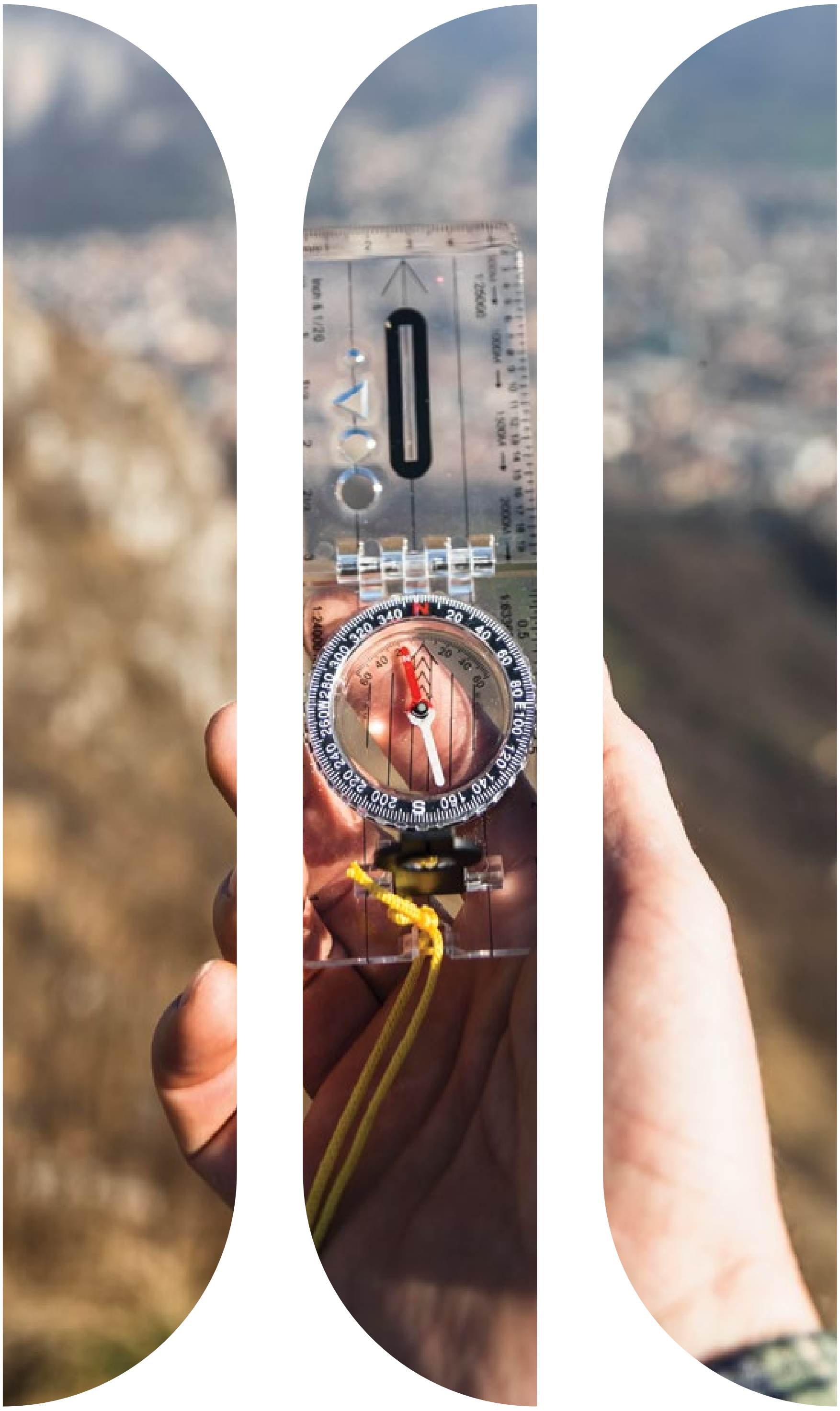
STEWARDSHIP MATTERS

MARTIN CURRIE



06

NAVIGATING CHANGE

APRIL 2022

INVESTING TO IMPROVE LIVES™

www.martincurrie.com

Introduction

Welcome to Edition 6 of the STEWARDSHIP MATTERS magazine, our regular review of Martin Currie's work in the stewardship and ESG space, and our insight into future trends.

In this edition, we have specifically focused on the important topic of reporting and regulation, and how we as investors are navigating the fast pace of change that is occurring in this space.

Contents

This edition of Stewardship Matters accompanies the recent publication of our 2022 Annual Stewardship Report. This detailed report provides further insight into our business, the importance of stewardship, and examples of how this has been incorporated in our investment process and stewardship activities over the past 12 months.

Please visit our Annual Stewardship Report, for detailed statistics on our purposeful engagement and proxy voting activities in calendar year 2021.

PRI ratings history

A+ A+ A+

Highest possible ratings by PRI: 2016, 2017, 2018, 2019

NET ZERO

Signatory of Net Zero Asset Managers Initiative (NZAMI), 2021

Source: Martin Currie and PRI 2020. Latest PRI A+ ratings relate to Strategy & Governance, Incorporation and Active Ownership activity for the period 1 January 2019 – 31 December 2019. A copy of the PRI's assessment of Martin Currie and methodology is available on request.

Foreword

Melchior de Muralt
Managing Partner,
De Pury Pictet Turrettini
& CIE SA (PPT)

The pace of change in regulatory reporting of stewardship and ESG has never been faster or more broad-based.

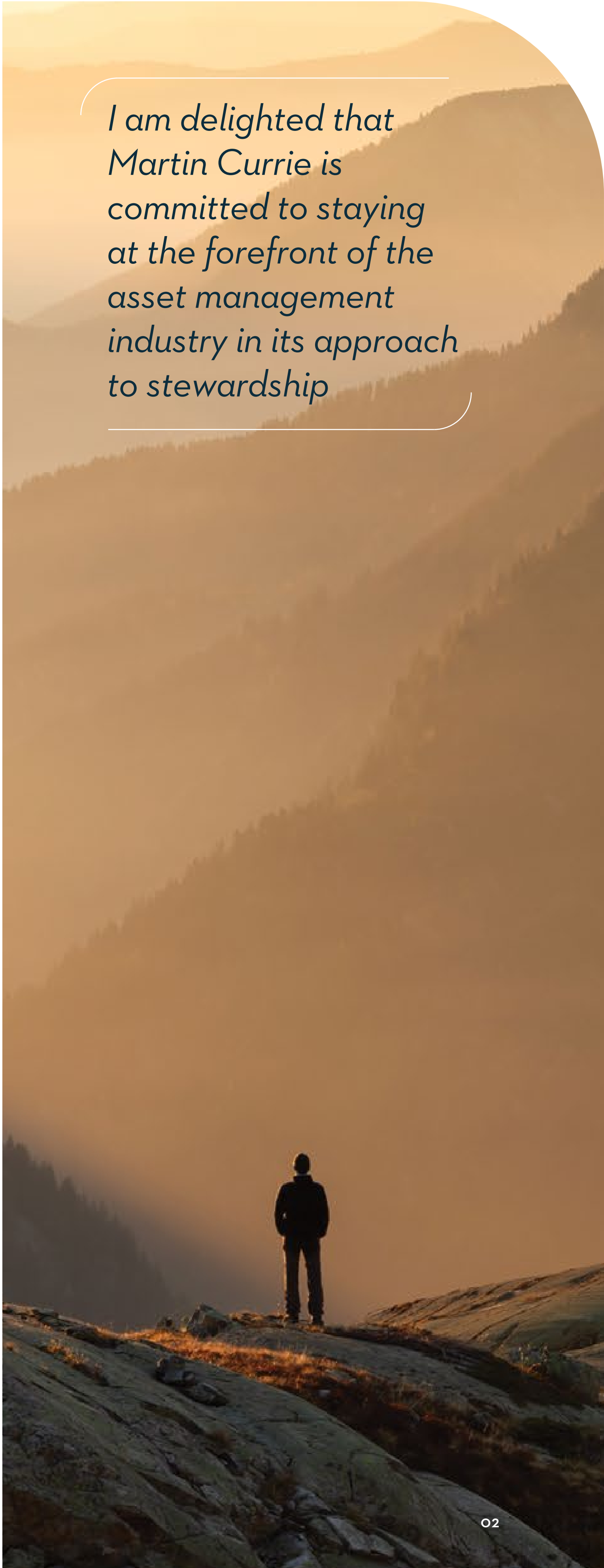
There has been a rapid formalisation of regulatory regimes and initiatives in relation to stewardship, engagement and sustainability. We welcome these developments in helping to provide additional transparency and clarity to end investors around the nature and impact of their investments.

However, regulation should not be the only driver of ambitious change. We firmly believe that regulation should be just one component part of a wider philosophical purpose whereby investors strive to deliver impactful change beyond a minimum required regulatory standard. This has formed the basis of our 'buy and care' strategy over the last 15 years; a focus on driving real world change through investment impact and engaging for all stakeholders is something about which we care deeply.

Our innovative partnership with Martin Currie is delivered through the CADMOS Emerging Markets Engagement Fund. It reflects a shared vision to achieve impactful improvement using the framework of the UN Sustainable Development Goals. Together, we engage with our investee companies to drive specific and quantifiable engagement outcomes that create direct benefit for both shareholders and wider society.

We chose to partner with Martin Currie because of its long-standing focus on both investment excellence and impactful engagement. I am delighted that Martin Currie is committed to staying at the forefront of the asset management industry in its approach to stewardship, as the recently published *2022 Annual Stewardship Report* and this edition of STEWARDSHIP MATTERS demonstrates.

We look forward to evolving and enhancing our partnership with Martin Currie, with the ambition of continuing to advance our focus on impactful investment and engagement.



I am delighted that Martin Currie is committed to staying at the forefront of the asset management industry in its approach to stewardship

A year of stewardship regulation, reporting and action

David Sheasby
Head of Stewardship & ESG

The stewardship environment has continued to evolve at pace over the course of the last year. The onus has been placed on regulators to keep pace.

Over the past year we saw some significant regulatory announcements that will shape the industry for years to come, indicating that the importance of credibility and authenticity within responsible investment is being recognised. At Martin Currie, we have always focused on the importance of materiality and the identification of long-term value drivers, and we are pleased to see regulatory initiatives beginning to understand its importance too.

As discussed in more detail in the ***next article***, key amongst these regulatory initiatives have been the extensive changes that have come into effect in Europe – notably the stewardship reporting under Shareholder Rights Directive II (SRD II) and the EU Sustainable Finance Disclosure Regulation (SFDR) that has necessitated detailed work on ESG and sustainability disclosures. The embedding of TCFD in the UK regulatory regime has also been a key development that will frame disclosures across the finance industry in the years to come.

During 2021, disclosure of ESG-related information received due attention, promoting transparency and greater specificity in the measurement of aims and outcomes. A focus on systemic issues such as climate change persisted over the year with a growth of frameworks on the subject, buoyed by the global COP26 summit in November 2021.

Regulation in 2021

- *Shareholder Rights Directive (SRD II)*
- *EU Sustainable Finance Disclosure Regulation (SFDR)*
- *Taskforce for Climate-Related Financial Disclosures (TCFD)*

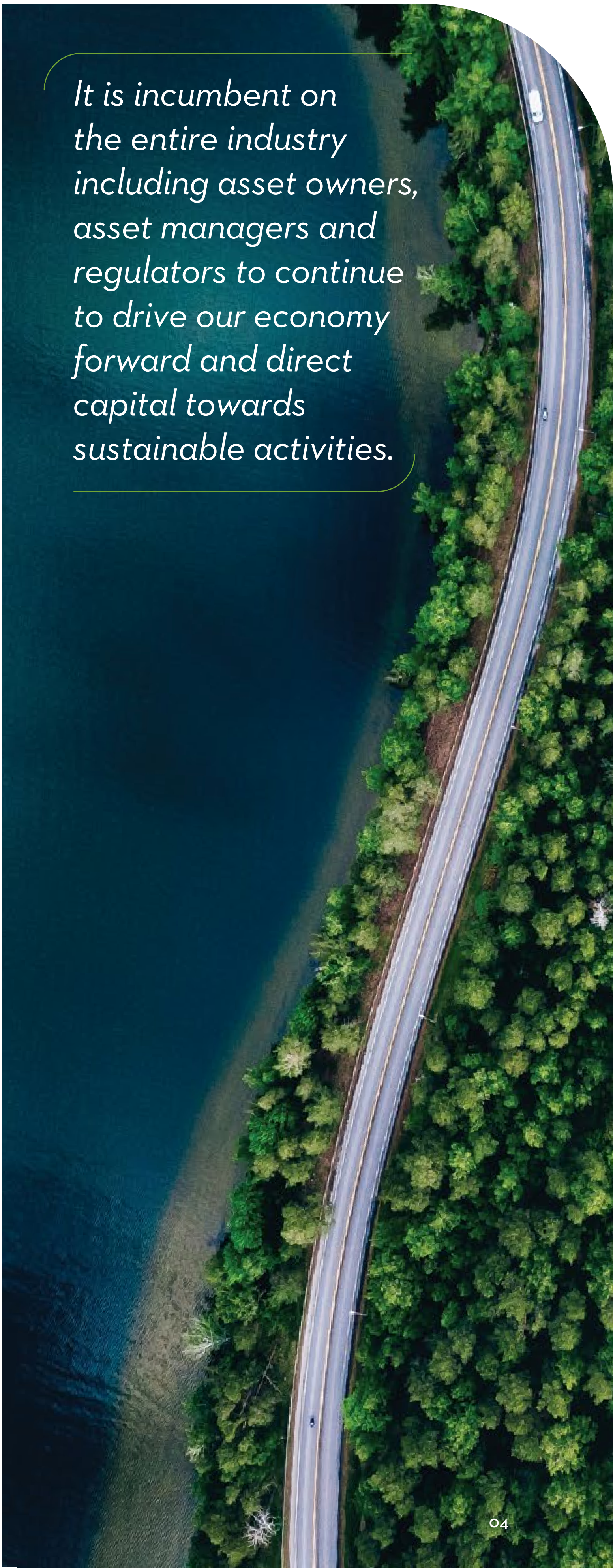
We can look back at *COP26* and see marked gains in climate-related policy, however there is a feeling that there should have been more significant action around key areas such as the phase out of coal and the end of fossil fuel subsidies. We expect to see more stringent regulation coming into place, as pressure grows on governments to enact on more ambitious climate pledges as we set out in our series on *Net Zero* published during the run up to COP26. Vitally, the public and private sectors can work in unison to facilitate the shift necessary to avert a critical level of global warming.

At Martin Currie, we have always focused on the importance of materiality and the identification of long-term value drivers, and we are pleased to see regulatory initiatives beginning to understand its importance too.

While all of this creates significant work for the asset management industry it can only be beneficial for both investors and clients: as clarity, consistency and comparability are achieved, asset owners will be able to make informed choices on where to invest their money. This creates the best potential conditions for real world change in both capital flows driving impact and increased regulation and transparency creating an incentive for companies and investors to improve both their communication and performance in relation to key aspects of sustainability such as climate change, governance, human rights and diversity.

Interest in ESG investing continues to grow, with one survey reporting that "two of every three investors now view ESG factors as important or very important"[1] . We fully expect this rate of change in the industry to be maintained, if not accelerate further, with it now incumbent on the entire industry including asset owners, asset managers and regulators to continue to drive our economy forward and direct capital towards sustainable activities.

At Martin Currie we have long believed the impact our investments can have in delivering both returns and positive societal outcomes, captured in our purpose of **Investing to Improve Lives**. With an abundance of product innovation and continued improvements being seen in the availability and quality of ESG-related data this is an incredibly exciting time to work in the asset management industry. We are proud to be a part of this journey and recognise the role we can play in it, through the delivery of **Outcomes Beyond Alpha**.



[1]Capital Preferences, https://www.capitalpreferences.com/wp-content/uploads/2021/12/2021-ESG-Preferences-Study-Capital-Preferences.pdf

Learning from Europe – setting global regulatory standards

Key regulatory change has been occurring in Europe, with the aim to transform EU economy into a greener and more resilient financial system framed by the Paris Climate Agreement and the UN SDGs.

As this push for change in Europe is also likely to be mirrored in other jurisdictions, our experience in navigating the changes in the regulatory regime here should serve us well as a fund manager operating globally.

The regulatory regime in Europe

- Sustainable Finance Disclosure Regulation (SFDR) which places new disclosure requirements on all financial market participants regarding sustainability
- The EU Taxonomy – this is a framework to assess the environmental sustainability of economic activities – what companies produce or services that they provide
- Legal frameworks to embed sustainability into organisations and investment decision making

The new European regulation affects all asset managers selling products to EU clients and in our experience is very complex and detailed. In addition, the regulation covers company disclosures under the Corporate Sustainability Reporting Directive (CSRD) with the aim of streamlining disclosures and bringing sustainable reporting on par with financial reporting. The EU regulation has also looked to define different aspects of investment – for example what constitutes a 'sustainable investment'.

The asset management industry has faced some challenges presented by the sequencing of some of the regulatory disclosures especially regarding aspects of the EU Taxonomy where the requirements on asset managers have come into effect before companies themselves are required to disclose the information needed. This gap is however temporary in nature with the obligations on more detailed company disclosures taking effect as of next year.

For us, preparing for these changes has required extensive work across our business. This has included acquiring additional data sets to help provide new insights as well as meet the reporting needs. We have been working with our investors to ensure that relevant information is surfaced in a way that supports their work and equally ensuring that we can gather and report on the information that is required under the new regulation. The advancing regulation has also often required legal interpretation to ensure that the requirements are clear and embedded in our risk and oversight frameworks.

We have been working with our investors to ensure that relevant information is surfaced in a way that supports their work and equally ensuring that we can gather and report on the information that is required under the new regulation.

Looking beyond Europe

We are also closely following what is occurring in other jurisdictions for both the corporates that we invest in and what we are required to do as an asset manager.

While the pace of change in regulation in Europe is astounding, this is not the case across the board. Parts of Asia are also seeing an increased emphasis on disclosures and more detailed work around taxonomies, but in the US, for example, despite the significant change under President Biden, the approach currently remains very light touch in comparison.

Following Brexit, the UK is now looking at establishing its own regime (the Sustainability Disclosure Requirements – SDR) but is more advanced in other aspects of regulation such as requiring climate disclosures under the TCFD framework from companies as well as asset managers and pension funds. Through our committee memberships and our internal work, we will be closely monitoring the shape of the upcoming SDR regime with an expectation that we will be able to provide input to the consultation due out in the first half of this year. As it stands, we believe that the work we have done in advance of EU SFDR will be very supportive.

In other regions, the focus in many cases has been on climate reporting for an increasing number of regulators - with the SEC in the US and MAS in Singapore following the example of the UK and Europe and demanding more evidence of how companies are integrating climate risks (and opportunities) into their reporting and disclosures.

We have also seen governments such as the UK legislating on their net zero targets and the launch of initiatives such as the Net Zero Asset Managers Initiative (NZAMI) have been key developments that will frame the role that the finance industry and asset managers in particular will play in supporting this ambition.

The key focus on climate change related regulation is no surprise given the urgency of the climate crisis as has been articulated in the Intergovernmental Panel on Climate Change (IPCC) Assessment Report 6 (AR6) reports that informed the debate at the COP26 conference in November. The support of global leaders as well as the huge impetus that the conference has provided to the finance industry means that the focus and regulation in this area is only likely to increase.

Beyond climate change

While the focus of COP26 was clearly climate change, the announcement of the establishment of the International Sustainability Standards Board (ISSB) is landmark step in embedding sustainability into how companies report and provide investors with decision useful information.

The ISSB is setting out to establish a comprehensive global baseline for high quality sustainability disclosure standards to address an information void for investors by creating consistent, comparable and verifiable sustainability disclosures standards. What underpins this however is enabling effective capital allocation, improving business and sustainability performance, and embedding sustainability disclosures in the capital market infrastructure on a par with financial reporting.

The ISSB will be building on already established and accepted frameworks, including the TCFD (for climate related risks) and Sustainability Accounting Standards Board (SASB) (for industry specific disclosures) and the International Integrated Reporting Council (IIRC) (for the interlinkage to business practices). As such it is likely to have broad support and these building blocks facilitate an accelerated process in setting out these standards.

Exactly how materiality is incorporated into the frameworks will be important to monitor. The IIRC has taken a stakeholder approach to the use of, and value created from, the different types of capital available to companies whereas SASB had focused on financial materiality. Materiality in any form is however dynamic as regulation changes, new issues come to light and products evolve. Certainly, something that we will be monitoring.

The other positive news is that the coalescing of standards under the ISSB may mean fewer acronyms to contend with. The Value Reporting Foundation (VRF) (itself a merger of the SASB and the IIRC) and the Climate Disclosure Standards Board (CDSB) will be consolidated in the International Financial Reporting Standards (IFRS) Foundation which has established the ISSB.

Shift in focus toward the 'S' in ESG

Another area that we are paying close attention to is the increased regulatory focus on the 'S' in ESG – the social aspect of sustainability.

We can also see the focus that is being placed by regulators on supply chains and due diligence that is going to be expected of companies – this is articulated in the first draft of European Corporate Sustainability Due Diligence (CSDD) directive published at the end of February 2022.

At the same time the initial social taxonomy was also published – essentially a proposed structure for a social investment classification system that leans on pre-existing frameworks and principles such as the Universal Declaration on Human Rights, the European Pillar of Social Rights, the UN SDGs, and international norms. It focuses on three main stakeholders: (i) workers; (ii) consumers; and (iii) communities. This will be the basis for additional disclosures required in Europe over the coming couple of years.

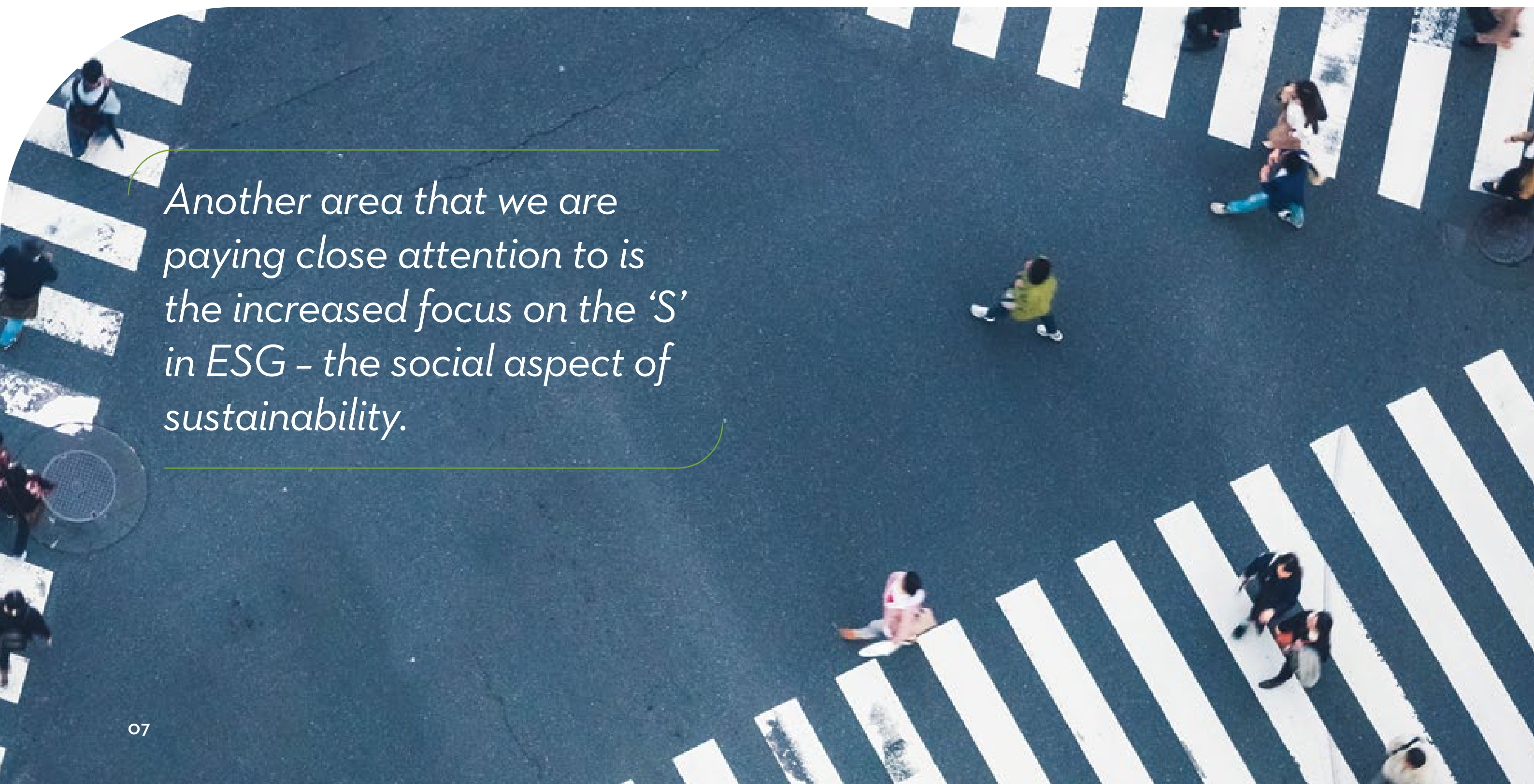
Driving change

Ultimately, however, regulation should be just one component of driving change. Universal regulation has a role in creating a higher floor for standards and behaviour but should not be seen as an optimum solution.

We have taken every opportunity to provide feedback on consultations issued by organisations. Our work on the evolving regulatory regimes has been informed by our membership of key industry committees such as the IA Stewardship Committee, the IA Sustainability & Responsible Investment Committee and the PRI Stewardship Advisory Committee. These have also allowed us to provide input and feedback into the evolution of policy through the consultation processes associated with the changes.

As Head of Stewardship & ESG, David Sheasby plays an active role on committees of the IA and the PRI, providing valuable expertise to these organisations and helping inform policy at an industry level. During 2021 we participated in consultations on UK SDR, diversity and inclusion, and metrics and targets under TCFD, with the aim of improving outcomes for all stakeholders. We will continue to be an active participant in industry-led initiatives as we look ahead to further regulatory change that will come into force during 2022/2023.

We believe that as part of our purpose of Investing to Improve Lives we should strive to go beyond this in meeting our clients' expectations. This has been the guiding principle in providing better disclosure to our clients through more detailed client reporting to give our clients better insight into how their capital is being deployed and managed. We outline our evolutions and improvements in more detail in the following *section*.



Our Evolution & Improvements

David Sheasby
Head of Stewardship & ESG

Kimon Kouryialas
Co-Head of Global Distribution

Mel Bucher
Co-Head of Global Distribution

The evolution of the stewardship environment in 2021 has impacted expectations from our clients, market practices, regulation and our own activities. As part of our purpose of Investing to Improve Lives we have worked hard to go beyond expectations.

We view continuous evolution, improvement, and commitment to driving real change as an equal if not more powerful vector for change as regulation. Below we discuss some of our key evolutions in 2021.

Our key achievements during 2021:

- Becoming a signatory to NZAMI
- All EU-based funds 'categorised' as Article 8
- Carbon metrics included in reporting
- Martin Currie Stewardship & ESG Council established
- Franklin Templeton Sustainability and Stewardship Council created – co chaired by Martin Currie

Joining the Net Zero Asset Managers Initiative (NZAMI)

In recognition of the role that we can play as an asset manager in the decarbonisation of the economy, we have become signatories to NZAMI in 2021.

The initiative requires us to (among other things):

- Set interim targets for 2030 for the assets managed in line with the goal of net zero.
- Implement a stewardship and engagement strategy with a clear escalation and voting policy that is consistent with the initiative's goal.
- Prioritise the achievement of real economy emissions reductions through engaging with portfolio companies to increase their carbon reduction ambitions.

As signatories to NZAMI we will be working extensively with clients to identify the extent to which they want their assets to be part of those committed to the ambitions of the initiative.

Our first steps have been to establish the methodologies used to assess portfolio alignment with net zero and working with clients to understand how we can support them in their ambitions. The initiative also leverages our strengths in engagement and active ownership with a commitment to engage across the companies we invest in to address gaps in their disclosures, targets they have set, and the alignment of their businesses with net zero.

This will be framed by our Investor Climate Action Plan (ICAP) that will build on the work that we already doing on climate both in terms of the integration into our analysis and engagement that we do. We will be publishing this alongside a specific Climate Engagement and Escalation Policy, and we commit to report on the progress that we make, annually.

We will be publishing further details publicly in the next edition of ***Stewardship Matters*** in July 2022 along with the specific targets set and asset commitment to NZAMI.

Carbon emissions and net zero target engagements by the Martin Currie Global Long-Term Unconstrained Team

Martin Currie has joined NZAMI, and as part of our proprietary ESG risk assessment we have been assessing companies' net zero targets and gathering more information on the magnitude and timeline for reducing their carbon emissions, as well as the basis on which each company's targets are set.

As part of our systematic proprietary ESG risk assessments, for both the companies held across our portfolio and those within our research pipeline, we assess the climate change impact from, and the risks related to their activities, combined with this is an assessment of each company's net zero targets. We have been engaging with each company to gather more information around this matter, notably seeking more details about their ambitions in terms of magnitude and the timeline for reduction in their carbon emissions, as well as the basis over which these are measured, and the scope captured.

Since beginning this engagement program in H2 2021 we have spoken to representatives from all our portfolio holdings and across our research pipeline.

This has allowed us to update our risk assessments, gain insight into companies net zero targets and where possible, provide guidance where we see scope for improvement. This is an ongoing project that will continue to progress this year.

What is clear is the challenge of gathering targets that are not always uniform both in terms of scope, base year, target type, and way it is being measured and assessed. Furthermore, many companies are at different stages of implementation and sophistication in implementing net zero and other sustainability targets. Therefore, this is a high priority area of ongoing engagement for the team. Notably a number of material and technology companies are seeking not only to reduce their own carbon emissions but are actively working with customers to reduce their carbon footprints through usage of their products and services. A further welcome development is the introduction of ESG targets in management remuneration, and we have provided feedback to several management teams that this is an initiative we are seeing from the most sustainable companies.

Accredited fund range

We have continued to evolve our fund range to meet both client and regulatory demands.

For the EU SFDR the initial body of work focused on identifying how our European-based funds would be 'categorised' under the new regime and ensuring that the data is in place to support the required future disclosures.

Reflecting our overall approach to stewardship and ESG, we are proud of the fact that all our EU-based funds have been 'categorised' as Article 8 funds which requires binding elements (such as exclusionary criteria) and the promotion of positive environmental and social characteristics.

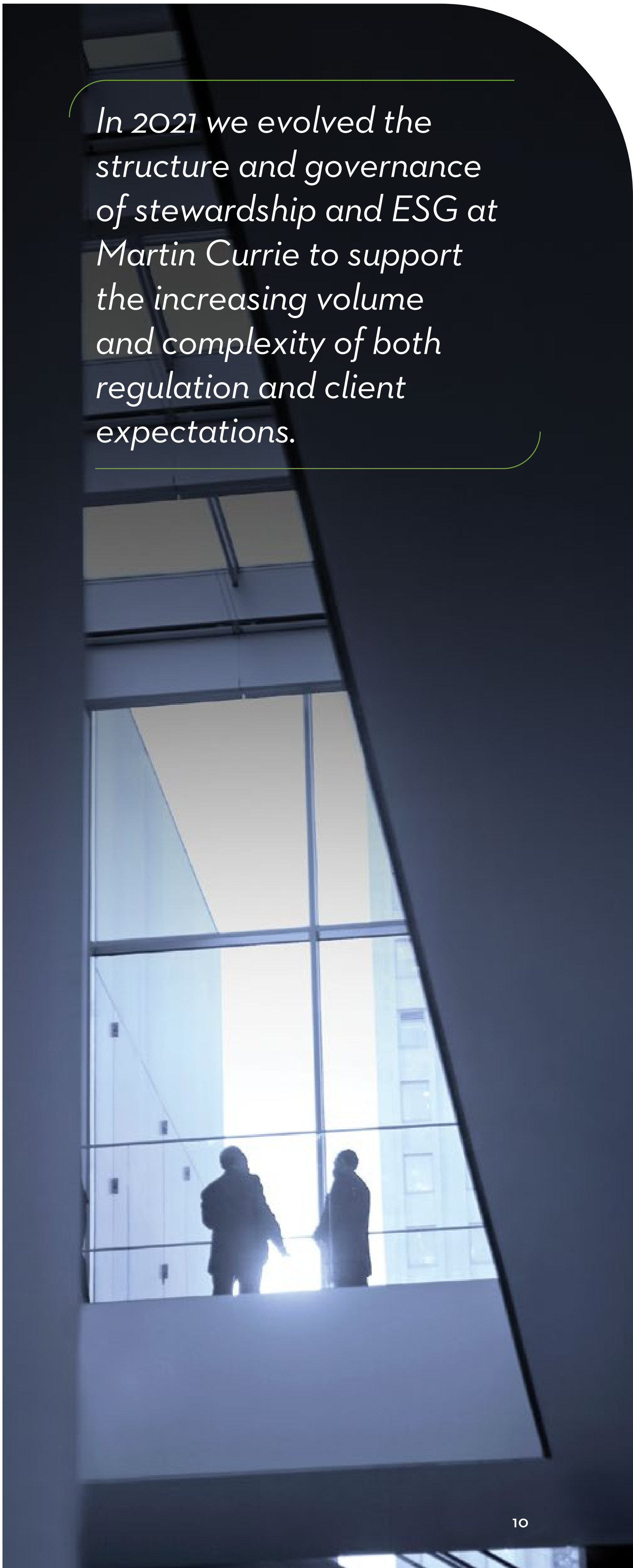
Reflecting our overall approach to stewardship and ESG, we are proud of the fact that all our EU-based funds have been 'categorised' as Article 8 funds

Broadening of our ESG resources

Recognising the increased demands on assets managers but also the desire to maintain excellence in how we approach these requirements, in 2021 we evolved the structure and governance of stewardship and ESG at Martin Currie to support the increasing volume and complexity of both regulation and client expectations. Steps taken include:

- Expanding our Stewardship & ESG Team in 2021 to three.
- A focused ESG Working Group, which consists of representatives from each of our investment teams, to identify potential areas for improvement, share best practice, and implementing enhancements to our process such as our work on climate, human rights and the SDGs.
- An ESG Regulatory Working Group, responding to and reflecting the increased level of change in ESG regulation.
- New stewardship and ESG governance structure with the establishment of our Martin Currie Stewardship & ESG Council (the Council) made up of senior leaders in the business. This ensures there is a clear link to our strategic priorities, independent oversight and that adequate resourcing is in place to meet any upcoming requirements.

In addition to these Martin Currie forums, there are several workstreams in place across Franklin Templeton with a view to tackling common challenges across the group. Over 2021 we have been able to leverage the extensive capabilities across the broader Franklin Templeton group and also help drive change within the group. Martin Currie's David Sheasby was also made Co-Chair of the new Franklin Templeton Stewardship & Sustainability Council.



In 2021 we evolved the structure and governance of stewardship and ESG at Martin Currie to support the increasing volume and complexity of both regulation and client expectations.

Improved client reporting

We have made commitment and investment in evolving our client reporting, with the aim to provide more relevant insight into our insightful stewardship approach, through an increased focus on quantitative metrics alongside qualitative disclosures.

- We have been working with our investors to meet the significantly increased regulatory reporting requirements with a particular focus on the EU SFDR for those funds captured by this regime (domiciled in Europe). Our extensive preparations in advance of SRD II supported a smooth process in terms of the reporting under this particular regime.
- We have rolled out a significant enhancement to give our clients portfolio specific information on key ESG metrics such as climate profile, Carbon Value-at-Risk (VaR), UN SDG contribution, modern slavery, engagement, voting, and governance & sustainability risks for their portfolios.
- As TCFD continues to be a key focus globally, we are ensuring that we can support clients in meeting their own requirements in parallel with our own requirements as an asset manager. We know that TCFD is a journey and have already started to report at a high level under this framework and have made improvements in data and tools.
- We have also introduced our quarterly stewardship report, *Stewardship Matters*, to provide features on a topic of particular interest, for example biodiversity, and insights into our stewardship activities including progress that we are (or are not) making on engagements relevant to these topics.

These enhancements reflect the work that we have done to understand what is important to our clients and their end beneficiaries. This signifies our desire to give clients greater transparency on the stewardship work that we undertake and takes into account areas of feedback where they want greater detail in relation to ESG for portfolios and insight into our stewardship activities at a portfolio rather than firm level. We have gained this insight through client roundtables, our regular one-on-one meetings with investors and the emergence of particular topics that we have observed in specific client reporting requests.

Our reporting evolution has been enabled by the work that we continue to do to evolve our investment approach with ownership of this sitting squarely with our investment professionals. We also recognise that there is more to do. During the course of 2022 we will be working on a new phase of client reporting which will broaden to include more detail on our engagement activity and climate transition risk at portfolio level for all strategies.

We have introduced our quarterly stewardship report, ***Stewardship Matters.***

Carbon Value at Risk (VaR) reporting

Our Carbon VaR tool was developed by our investment team in Australia and is now being leveraged to analyse climate transition risk across all Martin Currie portfolios.

We use our propriety model to:

- help measure of the overall carbon transition risk for a company;
- review the positive and negative impacts of renewables on normalised earnings that drive our valuations; and
- better asses individual stock and portfolio sensitivity carbon related impacts.

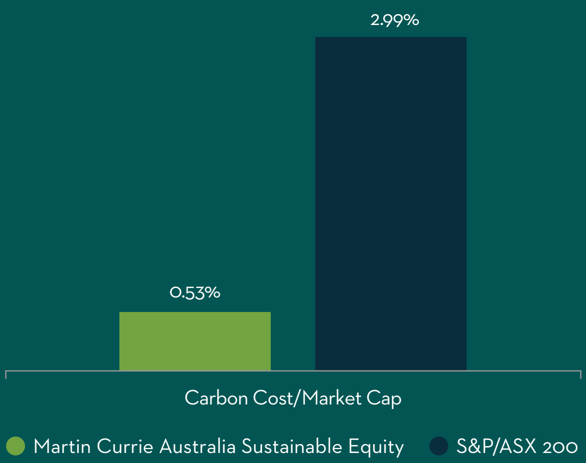
Importantly, our analysis takes into consideration the ability of a company to pass scope 1, 2 and 3 carbon costs through to customers. We would point out that scope 1 and 2 emissions can be readily offset by companies in the form of purchasing carbon offsets, or for example, the investment in new technology (e.g., wind generation, hydrogen, solar) and divestment of activities which have high associated carbon emissions. On the other hand, including scope 3 emissions, which capture downstream value-chain activities, better reflect a company's strategic risk with regards to carbon.

The Carbon VaR tool also helps identify stocks that will either benefit or have a minimal impact on earnings from the transition. Importantly, the way that we are now able to capture the transition to a low-carbon economy is largely based on our own fundamental insights as to how business models will perform in the new world.

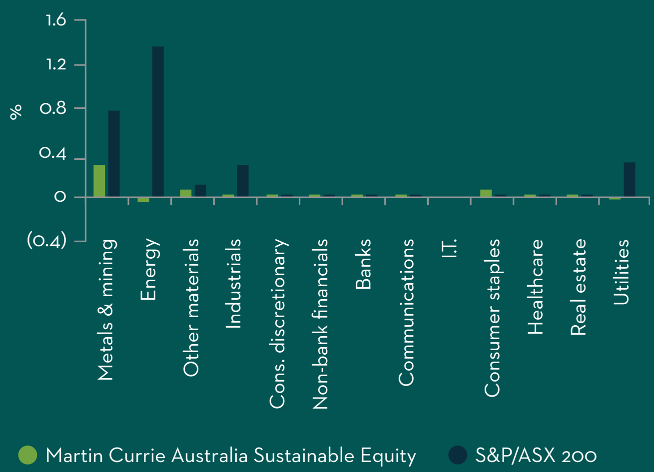
In Australia we use a carbon cost assumption of A$80. The rationale is that this price is where there would be an economic incentive for energy companies to switch from coal to gas, and it is also similar to the European carbon price (i.e., the most liquid market). We capitalise the future value of a company's carbon emissions into the normalised earnings forecast. This analysis results in a stock by stock and portfolio understanding of the potential Shadow Carbon Cost impact, which is reflected as a percentage of the market cap of an individual company or portfolio.

We are now able to provide a portfolio level climate transition risk profile for most strategies. A sample of reporting metrics is provided below for our Martin Currie Australia Sustainable Equity strategy. These will be rolled out across all client reports later this year.

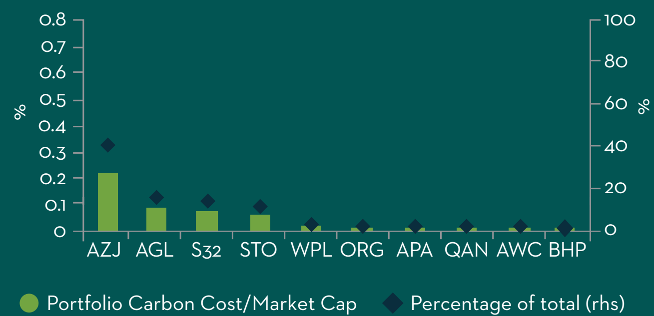
Martin Currie Carbon VaR



Martin Currie Carbon VaR by sector



Largest Portfolio contributors to Martin Currie Carbon VaR



Source: Martin Currie Australia; MSCI; as of 31 March 2022. Data calculated for the representative MCA Sustainable Equity portfolio. Index: S&P/ASX 200 Accumulation.

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.

Contribution to sustainable development goals (UN SDGs)

The UN SDGs provide a useful lens through which we can analyse the sustainability of companies that we invest in. The quantitative assessments and SDG mapping exercises also give us an understanding of our ESG exposures at a portfolio level. We view 13 of the 17 SDGs investible.

As long-term owners, we can leverage our extensive knowledge of the companies we invest in as well as the meaningful engagement we have with them to assess materiality. Our process looks at specific economic activities that directly contribute to the achievement of 37 targets we have identified as being most relevant to achieving the SDGs.

Mapping our holdings against the SDGs has been an extensive piece of work, and it is ongoing, i.e., it not something that we just do once. It was first initiated in our Global Emerging Markets team and has now been rolled out across the firm.

High level portfolio reporting is now available for clients on a quarterly basis, and we are able to provide more detailed analysis as required. Please see below for a sample report for our Martin Currie Global Emerging Markets strategy. These will also be rolled out across client reports over the next year.

Number of holdings with exposure to SDGs	42/49
% of portfolio with exposure to SDGs	85%

Strategy holdings with contribution to SDGs

Source: Martin Currie, United Nations; as of 28 February 2022. Data calculated for the representative Martin Currie Emerging Markets portfolio. The trademarks shown are those of the respective owner and is used for descriptive and illustrative purposes only. The company trademark shown is not in any way associated, or to be deemed to be associated, with Martin Currie or its group companies.

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.

Mapping our holdings against the SDGs has been an extensive piece of work, and it is ongoing, i.e., it not something that we just do once.

Reaching forward

John Gilmore
Stewardship & ESG Specialist

Eoghan McGrath
Stewardship & ESG Analyst

The underlying driver of much of the regulation is increased transparency and providing an understanding of the impact or the 'so what?' of both stewardship and ESG. As such we believe that measurement is going to feature heavily in the expectations to come.

As we articulate in our purpose document, ***Investing to Improve Lives – Active ownership***, this is a fundamental element of our approach to stewardship and a key way in which we can bring about positive change in the companies that we invest in for our clients.

We recognise that engagement takes both patience and persistence and that we also need to build on the strategies that yield success and capture data that help us report in the most effective manner.

As we look forward to 2022 and 2023, we recognise that there is a lot more that is likely to change, and as an asset manager we have been careful to consider the implications for our business and ensure the right structures and resources are in place to meet these challenges.

As we look forward to 2022 and 2023, we recognise that there is a lot more that is likely to change, and as an asset manager we have been careful to consider the implications for our business and ensure the right structures and resources are in place to meet these challenges.

We are signatories of the following initiatives

Signatory of: UK STEWARDSHIP CODE | 2021

NET ZERO ASSET MANAGERS INITIATIVE

IIGCC The Institutional Investors Group on Climate Change

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

CDP INVESTOR SIGNATORY

Climate Action 100+ Global Investors Driving Business Transition

Our Purpose – Investing to Improve Lives

At Martin Currie, our purpose of Investing to Improve Lives is more than just providing world class investment solutions and better financial outcomes for our clients. It is about us providing Outcomes Beyond Alpha. It guides us through our partnerships with clients, as investors in equity markets, our business practices, as an employer, and as members of the community.

Creating long-term value

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

In our view being long-term investors with a focus on stewardship and active ownership has helped provide an environment to deliver returns that satisfy our clients' expectations. We have been successful in delivering this; over a 10-year period 93% of our assets under management and 83% of portfolios have outperformed their relevant benchmark[2]. Given the average tenure of our client base is around seven years we believe this is an appropriate timeframe to measure client outcomes which in part reflect our approach to managing material governance and sustainability risks and opportunities.

As investors, we are aware that the perfect company does not exist. Reflecting this on the outcomes of our own stewardship approach we will continue to improve our governance, integration, oversight and disclosures over time.

[2]Martin Currie Performance Data as of 31/12/2021.

Beyond the balance sheet

As investors, we believe financial returns and 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 to the benefit of our clients.

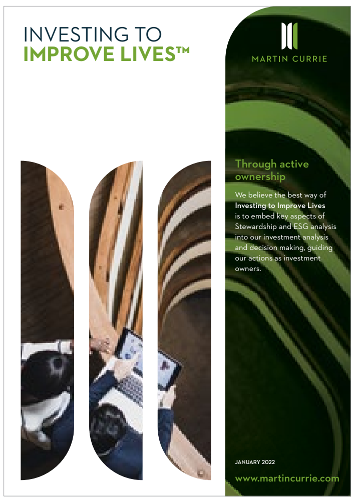
More than a business

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: fostering a diverse and inclusive workplace, being trusted advisors to our clients, and positively contributing to where we live and work.

We have conducted significant work in 2021 in articulating the purpose of our business, our culture, how we operate and how we influence the activities of our investment teams. We have codified these as publicly available purpose documents.

Our purpose of Investing to Improve Lives is a vital component of being a sustainable business. When we generate market-beating returns for our clients, profits for our financial stakeholders and good compensation for our employees, we can also do more to benefit the communities in which we operate.

Find out more about our purpose of Investing to Improve lives by clicking below.



Our recent Stewardship and ESG insights

Over the course of the reporting year, we have responded to client requests and have sought their views on the stewardship and ESG insights that we produce in terms of topics that have most relevance and urgency. During 2021 this focussed most significantly on net zero and the COP26 summit as well as emerging issues such as biodiversity and regulation (the focus of this report).

Thought leadership is published regularly on our *website*. The following list of content explores relevant sector-specific, market-wide and systematic risks which we have identified:

- **2022 Stewardship Annual Report**

  This detailed report provides further insight into our business, the importance of stewardship, and examples of how this has been incorporated in our investment process and stewardship activities over the past 12 months.

  8 April 2022

- **Seven important Stewardship themes for 2022**

  All around the globe, 2022 will see significant changes in the stewardship landscape as it moves even more into mainstream investing.

  26 January 2022

- **Stewardship Matters – Edition 5: Biodiversity**

  Investors have increasingly focused on climate change as a material issue, but the reality is that climate change and biodiversity are inextricably linked and a greater focus on biodiversity itself is warranted. EDITION 5 specifically focusses on the important topic of biodiversity, and why and how investors should be working to protect it.

  19 January 2022

- **COP26: A meaningful step forward in combatting the climate crisis?**

  Now that COP26 has finished, we have assessed what was achieved, what needs to happen next, and the implications for investors.

  29 November 2021

- **COP26: A climate for change?**

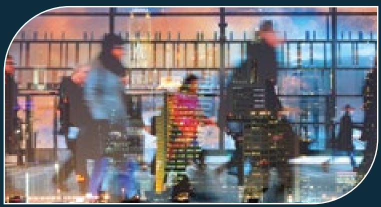
  Martin Currie's urgent call to action ahead of COP26 for governments, companies, and investors; NOW is the time for change and accelerated action.

  22 October 2021

- **Stewardship Matters – Edition 4: Investing to Improve Lives**

  As a firm, our aim is to be a leader in ESG. To do this, we need to measure our own inputs and outcomes to the same set of standards that we expect of the companies we invest in. EDITION 4 provides us with an opportunity to hold a mirror to how we are Investing to Improve Lives.

  20 October 2021

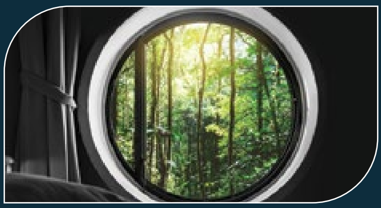


- **Stewardship Matters – Edition 3: Quantifying Decarbonisation**
  Decarbonisation is a journey with significant challenges. EDITION 3 looks at how as investors, the key is about how we can work in partnership with our clients and investee companies to facilitate this journey.
  13 July 2021

- **Net zero: managing the wider impact of economic and capital displacement**
  While focusing on climate action, it is important not to lose sight of other societal and developmental priorities that may occur as the economy is reprofiled.
  15 June 2021

- **Net zero: the role of capital markets**
  Looking at ways that markets and investors can help realise the goals of net zero.
  4 May 2021

- **Net zero: from policy to action**
  Identifying the key challenges ahead in the journey to net zero.
  19 March 2021



- **The impacts of Sustainable Finance Disclosure Regulation on the European distribution landscape**
  Investors will see important changes in the way their asset managers provide sustainability related information on their products and updated sustainability policies, resulting from requirements from the EU SFDR.
  9 March 2021

- **COP26 and the Importance of 'Net Zero'**
  2021 could prove to be a pivotal year in the fight against climate change and the race towards Net Zero emissions.
  17 February 2021

- **Stewardship Matters – Edition 2: Sustainable Development Goals**
  2021 is likely to bring significant changes in the ESG landscape, and if anything, bring it even more into mainstream focus. Within this backdrop and reflecting the increasing focus on the UN Sustainable Development Goals (SDGs) by our clients, EDITION 2 focusses on how we are working towards mapping corporate activities and portfolios against these targets.
  20 January 2021

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.

Some of the information provided in this document has been compiled using data from a representative account. This account has been chosen on the basis it is an existing account managed by Martin Currie, within the strategy referred to in this document. Representative accounts for each strategy have been chosen on the basis that they are the longest running account for the strategy. This data has been provided as an illustration only, the figures should not be relied upon as an indication of future performance. The data provided for this account may be different to other accounts following the same strategy. The information should not be considered as comprehensive and additional information and disclosure should be sought.

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/ies do not necessarily target particular sustainability outcomes.

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**

INVESTING TO
IMPROVE LIVES

MARTIN CURRIE