

SHAREHOLDERS' RIGHTS DIRECTIVE (SRDII) REPORT TO 31 DECEMBER 2022

FTF Martin Currie Emerging Markets Fund



MARTIN CURRIE
A Franklin Templeton Company

MARCH 2023

1. Introduction

As an active manager of long-term concentrated portfolios stewardship sits at the heart of our approach to investment. We are motivated by a belief that this both helps protect and enhance the risk-adjusted return on our clients' capital. Ultimately, we want to ensure that the interests of company managements are aligned with their shareholders (our clients), and that the former take this into account when making decisions. We place a particular emphasis on governance, strategy and capital allocation, and pay significant attention to material 'sustainability' (environmental or social) issues that might influence long term value creation. Our stewardship activity manifests itself principally in monitoring and engagement - both privately or in collaboration with other investors - and our voting activity. With regards to the former we build strong relationships with investee companies, ensuring that our engagement is not constrained by our clients' minority-shareholder status. Nonetheless, we will join collaborative efforts, particularly when deemed likely to be more efficacious than acting alone. Our voting policy is determined by our internal guidelines, with an expectation that companies will comply with (local) best practice or explain why this is not the case. Where clients assign us proxies we will vote with their best interests in mind. When voting against management we endeavour to inform them of our rationale for doing so in advance of the vote so as to allow due time for a response. All resolutions are reviewed in this context, with the responsibility for initial proposals residing with the investment team with oversight by our independent Stewardship, Sustainability & Impact team. As well as our internal research, we utilise the services of proxy advisor Institutional Shareholder Services (ISS), which provides its own research on resolutions presented for company meetings. We use their platform to instruct the votes. Our governance and oversight documents, which apply across all regions, are reviewed annually, to ensure that we stay abreast of developments and best practice.

2. Portfolio commentary - Martin Currie Global Emerging Markets investment team

How do the main elements of the investment strategy contribute to the medium to long-term performance?

We manage high-conviction equity portfolios for our clients and seek opportunities for growth across the emerging markets of Asia, Europe, Latin America and the Middle East & Africa.

We believe that superior performance in emerging markets can be achieved by actively managing portfolios constructed exclusively from stocks where the underlying company's long-term growth prospects are not yet reflected in its stock price.

Our primary investment belief is that over the long term, share prices are chiefly determined by cash earnings. By understanding how a company generates its earnings and successfully forecasting how these will grow in the long term, we believe we can identify that company's inherent value. We put our philosophy into practice through a disciplined and sustainable investment process.

We seek to generate the majority of outperformance from our bottom-up, research-driven approach. We are long-term investors and can look through short-term market volatility.

Governance and sustainability analysis is integrated into our approach with our analysis focusing on those factors that are potentially material to the investment case. We engage with companies both to build our understanding and to focus on change where we identify potential risks or an opportunity for improvement.

This strategy aims to generate significant real returns over the longer term and is unsuitable for investors who want short-term outperformance relative to an index.

How is the Fund managed in-line with the Prospectus?

The investment team maintains a strong understanding of their mandates and prospectus investment guidelines, and they are the first line of defence in our 'three lines of defence' model. The second line of defence is our Risk and Compliance team which uses a monitoring system called Bloomberg CMGR to code investment guidelines where possible. The third line of defence is internal audit which conducts periodic review and assessment of mandate compliance controls within the first and second lines. Portfolio managers receive regular daily portfolio positioning data generated from Bloomberg AIM, allowing them to monitor compliance with fund investment restrictions.

2.1. Commentary on specific Fund investments

Our aim when producing our proprietary governance and sustainability risk ratings is to provide fundamental insight into material ESG issues that can influence long-term returns for companies, to assess where the companies in which we invest can have a material impact on key common ESG issues such as climate change, human rights, cyber security and workers' rights and to highlight potential areas for engagement. 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 creation of a firm.

The top five holdings in the fund on an absolute basis and their respective Governance and Sustainability risk ratings are as follows:

Stock name	Sector	Fund weight %	Index weight %	Active Weight %	Governance Risk Rating	Sustainability Risk Rating
TSMC	Technology	8.11	5.69	2.42	1.25	1.50
Samsung Electronics	Technology	7.61	3.31	4.30	2.75	2.50
Tencent Holdings	Technology	6.75	4.23	2.52	2.50	2.75
ICICI Bank	Financials	3.81	0.88	2.94	2.00	2.25
Alibaba Group Holding	Consumer Services	3.49	2.59	0.89	2.20	2.75

Source: Martin Currie as at 31 December 2022. FTF Martin Currie Emerging Markets Fund. Index: MSCI Emerging Markets (Net Div). We use a range of quantitative and qualitative inputs to identify each company's potential exposure to ESG risks as well as its management of ESG risks. This ESG risk analysis helps us form a company specific rating for Governance and Sustainability (environmental and social) respectively. We apply a risk rating from 1 (low risk) to 5 (high risk).

Below we summarise the key ESG risks across the top five holdings and provide further commentary from the fund where we feel warranted.

Taiwan Semiconductor Manufacturing Company. TSMC is the largest semiconductor foundry in the world with its primary business being the manufacture of integrated circuits used in computer, communications, consumer electronics, automotive and industrial equipment industries. Demand for semiconductors has been strong and TSMC has been gaining market share at each new technology node. The company has been able to use this enviable market position to price its services appropriately to make a good return on capital. TSMC should benefit from the continued growth of the semiconductor market, especially the requirement for faster and less power-hungry chips. The most material ESG risk for TSMC is environmental – water scarcity. Fresh water is a key element in the semiconductor manufacturing process and therefore availability is crucial. TSMC has in place industry leading water recycling and conservation programmes. It is reducing consumption of water per unit manufactured, and its recycling rate of water is 85.4%. In 2022 TSMC published its Task Force on Climate-related Financial Disclosures, in which it pledged to reach net zero emissions by 2050. This builds on what TSMC had previously committed to, having joined the RE100 in 2020 which pledges the use of 100% renewable energy and zero direct CO2 emissions from electricity consumption by 2050. We continue to engage with the company on next steps and monitor their progress.

*Source: TSMC sustainability report, as at 31 December 2021

Samsung Electronics. Samsung Electronics is one of the world's leading semiconductor and consumer electronics brands, including smartphones and display technologies. A significant portion of Samsung's profit comes from memory semiconductors, where it benefits from an oligopolistic market structure with substantial entry barriers. The company is well positioned to benefit from the growth of AI, cloud computing and 5G technology. There are several sustainability risks which we have identified in relation to the company, and we are seeing progress on these fronts through our engagements. The risks include its governance

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profile, geopolitical risks and labour relations. Progress on the ESG front has been made by splitting the CEO/Chairman role, revamping the board, identifying material sourcing and lowering water consumption per unit. A key area of focus is with regards to labour conditions. There has been ongoing progress with better labour workforce monitoring, and during 2022 it reached an agreement with its union and signed an annual wage deal. It also implemented an Anti-Discrimination and Harassment Policy during the year.

Tencent Holdings. Tencent is a leading Chinese internet company with long-term growth opportunities across its product portfolio. It has a significant global video game business, one of the largest social media networks in the world as well as offering leading domestic payment and cloud infrastructure. Despite a strict regulatory backdrop, the company has thrived through continuous innovation and the strategic pivot towards enterprise solutions is the next step in that journey. As an internet services provider, Tencent relies on highly skilled employees and thus faces high exposure to operational risks linked with talent recruitment and retention. Tencent offers strong employee benefits packages, including various share option or bonus schemes which are open to virtually all its employees. Regulatory risk remains the primary risk for the company. The gaming sector in China has been subject to regulatory changes in recent years. Most notably, the approval process for games has been overhauled and there are restrictions around what type of content is suitable for gamers. Furthermore, gambling proxy games do not fill the criteria for approval any longer. There is also sensitivity in China around the risks of gaming addiction for minors. As a result, the government has mandated curfews, time limits and spending limits for young gamers. Tencent had already implemented similar rules of its own ahead of these restrictions, which were tightened in 2021. They have also added underage modes to key apps and parental guidance controls across the ecosystem to limit screen time and advertising exposure to youngsters as well as increasing the portion of educational videos shown. Tencent has made notable improvements to its internal data security controls in order to mitigate its high risks associated with privacy and data security issues. This has included employee training and acquisition of certification for select business lines. On the environmental side, it has increased its commitments, including the dual target of carbon neutrality by 2030 and the utilisation of green power for all of its electricity usage. It has also recently committed to the Science Based Targets Initiative (SBTi).

ICICI Bank. ICICI Bank is India's largest bank by assets. It is well positioned and has been gaining market share in retail and corporate banking segments, underpinned by a visible lead on digital. We have monitored asset quality, and with no major increase in asset density ICICI should retain its lower asset risk status. ICICI is working on improving its responsible lending terms and incorporating ESG and climate related risks into its credit evaluation process. It introduced integrated analysis of environmental and social risks into credit appraisal three years ago and in 2022 it added external ESG scores for large borrowers and sector checklists to its integrated analysis. From a governance perspective, ICICI have a clean private ownership structure with majority independent board. It has established an employee stock ownership and stock purchase plan designed to incentivise middle management and encourage "owner-manager" culture, aid retention and allow more employees to participate in the long-term healthy growth of the business. We engaged with the company and are satisfied that this aligned with shareholder interest. Additional ESG risk areas include exposure to climate change risk via lending segments such as agriculture and widening the scope of/introducing more hard goals on the governance side such as net zero and financed emissions.

Alibaba Group Holding. Alibaba is the world's largest online retail commerce business in terms of gross merchandise volume (GMV). It primarily operates in China via its online retail businesses Taobao and Tmall. Alibaba also has a growing cloud computing business, offering a suite of cloud-related services. Regulation is a key ESG issue for Alibaba and one which has continued into 2022. Given the scale of Alibaba's reach, regulation around data security/privacy will always be a possible risk, as well as the actual risk of cyber security breaches. The weight of new regulatory issues in the internet/platform sector touches on antitrust, data security, social security issues, overseas listings, use of variable interest entities (VIEs), mergers/acquisitions and for-profit education services in core subjects. We believe that the Chinese Communist Party has increased the priority of business regulation as a mechanism to reduce inequality and counter abuses of market power. In the long run, a step-up in regulation should foster more sustainable business practice at an industry level. For the most responsible operators in an industry, regulation is likely to improve their competitive advantage and hasten the exit of unscrupulous players. We believe that Alibaba is well-placed to withstand the disruption and adapt to the changing regulatory environment. In terms of climate related risks, because of the platform driven nature of the business, the breadth of customers and merchants, and the geographic spread of business, it is very diversified and as such the impact of climate change is likely to closely mirror the broader impact on the economy and consumers changing spending habits as a result. The company has committed to a net zero target and has committed to adopting science based targets via the SBTi framework.

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3. Fund review of turnover and turnover costs

Annual turnover %	38.97	<i>Lesser of (purchases or sales)/Average fund size x 100</i>
Fund transaction costs (GBP)	102,685.11	<i>Total brokerage and execution charges</i>

Source: Martin Currie as at 31 December 2022. FTF Martin Currie Emerging Markets Fund.

4. Proxy voting

ISS is our proxy voting advisor and provides voting recommendations for Martin Currie in accordance with their own policy which is closely aligned with our internal policy. As appropriate, they 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.

Where clients assign us the proxies 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 and specialist governance advisor. We assess voting matters on a case-by-case basis, taking into account a company's circumstances but are guided by our over-arching principles on good corporate governance. The assessment is carried out by the member of the investment team with responsibility for the stock in conjunction with our independent Stewardship, Sustainability & Impact team. We recognise that regulatory frameworks vary across markets and that corporate governance practices vary internationally. Where the recommendations of our advisors, both for and against proposals, are supported by our guidelines and our internal research we will generally vote in accordance with these recommendations.

4.1. Significant votes

Company Name	Delivery Hero	Robinson's Retail	OTP Bank
Company descriptor	A multi-national food to home delivery company.	A Philippines based multi-format retailer.	A Hungarian based banking group with operations across Central and Eastern Europe
Issue	We had identified numerous topics including disclosure on remuneration, rider welfare and waste reduction.	Board composition.	Remuneration disclosure.
Governance, Environmental or Social	Environmental, Social and Governance	Governance	Governance

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4.1. Significant votes (cont)

Company Name	Delivery Hero	Robinson's Retail	OTP Bank
Objective	We were engaging with Delivery Hero to gain assurance that they had strong plans in place to guarantee welfare of its delivery staff. We were also seeking robust commitments to reduce packaging waste and carbon emissions. On management remuneration we were dissatisfied with the level of disclosure around senior management incentives.	We have been in discussion with Robinsons to increase the level of independent representation on its Board and to reduce its reliance on over-boarded directors.	OTP consider a large number of indicators when setting remuneration of its senior management, do not disclose specific numeric targets that would allow us to make an informed assessment. The amount that management are paid is also not disclosed. We have been requesting transparent disclosure of these indicators along with details of how they impact remuneration. There is no regulatory requirement for the company to provide enhanced disclosure and as such the company continues to provide the minimum required transparency.
Scope and process (of relevant engagement)	We met with the company's sustainability team and received reasonable assurances that our concerns would be addressed over the course of the year.	The company has responded to our concerns by nominating an additional independent director.	We have raised our concerns with the company during a meeting and followed up to explore further.
(Voting) outcome	The Board submitted its Remuneration Report for approval at the firm's AGM. We voted against this resolution as the company had not met our expectations on disclosure of the structure of its long term incentive plan (LTIP). We also disapproved of the high levels of compensation being paid under the LTIP without supporting justification.	We voted in favour of all but one director nominee at the company's AGM. We voted against one non-independent director on the basis of his over-boarded status and because the company has still not achieved a majority independent board composition.	We voted against the approval of the Board's remuneration policy at the company's AGM as it does not meet the transparency levels we would wish to see from a financial group of OTP's size.

5. Conflicts of interest

A fundamental ethical principle of Martin Currie is to pay due regard to the interests of our clients and to manage potential conflicts of interest fairly. We take a holistic view of conflict risk and conflict mitigation and have policies, systems and controls in place to identify such potential conflicts between ourselves and our clients, as well as between one client and another, to achieve consistent treatment of conflicts of interest throughout the business. We aim 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 our clients. A robust conflict management process is in place which is owned by the Executive Risk Group (ERG). Activities which could create a potential conflict of interest are recorded on the conflicts register and are reviewed by the business regularly to ensure that controls in place remain adequate to mitigate any risk of a conflict arising. The output of this review is reviewed by the ERG. There were no conflicts of interest in relation to this fund during 2022.

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6. Securities lending policy

We do not participate in security lending for this fund.

Important information

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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.

Risk warnings – Investors should also be aware of the following risk factors which may be applicable to the strategy shown in this document.

- Investing in foreign markets introduces a risk where adverse movements in currency exchange rates could result in a decrease in the value of your investment.
- This strategy may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the strategy's value than if it held a larger number of investments.
- Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.



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