SHAREHOLDERS' RIGHTS DIRECTIVE (SRDII) REPORT TO 31 DECEMBER 2020

LEGG MASON IF MARTIN CURRIE GLOBAL EMERGING MARKETS FUND

MARTIN CURRIE

MARCH 2021

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 Head of Stewardship and ESG, David Sheasby. 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. 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

All of our work on ESG/Governance and Sustainability is focused ultimately on the economic success of the underlying business – essentially understanding how these factors may influence the ability of the company to generate sustainable returns (over the long term). We also express these views in our Governance and Sustainability ratings.

We assess the material Governance and Sustainability issues at an individual holding and portfolio level using a combination of primary research and secondary resources which can be both qualitative and numerical.

In assessing Governance and Sustainability risks, we consider the materiality of identified issues, their impact on a company, and management actions (taken and proposed) to address them.

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

Stock name	Sector	Fund weight %	Index weight %	Active Weight %	Governance Score	Sustainability Score
Taiwan Semiconductor Manufacturing Company	Technology	9.72	5.89	3.83	1.6	1.0
Samsung Electronics	Technology	8.77	4.52	4.25	2.5	2.4
Tencent Holdings	Technology	7.93	5.30	2.63	2.0	2.3
Alibaba	Consumer Services	6.26	5.59	0.67	2.6	2.8
LG Chemical	Basic Materials	4.52	0.44	4.08	2.9	2.8

Source: Martin Currie as at 31 December 2020. Legg Mason IF 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. With the growth of fabless semiconductor design, Taiwan Semiconductor Manufacturing Company (TSMC) has been taking 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 and, in particular, the requirement for faster and less power-hungry chips. TSMC currently scores well on our proprietary scoring system, with good transparency on overall operations and strong reporting practices. More broadly, the extent to which artificial intelligence is rapidly being adopted to answer many sustainability issues will be beneficial to TSMC as a leading chip manufacturer. Pertinent risks from an ESG perspective include water scarcity – because of the quantities of water required in its production process – as well as exposure to potentially rapidly changing regulatory and geopolitical environments, specifically because its production base in Taiwan. Elsewhere, the recruitment and retention of a highly skilled workforce and robust protection of intellectual property are also potential ESG-related risks to the investment case.

Samsung Electronics. Samsung Electronics is a leader in smartphones, semiconductors and display technologies. Following the boom in smartphones, Samsung earned significant returns from memory semiconductors, where it benefits from an oligopolistic market structure with significant entry barriers. The company is well positioned to benefit from the growth of AI, cloud computing and 5G technology. Historically, one of the biggest concerns from an ESG perspective has been certain aspects of the company's governance profile, where the gradually reforming chaebol structure still presents a risk of mismanagement as well as a lack of transparency. This risk extends to South Korean politics and the often blurred lines between chaebols and the government. Product recall also remains a risk, as was most visibly illustrated with the impact of the Galaxy Note 7 recall. On the governance side we are encouraged by the ongoing improvement in terms of shareholder focus as well as increased awareness of ESG issues at an operational level which help to mitigate the identified risks.

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

Tencent Holdings. The company has a powerful market position as a leading internet platform in China, with a large active-user base. It is a world leader in gaming and has the dominant Chinese chat app alongside the Weixin ecosystem providing services across the economy. Regulation (including censorship, gaming, privacy and anti-monopoly legislation) remains a notable, overarching threat to the business case. Other inherent risks for Tencent are the variable interest entity (VIE) structure, data security and the wellbeing of its workforce. With regard to governance issues, there is some concern about the long tenure of several members of the board (three of the independent directors have held their roles since 2004), as well as a lack of board diversity. In addition, greater clarity is also required from the firm on how remuneration for senior management is structured. Capital allocation decisions also need to be monitored. Elsewhere, Tencent is making improvements in evolving the depth of accessibility of its reporting, with disclosure improving. And although it has not been formally articulated, the company is involved in initiatives that effectively relate to many of the UN SDG targets.

Alibaba. 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 business, offering a suite of cloud-related services. It holds a 33% equity stake in Ant Financial, which provides financial services to consumers and merchants in China. It's strong ecosystem and large user base provides both a strong moat, as well as excellent future monetisation opportunities. Regulation is a key ESG-issue for Alibaba and one which recently came to the fore at the end of 2020, with the cancellation of the Ant Group's IPO as well as a draft paper on internet regulation. Although the implications of the regulations mean Alibaba's growth will slow somewhat as practices are adjusted, we don't believe this significantly changes its core business model at the moment. Also, 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. Elsewhere, Alibaba's business model has aligned well with the pandemic environment, helping the transformation of businesses to digital operations, a trend which we believe COVID-19 has merely accelerated. We are also noting a good alignment from Alibaba on several of the UN Sustainable Development Goals.

LG Chemical. LG Chem has a long history as a petrochemical producer, specialising in industrial plastics, synthetic rubber and feed stock for the electronics industry. Over the past twenty years it has also built an energy solutions business based on lithium batteries that saw it become one of the world's leading producers by volume. The company has continued to invest in its mass production know-how to emerge as the world's leading supplier of electric vehicle batteries. We believe LG Chem is on the cusp of moving to a sustainable profit position in its energy storage division, turning what has hitherto been a drag on financial returns into a powerful profit driver over the next decade. The company presents us with contrasting ESG-related features, as it is at the forefront of the battery industry that will transform the future of passenger vehicle propulsion away from the internal combustion engine, yet the group operates in high-risk industries involving hazardous chemicals, higher-risk working conditions and the potential for significant social implications around product recalls. Overall, we see strong positive alignment with several of the UN Sustainable Development Goals.

Other Environmental Risks in the Fund

Climate change is a significant risk to all companies within the emerging market universe and therefore the companies owned in the strategy. We identify material climate change risks and we address its impact explicitly for every holding in the fund. Companies can also be providers of solutions to climate change and thus can be beneficiaries, we see this feature in a number of stocks in the fund. We identify these companies and how their long-term business prospects are enhanced by action against climate change.

One specific area that is a common environmental risk is water scarcity. Again, we identify material water scarcity risks to the business and judge the procedures in place to deal with the challenges that water scarcity may present to the business operations.

Environmental risks and opportunities are also relevant to the UN Sustainable Development Goals (SDGs) and we analyse alignment of companies to the SDGs.

Other Social Risks in the Fund

Modern Slavery and human rights are key risks that can be present in the emerging markets and are therefore a risk to the holdings within the strategy. We identify each holdings potential exposure to these risks and engage further with companies if it presents a material risk.

Health and safety risks particularly from an operational point of view are an area where we analyse the potential risk level and the procedures in place to avoid accidents.

Social risks and opportunities are also relevant to the UN Sustainable Development Goals (SDGs) and we analyse alignment of companies to the SDGs.

Other Governance Risks in the Fund

Emerging markets include a wide range of legal jurisdictions and equity market practices. This results in variation in areas such as ownership concentration, board independence, board diversity, remuneration policy and capital allocation practices. For each of our investments we identify material governance risks and we advocate for improved governance through engagement and voting.

3. Fund review of turnover and turnover costs

Annual turnover %	50.15	*Lesser of (purchases or sales)/Average fund size x 100*
Fund transaction costs (GBP)	32,809.60	*Total brokerage and execution charges*

Source: Martin Currie as at 31 December 2020. Legg Mason IF 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 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 the Head of Stewardship and ESG. 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	Minth	Titan	Turkcell
Company descriptor	Auto parts manufacturer	Indian consumer business	Turkish telecom business
Issue	Concerns about choice of re-placement for chairperson.	Concerns about the quantum and transparency on remuneration for board nominee.	As has been the case in the past, the Director remuneration agenda item at the AGM is designed to allow shareholders to propose a new board fee structure during the meeting. As minority shareholders it does not enable us to make an informed voting decision.
Governance, Environmental or Social	Governance	Governance	Governance

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

4.1. Significant votes (cont)

Company Name	Minth	Titan	Turkcell
Objective	Due to regulation requirements, the company sought to replace its chairperson. In this case the suggested replacement was a related party. We sought to understand why the company considered the proposed new chairperson was suitably independent from the outgoing chairperson.	The company failed to specify the quantum of commission that the nominee is entitled to each year and there was a lack of justification for the proposed minimum remuneration. We wanted to understand much greater detail around their remuneration framework and ultimately how it was aligned with minority shareholder.	Whilst it is common practice in Turkey for figures not to be predetermined and the fees were set in 2016 and no change since then, we wanted to make it clear to the company that this is not best practice and we would support a change in the procedure.
Scope and process (of relevant engagement)	We contacted the company to understand their rationale for their proposed candidate. The chair of the nomination committee provided background information on the candidate including details of their experience and likely contribution to the board but didn't directly address our principle concerns about the independence of the candidate.	We contacted the company to provide the company a chance to add any comments or additional disclosure on the topics we had issues with. The provided us with some addition information and clarification.	We contacted the company to express our view, something we have consistently done during our time as shareholders.
(Voting) outcome	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.	Whilst the additional information is helpful to understand and we take comfort from historical remuneration awards, it didn't change our view to vote against these policies. The remuneration policy provides the overarching principals, but we believe there should also be a detailed remuneration framework that provides transparency around specific targets on specific metrics that are shared with investors in order for us to support the remuneration policy. We also believe that investors should be able to see these each year and vote as appropriate. We also shared with the company an explanation of where we see best practice on this matter.	While there has been no change since 2016 and there is a limited likelihood of any new proposal being made, we are unable to vote in favour without such information in advance.

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

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 2020.

6. Securities lending policy

We do not participate in security lending for this fund.

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.

The information contained in this document has been compiled with considerable care to ensure its accuracy. However, no representation or warranty, express or implied, is made to its accuracy or completeness. Martin Currie has procured any research or analysis contained in this document for its own use. It is provided to you only incidentally and any opinions expressed are subject to change without notice.

This document may not be distributed to third parties. It is confidential and intended only for the recipient. The recipient may not photocopy, transmit or otherwise share this document, or any part of it, with any other person without the express written permission of Martin Currie Investment Management Limited.

The document does not form the basis of, nor should it be relied upon in connection with, any subsequent contract or agreement. It does not constitute, and may not be used for the purpose of, an offer or invitation to subscribe for or otherwise acquire shares in any of the products mentioned.

Past performance is not a guide to future returns.

The distribution of specific products is restricted in certain jurisdictions, investors should be aware of these restrictions before requesting further specific information. 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, 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 information provided should not be considered a recommendation to purchase or sell any particular strategy/fund/security. It should not be assumed that any of the security transactions discussed here were or will prove to be profitable.

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

MARTIN CURRIE

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**

Both companies are authorised and regulated by the Financial Conduct Authority.
Martin Currie Inc, 280 Park Avenue, New York, NY 10017 is also registered with the Securities Exchange Commission.
Please note that calls to the above number may be recorded.