expanded the number of targeted companies to the current 167, there was an opportunity for us to join this collaborative engagement as the lead investor on an Indian company which we have been long-term holders of and already have a strong relationship with.

Climate change is an important issue for our clients and for us as investors and is routinely factored into our analysis on companies that we invest in. In signing up to this initiative we further our commitment to engaging with companies on climate change and it has therefore been exciting to join this engagement with the opportunity to drive change in this important area.

Status: ongoing

Cybersecurity

Martin Currie was on the steering forum for the PRI-led collaborative engagement on cybersecurity and led the engagement with a number of companies across developed and emerging markets as part of this process. In particular, this engagement has focused on the governance and disclosure around cybersecurity. The final report on this engagement has been published providing investors with:

An analysis of how companies within this initiative progressed on corporate reporting over the two years;

- Insights from the PRI collaborative engagement that shed light on how cyber risks are being perceived and addressed among companies from diverse sectors; and
- A set of investor recommendations on engagement, including tools to benchmark disclosure and set expectations.

This was a useful exercise in launching an ongoing structured engagement that we have commenced across some of our global holdings.

Status: concluded

Water risk

This engagement targeted food, beverage, apparel, retail and agricultural companies based on their exposure to water risks. The aim was to gain an understanding of the degree to which companies are aware of the risks, understand to what extent the companies measure or assess water risks in their key agricultural supply chains, assess the material value of these risks, how the companies are responding and examine what information the companies disclose. The final benchmarking report demonstrated significant progress in a substantial proportion of those companies targeted with clear disclosures around the relevant business risk, the mapping of suppliers in high water risk areas and the provision of support and education to suppliers.

Status: concluded

MODERN SLAVERY

A GLOBAL ISSUE

Modern slavery in its many guises, from human trafficking to child labour, has recently been estimated to affect more than 40 million people worldwide[1]. Of this number, women and girls are disproportionately more at risk and are thought to account for over 70% of all victims[2]. Likewise, some sections of society are much more vulnerable than others, particularly those in low-skilled, temporary and sub-contracted labour.

While the perception often exists that social exploitation only occurs in emerging nations, recent high-profile cases in more 'developed' countries have shown that the problem is truly endemic. What's more, the globalised nature of supply chains often mean that there is a high potential for modern slavery being present in a whole range of everyday items – from the cars we drive to the clothes we wear.

The impacts of modern slavery have also come more into the spotlight in recent years. While policy makers have ramped up efforts to hold companies accountable, public consciousness on the issue has also increased. As a result, brand value and the social license to operate can both be severely damaged if such social exploitation is found in a company's operations or supply chain.

Modern slavery risk is therefore a crucial factor for asset managers to consider in their analysis – both as part of the due diligence before investing, but also through ongoing monitoring and engagement with investee firms. In addition, it is also related to several of the Sustainable Development Goals, most directly to SDGs #5 (gender equality), #8 (decent work and economic growth), #10 (reduced inequalities) and #16 (peace, justice and strong institutions).

OUR INVESTMENT APPROACH

At Martin Currie we recognise the risks presented by modern slavery and human rights breaches. As such, we have instituted a framework to identify risk factors and behaviours that may indicate a material risk of modern slavery within a business or its supply chain. In addition, we have created an escalation framework around the management of these issues through research and company engagement.

We recognise that there are particular sectors and geographies where exploitation risk is heightened, and our analysis uses this lens to identify companies that may be exposed to greater risk. In particular, we look at exposure to geography and industry, evidence of controversies or evidence of existing behaviour around key norms in corporate behaviour and worker rights using a combination of data and analyst insights. If heightened risk factors around potential exposure to modern slavery are highlighted, then we further assess the management of key areas of the business with respect to direct and supply chain labour practices, as well as its policies related more broadly to modern slavery and exploitation. Where gaps exist or concerns are present, we seek to engage with investee companies in order to improve disclosure around these issues and push for best practice in the management of modern slavery and related issues.

As with any illegal activity, data and disclosure around modern slavery and exploitation is often incomplete and hidden from view. We believe that triangulating key risk factors in our analysis, following these up with engagement and further research into the management of modern slavery in companies identified is an effective way to focus our attention on where risks of this kind are most significant. By doing this we aim to increase understanding about the prevalence and risks of modern slavery within portfolios, provide a framework to improve disclosure on this subject and ultimately drive up standards through engagement.

[1]Source: http://www.ilo.org/global/topics/forced-labour/lang--en/index.htm

[2]Source: https://www.globalslaveryindex.org/2018/findings/global-findings/

CASE STUDY: A THEMATIC ENGAGEMENT ON MODERN SLAVERY

Following the introduction of the Australian Modern Slavery Act which heralds new reporting requirements on modern slavery for Australian companies, the Martin Currie Australia investment team has undertaken a structured engagement with investee companies on modern slavery.

WHY WE DID IT

- We recognise that modern slavery is a key risk for any company that sources its products or services from suppliers, especially in overseas jurisdictions.
- This Act requires entities based, or operating, in Australia, which have an annual consolidated revenue of more than A$100 million, to report annually on the risks of modern slavery in their operations and supply chains, including the actions to address those risks. We view the requirements of the Act as having broader relevance than just corporate compliance, as we acknowledge the increased demand for transparency from our clients on this issue.
- What's more, we believe the approach companies take to modern slavery risk is a good indication of a company's overarching culture and policies around social issues.

WHAT WE DID

- We wrote to 190 of the top ASX200 companies asking them a series of specific questions around governance, policy, process and any incidents of modern slavery.
- We also took the opportunity, where possible, to engage directly with management.

THE RESPONSE

- 53% of companies replied to our letter. Where we own a company that has not replied, we are following up via engagement with the board and management.
- These responses varied widely in both quality and content.

> **WE WROTE TO 190 OF THE TOP ASX200 COMPANIES ASKING THEM SPECIFIC QUESTIONS AROUND POLICY**

WHAT WE'LL DO NEXT

- We are carrying out an in-depth review of all the responses, identifying best practice and where clear gaps exist. This will then be incorporated into our overall ESG framework.
- Drawing on this research, modern slavery will remain a key topic for future engagements with both boards and management of companies in our investment universe and portfolios.
- We will also provide guidance to companies on this issue, as requested – directing them towards observed best practices.

WHAT STRONG PRACTICES DID WE IDENTIFY?

- **Transurban**. The toll-road operator is aligned to International Guidance Standards on sustainable procurement. It has a specific channel (separate from whistle blowing) for employees to raise issues on modern slavery.
- **Wesfarmers**. The company has already undertaken work mapping its supply chains. Each division maps tier-1 (direct) suppliers and where possible tier-2 and 3 suppliers. For example, the company has stated that its KMart retail store has committed that by July 2022 'it will identify and publish 100% of tier-2 processing facilities that produce Kmart and Target own-brand clothing, towel and bedding products'.
- **Goodman Group**. The property group has stated that 'adopting high standards is not enough. Goodman recognises that working with our suppliers to develop their capability to identify and respond to responsible sourcing challenges is important. Goodman engages regularly with our supply chain to monitor performance and compliance with our key policies'.
- **Commonwealth Bank of Australia**. The bank has confirmed that it assesses 'all potential institutional Bank loans, as well as large business loans for ESG risk based on country of operations and covering more than 500 industry sectors', highlighting that its 'ESG assessment criteria includes a specific assessment of modern slavery and labour standards risks', and that, 'additional due diligence is required for transactions with a medium or high ESG risk profile'.

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VOTING ACTIVITY

A KEY COMPONENT OF STEWARDSHIP

Proxy voting is a key component of stewardship and plays a crucial role in our overall approach to engagement. The assessment of specific voting actions is carried out by the member of the investment team with responsibility for the stock, in conjunction with the Head of Stewardship and ESG. We recognise that regulatory frameworks vary across markets and that corporate governance practices differ internationally. When deciding how to vote we will factor in the relevant market guidelines.

GLOBAL CORPORATE GOVERNANCE PRINCIPLES

All our voting decisions are made in-house and when voting on behalf of our clients, we will always seek to vote in their best interests considering the long-term impact of these voting decisions. Our approach is framed by our Global Corporate Governance Principles, our proxy voting policy and, for some clients, their bespoke policy.

Our Global Corporate Governance Principles are closely aligned to the International Corporate Governance Network (ICGN) Global Governance Principles, which set out a primary standard for well-governed companies with the intention of being widely applicable, irrespective of national legislative frameworks or listing rules. Differences in national market regulation mean that a single set of detailed guidelines is unlikely to be appropriate for all the markets in which we invest. Where overseas corporate governance codes are consistent with our overall principles, we will adopt these. At a minimum, we would expect companies to comply with the accepted corporate governance standard in their domestic market or to explain why doing so is not in the interest of shareholders.

The principles focus on a number of areas: board role and responsibilities; leadership and independence; composition and appointment of the board members; corporate culture; risk oversight; remuneration; reporting and audit; and shareholder rights. For each of these, we set out our high-level expectations and what we regard as best practice. The Martin Currie Global Corporate Governance Principles can be found on our **website**.

PROXY VOTING POLICY

Our Proxy Voting Policy is updated at least annually, taking into account emerging issues and trends, the evolution of market standards, and regulatory changes. The policy considers market-specific recommended best practices, transparency, and disclosure when addressing issues such as board structure, director accountability, corporate governance standards, executive compensation, shareholder rights, corporate transactions, and social/environmental issues.

Martin Currie also has access to Institutional Shareholder Services (ISS) and Ownership Matters, our proxy voting advisors, which also provide voting recommendations in accordance with their own policies and are closely aligned with our internal policy. As appropriate, the proxy advisors engage with public issuers, shareholders, activists, and other stakeholders to seek additional information and to gain insight and context in order to provide informed vote recommendations. The services provided by our proxy advisors are overseen and managed by our Head of Stewardship and ESG and our Head of Oversight and Client Management and are subject to annual due diligence with a focus on policy alignment and conflicts of interest. In addition, our Head of Stewardship and ESG is an active contributor to the annual proxy advisor policy consultations.

IN OUR CLIENTS' BEST INTERESTS

Martin Currie's starting point is to act in the best interests of our clients. Our voting decisions are informed by both our own internal work and that of our proxy advisor. We assess voting matters on a case-by-case basis, taking into account a company's circumstances, but we are also guided by our overarching principles on good corporate governance. We commit to voting all proxies as far as possible, which will include voting on many procedural matters and voting where the stakes held are relatively small. There are, however, other votes where following consideration, we will vote against management recommendations on more significant matters. Where this is the case, we aim to engage with the management of our investee companies when we are intending to vote against them on material matters. We show the breakdown of these topics overleaf, followed by some examples from voting during the reporting period to demonstrate our approach.

THEMES FROM 2020

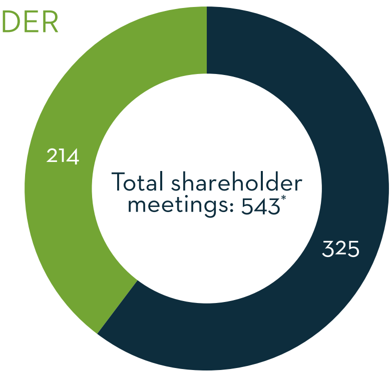
In 2020 the COVID-19 pandemic had a material impact on many businesses. It also impacted the way in which companies held both their AGMs and engaged with shareholders, with many AGMs moving to a virtual-only format. With regard to the companies invested in on behalf of our clients, this had limited impact on the operation of these meetings. With a requirement for virtual, rather than in-person engagement, we found that companies were, if anything, more accessible during the year.

We saw a continuation of some of the themes that have been prevalent for a number of years. These included remuneration, where there remains a broad push to increase transparency and bring incentive plans into greater alignment with the long-term interests of shareholders. The COVID-19 pandemic, however, provided an additional lens to examine remuneration, with a focus on the alignment of the experience of the broader workforce and the management. This is likely to continue to be a focus in 2021 as long-term incentives are put in place. Board structure has been another key issue and, although we observed somewhat less instances of over-boarding than in previous years, independence and diversity remain challenges.

Support for well-thought-out shareholder proposals has generally been on the rise, although only a minority still achieve majority support. That said, as support increases, we expect management and boards to respond more directly to these shareholder concerns.

Our voting records can be found on our **website**.

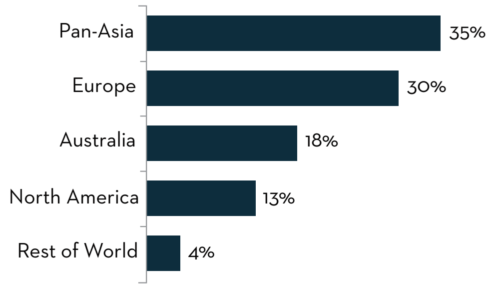
SHAREHOLDER MEETINGS



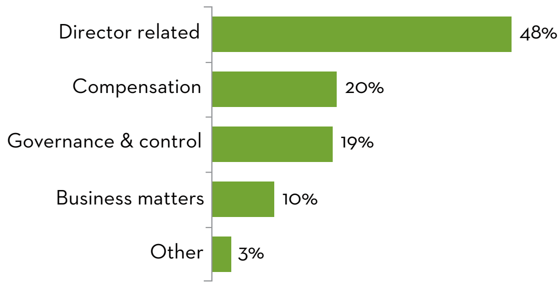
- Number of shareholder meetings at which we voted in line with management
- Number of shareholder meetings at which we voted against management on at least one resolution

*Total meetings at which we were unable to vote equals 4.

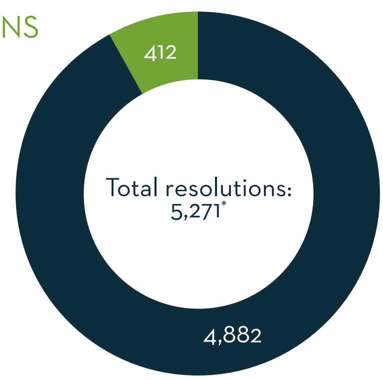
GEOGRAPHICAL BREAKDOWN OF VOTES AGAINST MANAGEMENT



CATEGORIES FOR VOTES AGAINST MANAGEMENT



RESOLUTIONS



- Number of resolutions voted in line with management
- Number of resolutions voted against management

The overall number of ballots this year does not reflect some bespoke client voting policies.

Source: Martin Currie. Voting activity between 1 January 2020 and 31 December 2020.

VOTING ACTIVITY

VOTING EXAMPLES

Chinese auto parts manufacturer

Issue: Concerns about the choice of replacement for chairperson.

Objectives: Due to regulation requirements, the company sought to replace its chairperson with a replacement who was a related party. We sought to understand why the company considered the proposed new chairperson was suitably independent from the outgoing chairperson.

Scope and process: We contacted the company to understand its rationale for its proposed candidate. The chair of the nomination committee provided background information on the candidate including details of their experience and their likely contribution to the board, but didn't directly address our principle concerns about the independence of the candidate.

Outcomes: We voted against management as we did not think the rationale met our requirements and we felt a greater degree of independence was needed from the new chairperson.

Chinese water distributor and property development company

Issue: Shareholder approval for the re-election of a potentially overboarded independent non-executive director (INED).

Objectives: We were concerned that this INED is currently on the board of seven other companies. We also noted that he is classified as an INED, but has been on the company's board since 1999.

Scope and process: We engaged with the company on this and while we understand the company's position about the valuable contribution that this INED makes to the board, we believed his long tenure and over-boarding needed to be addressed.

Outcomes: We decided to vote against management for this item at the AGM.

*We have chosen not to name some of the companies in this section.

US-based software engineering company

Issue: Nomination process to the board, linkage of pay to long-term performance.

Objectives: We wanted to understand the process for nominations to the board and highlighted the need for all types of diversity on the board. Additionally, we voiced our preference for remuneration to be linked to the long-term performance.

Scope and process: Having spoken to the head of investor relations, we learnt that the majority of board appointments go through a formal process, although one of the last appointments was targeting a specific skill-set that was missing. We also learned that gender diversity had been improved in recent years at both the board and divisional level. Lastly, the company was looking into its remuneration and received our feedback about pay ideally being linked to long-term performance. The nature of this engagement is ongoing, as changes to the remuneration structure might take the next few years.

Outcomes: We voted against management on two nominations: one as a member of the compensation committee (failing to address the link to performance) and the other one to highlight that we would like to see a more rigorous selection process in place. Lastly, we voted against ratification of the executive compensation (highlighting the need to link to long-term performance).

US-based sports apparel and footwear brand

Issue: The ratification of named executive officers' compensation and the re-election of the chairman of the audit committee.

Objectives: We wanted to voice our concerns over the non-performance element of share-based awards which were specifically put in place around the transition of the executive team. These awards apply to the new CEO, CFO and COO. We also believed that the head of the audit committee is a key position on the board for the protection of shareholders and should be held by a suitably qualified and categorically independent director. The incumbent head of the audit committee had been on the board for 17 years.

Scope and process: We set out our concerns in an email to the company and it responded promptly pointing to the unusual circumstances of 2020. COVID-19 clearly had a significant impact on the short and long-term incentive plans with strong pre-pandemic performance being disrupted in the last months of the rewards period resulting in potentially 0% payouts. Some adjustments were made by the compensation committee which aligned with the experience of the broader workforce. The large payouts to the newly hired executives, where a significant portion of the measurement period had already lapsed, was not fully addressed. The company also did not believe that the chairman of the audit committee lacked independence.

Outcomes: We voted against the company on both issues. While we understand the broader issue with COVID, we felt that the transition payments were excessive. We also believe that the head of the audit committee is over-tenured at 17 years, and we believe this does compromise independence.

VOTING ACTIVITY

VOTING EXAMPLES

AGL Energy – Australian energy company

Issue: Concerns over remuneration being too generous, particularly in a falling profit environment.

Objectives: Our aim was to improve this Australian electricity and gas retailer's remuneration practices and ensure management are acting in the best interests of stakeholders and shareholders. We engaged with the board in order to push for the company to raise return on equity (ROE) targets and to adopt long-term incentives (LTIs) rather than compensation that resets annually.

Scope and process: We met with the chairperson, a director and investor relations to follow up on our previous engagements that have focused on remuneration. During our discussions, the board said that it was hard to keep all shareholders happy as most favour a mix of measures instead of just total shareholder return (TSR), which in this case we believe is preferable. However, the company did acknowledge our concerns and indicated that it would take on board our feedback for next year, particularly around the structure and incentive hurdles.

Outcome: We subsequently voted against the remuneration report and grant of performance rights to the CEO. We believe the ROE target for FY21 is too low and is below our assessment of the company's cost of capital, it also resets annually which means the ROE hurdle reflects changes in the forward electricity price curve. The forward curve is a key earnings driver for this company, and we want management to be focused, aligned and actively managing this. We note that the remuneration report received >25% vote against, which led to the company receiving a 'first strike'. In Australia, if a 'second strike' occurs in the subsequent AGM, shareholders then vote to determine whether all the directors will need to stand for re-election.

Charter Hall – Australian real estate group

Issue: Improved disclosure on compensation and improved alignment outcomes.

Objectives: While we have a high degree of clarity on key personnel incentives and compensation at the parent group level, there was an information void for the group's externally managed listed REIT vehicles. We believe management alignment is critical to strong investment returns, and actively rate companies in this area. In this case, we were seeking improved disclosure on compensation and improved alignment outcomes for key related personnel for Charter Hall's externally managed REIT satellites. While we understand that some KPI's relate to the main group and not solely to the externally managed vehicles, we believe increased disclosure here would be beneficial. Also, having management 'skin in the game' will better serve REIT shareholders.

Scope and process: We wrote to management to express our concerns and explained our thoughts about the remuneration structure – notably, the potential amount of capital that could be issued under the scheme, the lack of holistic performance criteria and meaningful vesting periods. In addition, the directors were eligible to receive options under the scheme while being involved in the administration of the scheme.

Outcome: Following both active proxy voting and specific requests from us to improve disclosures, management flagged their intention to increase disclosure on key personnel incentives and compensation in forthcoming annual reports. As a result of our active engagement, we now have clear disclosure on short-term incentives (STIs) and LTIs for Charter Hall's externally managed REIT senior management (effective CEOs). In addition, the deferred compensation structure is planned to improve so as to invest into the satellite funds directly in future compensation. We are pleased with this progress and intend to share these improved disclosures from a market leader in externally managed REITs, as an example of best practice to improve wider industry standards.

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CLIMATE-CHANGE ENGAGEMENT

HOW TCFD REPORTING PROVIDES A VITAL FRAMEWORK FOR DIALOGUE

Our commitment to TCFD

We believe the Task Force on Climate-Related Financial Disclosures (TCFD) reporting framework is a vitally important tool to understand how companies are managing climate-related risks. It is designed to enable decision-useful disclosure of information on climate-related risks and opportunities for better integration of the financial impacts of climate change into the investment process. Reflecting this we are public supporters of TCFD and have joined CA100+, where one of the objectives is to encourage disclosure using the TCFD framework.

This is a fundamental part of the way we engage with companies, shaping our dialogue on climate change around the four key areas of disclosure as recommended by the TCFD:

1. Governance

'Disclose the organization's governance around climate-related risks and opportunities'.

Our overall approach is overseen by the Head of Stewardship and ESG and co-ordinated through our ESG Working Group. Climate change forms part of our assessment of the material risks and opportunities that companies face in generating sustainable returns over the long term and as such is embedded into our investment process. Our sustainability and ESG-related work is fully integrated into our investment process, considering factors including climate change when analysing the investment case for a company. All stock research is required to consider the material and relevant ESG factors that could impact the ability of the company to generate sustainable returns.

2. Strategy

'Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material'.

We have worked extensively over the course of the last year to produce an assessment of the Carbon Value-at-Risk for each of the companies that we invest in as well as overall portfolios. This has been a collaboration between the investment teams to share ideas and best practice as this has evolved. In addition, we produce a carbon footprint for portfolios, looking at both overall emissions as well as carbon intensity, which identifies the overall profile and main contributors to a portfolio's carbon footprint. With an increasing number of companies announcing net zero ambitions, we are also looking at the substance behind these ambitions and the extent to which companies are setting out science-based targets. Tools such as the Transition Pathway Initiative (TPI) also help identify the degree to which companies held are aligned with the transition to a lower-carbon economy. We continue to explore tools to help us with broader scenario testing including the PRI's Inevitable Policy Response (IPR) framework.

OUR SUSTAINABILITY AND ESG RELATED WORK IS FULLY INTEGRATED INTO OUR INVESTMENT PROCESS, CONSIDERING FACTORS INCLUDING CLIMATE CHANGE WHEN ANALYSING THE INVESTMENT CASE FOR A COMPANY

CLIMATE-CHANGE ENGAGEMENT

3. Risk Management

'Disclose how the organisation identifies, assesses, and manages climate-related risks'.

As active owners we look for companies to identify, manage and disclose material risks and opportunities. We have begun the process of more formally incorporating climate risk into our investment risk framework. We use both company disclosed and estimated data to help us identify and manage climate-related risks. This includes carbon footprint and weighted average carbon intensity as well as the work that we have been doing on Carbon Value-at-Risk which looks across the company value chain. We believe that the TCFD framework is a robust framework for disclosure of climate-related risks and opportunities and, as such, we encourage companies to adopt this approach. We have engaged with a number of companies over the last year to encourage them to use this framework and we have joined Climate Action 100+ as the lead investor on one of the target companies.

4. Metrics & Targets

'Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material'.

For most of our portfolios we produce a carbon footprint each month looking at the carbon emissions based on Scope 1 and 2 emissions, and the intensity of emissions, including the weighted average carbon intensity, relative to its benchmark. In addition, we look at Carbon Value-at-Risk. For some clients, a more detailed report is produced looking at the individual company contributions by scope and for those clients based in France a report compliant with Article 173 is produced.

One of the areas of focus for us is how companies are approaching climate change: the commitments that they are making – for example, net zero; and what scenarios and modeling they are carrying out. We recognise that there is not one set transition pathway, but we encourage companies to adopt science-based targets and provide sufficient disclosure for investors to make informed decisions. Initiatives such as the Net-Zero Asset Managers Alliance and the Net-Zero Asset Owner Alliance are set to drive increased transparency and frame some of the guidance around metrics and disclosures. As the scenarios and transition pathways develop and become more established, we are likely to increasingly use these.

> **WE BELIEVE THAT THE TCFD FRAMEWORK IS A ROBUST FRAMEWORK FOR DISCLOSURE OF CLIMATE-RELATED RISKS AND OPPORTUNITIES AND, AS SUCH, WE ENCOURAGE COMPANIES TO ADOPT THIS APPROACH. WE HAVE ENGAGED WITH A NUMBER OF COMPANIES OVER THE LAST YEAR TO ENCOURAGE THEM TO USE THIS FRAMEWORK.**

APPENDIX 1: POLICY SUMMARIES

Responsible Investment Policy:

Our Responsible Investment Policy covers the importance of ESG, our approach to ESG integration, our focus on governance and materiality and the emphasis we place on our responsibilities as active and engaged owners. As an equity house our responsible investment policy applies to all investments made on the behalf of our clients. We believe that sustainability or ESG factors create risks and opportunities for investors. It is in the interests of our clients to consider these factors when making an investment in a company, and for the companies themselves to manage these appropriately.

We believe the sustainability of a company's business model is critical to maintaining its competitive industrial positioning and strong capital returns. Incorporating ESG analysis alongside traditional financial analysis provides valuable insight into the companies we invest in and the quality of the management in those companies. We believe that well-managed companies exhibiting strong governance are more likely to be successful, long-term investments. Our ESG approach helps identify good management teams, understand their motivation and determine whether their interests are aligned with minority investors.

As long-term investors, engagement and active ownership are key elements to our overall approach to stewardship. Our focus is on issues that may impact the ability of investee companies to generate long-term sustainable returns. Our Responsible Investment Policy is made available to investors via our **website**, and is reviewed on an annual basis.

Proxy Voting Policy:

Our Proxy Voting Policy is framed by our Global Corporate Governance Principles (both of which can be found on our **website**). Our expectation is that companies will comply with (local) best practice or explain why this is not the case. Our policy is not to automatically support the management and we will consider to what extent the proposals are in line with our policy. We also focus on the extent to which managers of the business have been good stewards of shareholder capital and, in particular, we will pay attention to:

- Board structure and election of directors.
- Directors' remuneration.
- Audit and appointment of auditors.
- Reporting and financial disclosure.
- Technical issues – particularly shares without pre-emption rights.
- Capital allocation in the interests of all shareholders.

In addition to conducting our own research, Martin Currie employs Institutional Shareholder Services (ISS) and Ownership Matters as our proxy voting advisors to provide research and recommendations that also help inform how Martin Currie exercises the votes. All voting decisions are made on a case-by-case basis by the investment team in conjunction with the Head of Stewardship and ESG and are made in the best interests of the client. Our proxy voting policy and process is overseen by our Head of Stewardship and ESG.

APPENDIX 1 (CONT): POLICY SUMMARIES

Stewardship and Engagement Policy:

Our Stewardship and Engagement policy outlines our overall approach to active ownership, setting out how we monitor investee companies, our approach to engagement (both private and collaborative), when we will escalate our activities, how we vote proxies, and how we report on our activities.

Our stewardship activity is led by the portfolio managers and analysts and manifests itself principally in monitoring and engagement – both privately or in collaboration with other investors – and our voting activity. We aim to build strong relationships with investee companies, ensuring that our engagement is not constrained by our clients' minority-shareholder status and our focus is on the issues likely to be material to long-term value creation. Our aim is to establish an open dialogue with investee companies. We aim to engage with companies in an informed, constructive and discrete manner. We will join collaborative efforts on material issues, particularly when deemed likely to be more efficacious than acting alone.

We recognise that our 'standard' engagement approach – seeking constructive dialogue with management – may not always yield the results aimed for and in these circumstances, we will consider escalating our stewardship activities. This will include seeking additional meetings with the company, contacting the non-executive directors or company advisors, or voting against management. Scenarios that would warrant this include when minority shareholders' rights are being compromised; when we are concerned about board structure; or sustainability issues that could undermine a company's future earnings' potential. As long-term investors we expect the companies in which we invest to focus on delivering durable shareholder value.

Transparency is critical to Martin Currie, and this includes communicating stewardship activities. Our quarterly client reports include a section on ESG (often encompassing voting information) and we produce articles on our engagement activities, which are sent to clients and posted on our website. In addition, when requested, we provide our institutional clients with detailed quarterly reports on our engagement and voting activities. We also produce the annual report on our stewardship and ESG work for broader dissemination and this explains our approach, engagement and voting activities, and outlook on key themes. We record all of our voting and engagement activity and publicly disclose a summary of our voting activities on our website.

Conflicts of interest:

Martin Currie has a Conflicts of Interest Policy that applies to Martin Currie as a whole and governs situations where conflicts could arise due to the business activities of different entities within Martin Currie. The policy applies to all clients, irrespective of their regulatory classification, and must be observed by all employees, without exception. We have policies, systems and controls in place to identify such potential conflicts between Martin Currie and its clients, as well as between one client and another, to achieve consistent treatment of conflicts of interest throughout its business. Martin Currie aims to manage any conflicts of interest that may arise and to ensure, as far as practicable, that such conflicts do not adversely affect the interests of its clients.

In managing conflicts of interest, Martin Currie:

- prepares, maintains and implements an effective conflicts of interest management framework.
- maintains detailed policies and procedures for identified activities to prevent conflicts of interest adversely affecting the interests of one or more clients. These include adequate measures to assess and evaluate potential conflicts identified.
- prevents or limits any person from exercising inappropriate influence over the way in which services and activities are carried out; and
- prevents or controls the simultaneous or sequential involvement of a person in separate activities or services where such involvement may impair the proper management of conflicts of interest.
- has appropriate monitoring and oversight arrangements in place to ensure policies and procedures are being observed in practice.
- ensures its organisational structure has sufficient and effective segregation of responsibilities.
- ensures that senior management periodically receive written reports detailing actual and potential conflicts of interest.

APPENDIX 2: STEWARDSHIP CONTENT AND RESPONDING TO CLIENTS' REQUESTS

Over the course of the reporting year we have responded to client requests and sought client views on the Stewardship and ESG insights we produce. The following list is content that has been produced to meet those needs and to explore the most relevant sector-specific, market-wide and systemic risks:

ESG AND FIRM VALUE – DOES IT MATTER?

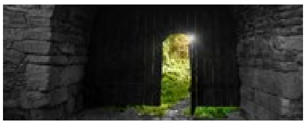
Andrew Graham, Head of Asia, and Tom Wills, Portfolio Manager, investigate the importance of governance and sustainability considerations within company valuations.

CLIMATE CHANGE AND THE IMPACT ON GEOPOLITICS

Kim Catechis, Head of Investment Strategy, discusses how climate change will influence the investment outlook as it causes shifts in geopolitics.

CLIMATE CHANGE - AN INEVITABLE RISK

David Sheasby, Head of Stewardship & ESG, sets out how we build our understanding of climate change risk, and how we identify the opportunities that present themselves.



CLIMATE CHANGE OPPORTUNITIES

David Sheasby, Head of Stewardship & ESG, explores how efforts to limit climate change and the transition to a lower-carbon economy present a range of opportunities for investors.

AFTERMATH – THE WORLD AFTER COVID-19

The Aftermath is Martin Currie's ground-breaking study on the new realities that are occurring as a result of the pandemic.

STAKEHOLDER PRIMACY IN THE POST-COVID WORLD

Despite the truly unprecedented societal and economic challenges the world has faced this year, we believe stakeholder primacy has gathered significant momentum.

IN DEFENCE OF NATURAL GAS: AN ESG PERSPECTIVE

Australia's energy mix cannot consist of renewables alone, and we believe that natural gas has a role to play in the transition to a lower-carbon future.

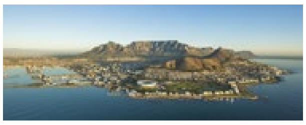
PURPOSEFUL ENGAGEMENT IS MORE EFFECTIVE THAN SHAREHOLDER ACTIVISM

Shareholder activist groups are diverting company management's time and energy towards narrow environmental and social causes. We explore why active ownership and purposeful engagement can achieve a better outcome for all stakeholders.

THE ESG JOURNEY IN EMERGING MARKETS – DRIVING CHANGE AND OPPORTUNITY

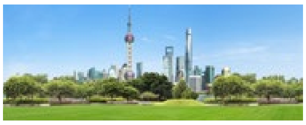
We are seeing increasing levels of adoption and awareness of ESG factors by companies, governments and shareholders in Emerging Markets (EM).

APPENDIX 2 (CONT): STEWARDSHIP CONTENT AND RESPONDING TO CLIENTS' REQUESTS



GLOBAL EMERGING MARKETS – THROUGH THE ESG LENS

Emerging markets have made great strides when it comes to ESG over the years, and there is now a constellation of companies which can go head to head with their developed-market peers.

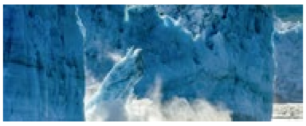


PODCAST: EMERGING MARKETS – OUR ESG ADVANTAGE

Colin Dishington explains why ESG factors are crucial to investing in emerging markets, how Martin Currie has achieved its industry-leading position, and the ways our approach continues to evolve.

THE ESG OPPORTUNITY?

Do Governments have an opportunity to relaunch their economies and go green at the same time? Will companies become more socially responsible business owners?



STEWARDSHIP MATTERS - EDITION 1

Introducing our new update on the Stewardship and ESG activities that we are undertaking on clients' behalf.

OUR GLOBAL LONG-TERM UNCONSTRAINED ESG INTEGRATION

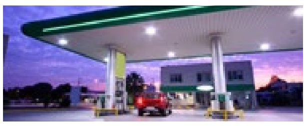
How ESG is integrated throughout the investment process. From determining which stocks progress to in-depth fundamental research, the usage of their proprietary ESG risk scoring system and finally how analysis of ESG exposures helps determine the overall portfolio shape.

ESG – OUR EXPERTISE

The in-depth analysis and process that underpins our world-class Environmental, Social and Governance (ESG) credentials.

ESG MATTERS FOR AUSTRALIA'S UPBEAT AGM SEASON

Australia's quasi 'third earnings reporting period' has become a forum for earnings outlooks and ESG matters.



THE SEARCH FOR SUSTAINABLE INVESTMENTS IN THE FOSSIL FUEL SECTOR

We are in a climate emergency but are fossil fuel producers going anywhere soon? Alastair Reynolds discusses how we navigate transformational change in the energy landscape.

STEWARDSHIP ACTIVITY: NOVEMBER (produced each month)

The latest update from David Sheasby, Head of Stewardship & ESG.

APPENDIX 3: INITIATIVES OVERVIEW

Principle	Since	What this means
Principles for Responsible Investment (PRI)	2009	• Signatories must comply with the Six Principles for Responsible Investment and demonstrate adoption. • Report on activities on an annual basis.
UK Stewardship Code	2010	• In compliance with the codes, signatories must publicly disclose their approach to stewardship and how they discharge their stewardship duties.
Japanese Stewardship Code	2015	• Signatories should establish a clear frameworks for how they will engage with and vote proxies for the companies they invest in.
Korean Stewardship Code	2018	• Signatories also commit to report on their activities on a regular basis. • We endeavor to comply with the approach on stewardship to all companies that we invest in globally.
CDP	2015	• Encouraging companies to disclose and ultimately manage climate change issues in order to create and sustain long-term shareholder value. Provides us with access to company reports and research.
International Corporate Governance Network (ICGN)	2016	• Gives us the opportunity to influence governance policy. • Global peer-to-peer network, opportunity to liaise with governance professionals and regulatory practitioners. • Access to governance-specific viewpoints, research and events.
Endorsement of the International Integrated Reporting Council (IIRC) investor statement	2017	• Encourages companies to adopt better reporting and more effective communication of how they create value through Integrated Reporting.
Global Investor Statement to Government on Climate Change	2019	• Investors from around the globe are urging world government leaders to step up ambition on climate change and enact strong policies by 2020 to achieve the goals of the Paris Agreement.
Climate Action 100+	2020	• An investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.
Council of Institutional Investors (CII)	2020	• A non-profit, non-partisan association of U.S. public, corporate and union employee benefit funds. CII educates members, and the public, about best corporate governance practices and provides opportunities for members to interact with peers, investment executives and policymakers.
Taskforce for Climate-Related Financial Disclosures (TCFD)	2021	• Globally recognised disclosure framework developed by the Financial Stability Board. Provides information on climate-related risks and opportunities to help with better integration of the financial impacts of climate change into the investment process.

APPENDIX 3 (CONT): INITIATIVES OVERVIEW

Training and development:

We believe in the importance of continued learning and development in order to build on our stewardship capabilities.

Working groups

We have two key working groups to advance our approach:

ESG Working Group – this group is focused on the work of our investment teams with the aim of continuing to evolve the approach in each team, building expertise and sharing best practice. Through this we ensure broad consistency and efficiency in our approach and are able to identify resourcing and training needs. The group consists of representatives from each of the investment teams and is led by the Head of Stewardship and ESG.

ESG Regulatory Working Group – reflecting the rapid evolution in the regulatory environment, this group reviews upcoming regulation, oversees the necessary resourcing and implementation to meet these requirements and reviews the effectiveness of the frameworks established. This group is overseen by the Head of Stewardship and ESG and consists of key stakeholder representatives from across the business.

Education and training

We continue to run sessions to build our knowledge and share learnings from our work. This year these have included sessions focused on: the UN Sustainable Development Goals and mapping company products and services to the underlying targets; our work on the Carbon Value-at-Risk Model; our framework on exploitation risk which focuses on modern slavery and human rights regulatory change with a particular focus on the EU SFDR regulation engagement strategies and outcomes across the investment teams. We have also been encouraged by the development of structured training and qualifications becoming increasingly available from organisations such as the CFA and the FSA. In both cases we have supported and encouraged our team members to take advantage of these for self-development.

APPENDIX 4: THE 2020 UK STEWARDSHIP CODE PRINCIPLES

The information for this report has been sourced through several multiple internal stakeholders in their areas of responsibility to check and verify the accuracy of data. This report is signed off by the executive. As the external assurance market develops we may look to provide additional external assurance on our activities.

REFERENCES WITHIN THE REPORT

Purpose and Governance

1. Purpose, strategy and culture	pages 2, 3, 4
2. Governance, resources and incentives	pages 4, 5, 29, 30
3. Conflicts of interest	pages 7, 10, 18, 26 (For our full voting disclosure, please visit our website)
4. Promoting well-functioning markets	pages 1, 2, 3, 4, 16, 17, 19
5. Review and assurance	page 5

Investment approach

6. Client and beneficiary needs	pages 2, 3, 4, 18, 19, 27, 28
7. Stewardship, investment and ESG integration	pages 1, 2, 3, 4, 7, 8, 9, 23, 25
8. Monitoring managers and service providers	pages 5, 18

Engagement

9. Engagement	pages 10, 11, 12, 13, 14, 15
10. Collaboration	page 15
11. Escalation	pages 10, 11, 12, 13, 14, 15, 16, 25, 26

Exercising rights and responsibilities

12. Exercising rights and responsibilities	pages 18, 19, 20, 21, 22, 25

This report also aims to meet the disclosure requirements of Shareholder Rights Directive II (SRD II).

IMPORTANT INFORMATION

This information is issued and approved by Martin Currie Investment Management Limited ('MCIM'), authorised and regulated by the Financial Conduct Authority. It does not constitute investment advice. Market and currency movements may cause the capital value of shares, and the income from them, to fall as well as rise and you may get back less than you invested.

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Past performance is not a guide to future returns.

The views expressed are opinions of the portfolio managers as of the date of this document and are subject to change based on market and other conditions and may differ from other portfolio managers or of the firm as a whole. These opinions are not intended to be a forecast of future events, research, a guarantee of future results or investment advice.

Please note the information within this report has been produced internally using unaudited data and has not been independently verified. Whilst every effort has been made to ensure its accuracy, no guarantee can be given.

The analysis of Environmental, Social and Governance (ESG) factors forms an important part of the investment process and helps inform investment decisions. The strategy/ies do not necessarily target particular sustainability outcomes.

The information provided should not be considered a recommendation to purchase a particular strategy/fund or sell any particular security. It should not be assumed that any of the securities discussed here were or will prove to be profitable.

Martin Currie Investment Management Limited, registered in Scotland (no SC066107)
Martin Currie Inc, incorporated in New York and having a UK branch registered in Scotland (no SF000300), Saltire Court, 20 Castle Terrace, Edinburgh EH1 2ES

Tel: (44) 131 229 5252 Fax: (44) 131 222 2532 **www.martincurrie.com**