RESPONSIBLE INVESTMENT POLICY

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MARTIN CURRIE

We recognise that we have clear responsibilities as stewards of our clients' capital. Principal among these is to protect and enhance their capital over the long term. We believe that sustainability, or environmental, social and governance (ESG) factors create risks and opportunities for investors. We believe it is in the interests of our clients to consider these factors when making an investment in a company, and for the companies themselves to manage these appropriately.

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

As long term investors, engagement and active ownership are key elements to our overall approach to stewardship. Our focus is on issues that may impact the ability of investee companies to generate long term sustainable returns.

IMPORTANCE OF ESG

We believe an investment approach that incorporates an assessment of a company's governance and sustainability enhances fundamental research, and can help identify those business models that are most likely to sustain high returns and resist competitive pressures. As ESG factors tend to play out over the longer term it is important, as long term investors, that we consider these when analysing potential investments for our clients.

We consider a variety of ESG factors to better understand their impact on companies we research. These factors are essentially those that can have a material impact on a company's cash flows, balance sheet, reputation and ultimately, corporate value.

They reflect the growing pressures that all companies are under from their key stakeholders. Regulators, customers, suppliers, investors, local communities, employees and climate change, all present companies with a number of challenges that ultimately have to be addressed by management.

- Regulators - regulation is increasingly pervasive across all sectors and geographies. Tightening labour laws, environmental standards and capital requirements are some of the issues that management need to address.

- Customers - changing societal expectations of good corporate practice and an explosion in the use of social media has allowed for the rapid dissemination of negative news flow following bad practice.

- Suppliers - companies are increasingly held responsible for the activities of their supply chain such as the failure to adequately monitor supplier's behaviour in key areas of environmental performance and the treatment of labour.

- Investors - a growing demand for a more responsible approach to investment has led to rapid growth in collaborative initiatives such as the PRI. As a result, companies are increasingly required to provide transparent and verifiable evidence of their performance across a range of ESG indicators.

- Local communities - the pace of industrialisation across much of the emerging world has led to growing friction between local communities and companies. Management face growing pressure to ensure their expansion plans are aligned with the interests of those communities most affected.

- Employees - companies face intensifying challenges to retain and recruit skilled labour in many countries. A successful strategy to plan for talent development is key to enable companies to achieve growth ambitions.

- Climate change - climate change is one factor we consider when analysing companies. The impacts of climate are complex but the risks broadly can be categorised as physical risks – the risk presented by acute and chronic outcomes of climate change, and transition risks – the risks presented by regulatory, technological and behavioural change as the economy transitions to a lower carbon economy. Climate change also will present opportunities for some businesses. We believe that the Taskforce for Climate-related Financial Disclosure (TCFD) reporting framework is an important step forward and encourage companies to adopt this as a reporting template. We engage with companies to identify the risks and opportunities presented by climate change, understand how they are working to mitigate these risks and understand the potential opportunities that may arise as a result of the transition to a lower carbon economy.

- Modern Slavery and human rights - risk of modern slavery practices are examined in conjunction with labour and human rights risks when analysing companies. We expect companies to comply with the Guiding Principles on Business and Human Rights and we also expect companies to comply with and report on any relevant regulatory obligations that apply in markets in which they are listed or operate. We believe companies should engage with supply chains, employees, customers and other stakeholders to avoid contributing to human rights impacts. Factors to consider for modern slavery include; vulnerable workers, complex business models, high risk product/service categories, high risk geographies.

Companies that fail to manage the relevant material factors effectively and are unable to address the needs of key stakeholders may face substantial reputational and financial damage.

A focus on governance

Governance sits at the heart of our analysis, as we believe this is a fundamental determinant of long-term performance and thus the sustainability of a business. As global investors, we recognise there is no one-size-fits-all given the different traditions and levels of corporate maturity in many parts of the world. As such, our assessment of the quality of governance will take into consideration the local context for the company concerned.

We believe that good governance of the companies in which we invest is an essential part of creating shareholder value and delivering investment performance for our clients. Importantly, problems here tend to go hand in hand with issues on the environmental and social front, making it a very useful barometer for the broader sustainability of a business.

For these reasons we analyse each company and situation on its own merits, within a framework of our Global Corporate Governance Principles and with regard to their local corporate governance requirements.

A FULLY INTEGRATED APPROACH

Our ESG approach is fully integrated into our investment process and we consider ESG factors when analysing the investment case for a company. Since we started more than a decade ago, our approach has always been that, in order to fully integrate this analysis, responsibility resides with the individual research specialists and portfolio managers. David Sheasby, Head of Stewardship and ESG, has specific responsibility for overseeing this aspect of our research process.

At Martin Currie we only focus on factors that are relevant and material to the investment case. This applies equally to fundamental factors as to ESG factors. As such our analysis of ESG issues is integrated with our broader research for evaluating companies. We explicitly model some of these impacts and for factors that are not as explicit such as regulatory change this can be stressed via a cost of capital sensitivity.

We are active and engaged owners

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

In addition, our analysis frames our approach to how we vote the proxies on behalf of our clients. Our approach is set out in our Proxy Voting Policy with all our voting decisions made in-house and undertaken in accordance with our Global Corporate Governance Principles and in line with our clients' best interests.

PRINCIPLES FOR RESPONSIBLE INVESTMENT

Martin Currie has been a signatory to the PRI since 2009. As signatories to the PRI, we:

- Formally incorporate ESG factors into our analysis;
- Record this to provide evidence of our activity;
- Interact with companies directly to address either limited disclosure or departure from best practice on ESG issues;
- Make full disclosure of our activities to the PRI and to our clients.

We submit a report annually to the PRI to describe our approach and activities with regard to responsible investment.

Below we summarise how we have met each of the PRI's six Principles. We promote the Principles to our clients and have undertaken to share our PRI returns with clients and consultants.

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Our investment team has long recognised the importance of a wide range of ESG factors when researching companies. Corporate governance is an essential part of how any company operates and we believe this is an important starting point when analysing companies. Issues such as climate change, resource depletion, employee diversity and shareholder rights create both risks and opportunities for investors. We believe it is in the interests of our clients for the companies we invest in to manage these aspects of governance and sustainability appropriately. We integrate ESG analysis into our investment process and assess the materiality of these matters in the investment case, focusing on the impact on revenues, costs and risks.

Principle 2:	We will be active owners and incorporate ESG issues into our ownership policies and practices.
	Engagement and active ownership are key elements of our overall approach to stewardship. We engage regularly with investee companies focusing on issues that are pertinent to their long term success. In particular, we focus on their approach to governance, strategy, capital allocation and other ESG factors that may influence their ability to generate sustainable returns over the long term.
Principle 3:	We will seek appropriate disclosure on ESG issues by the entities in which we invest.
	We expect investee companies to make appropriate disclosures on relevant and material issues that will help inform investors. Where we identify shortcomings in disclosure we work with investee companies to encourage improvements and where possible point them to examples of strong practice by peers.
Principle 4:	We will promote acceptance and implementation of the Principles within the investment industry.
	We play an active role in promoting the understanding and benefits of responsible investment. We articulate this in our own materials and regularly participate in external opportunities to promote the Principles.
Principle 5:	We will work together to enhance our effectiveness in implementing the Principles.
	We are an active participant in a number of PRI collaborative engagements. As well as leading engagements on targeted companies in certain cases, we will also set the terms and targets for the engagements. Our decision to pursue a collaborative effort will, among other things, be a function of: the particular nature of the issue; the likely efficacy against acting privately; and the motivations of the other investors. Our focus here will always be on issues that are material and thus could have an impact on long- term shareholder value.
	Our work with the PRI has recently included collaborative engagements on Fracking Disclosure, Employee Relations with a focus on the retail industry, Water Risks in the Agricultural Supply Chain, Cyber Security and Climate Change.
Principle 6:	We will each report on our activities and progress towards implementing the Principles.
	We submit a report annually to the PRI to describe our approach and activities with regard to responsible investment.

CONTACT

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