

Stewardship and Engagement Policy

January 2020

Stewardship refers to how we manage and protect our clients' assets by monitoring investee companies. This includes engaging with company management on strategy, performance, governance, capital structure and risk management. We apply our approach on stewardship to all companies that we invest in on behalf of our clients.

This policy outlines both how we discharge our stewardship duties and our approach to engagement and voting.

This policy is designed to meet the requirements of the provisions of the European Shareholder Rights Directive (SRDII).

Martin Currie – overall approach to stewardship.

As an active manager stewardship is central to Martin Currie's approach to how we manage our client's assets. 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 make sure 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 also pay significant attention to 'sustainability' issues, including those of an environmental and social nature.

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 aim to build strong relationships with investee companies, ensuring that our engagement is not constrained by our clients' minority-shareholder status. Nonetheless, we will continue to join collaborative efforts on material issues, particularly when deemed likely to be more efficacious than acting alone. As for our voting policy, this 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 on a material issue 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 Head of Stewardship and ESG, our COO and a Portfolio Manager all of whom are independent from the process..

How Martin Currie monitors investee companies on material relevant issues

As bottom-up investors we monitor both the financial and non-financial performance at investee companies, using publicly available information, third-party research and direct communication. We hold regular meetings with management of the companies in which we invest our clients' money, to discuss strategy, sustainability and performance, and to review management processes against best practice. Where a company chooses not to comply with their local corporate governance guidelines, we will consider the explanation provided in the context of the particular circumstances for that business.

Our in-depth research, regular contact with management of companies we invest in, and assessment of resolutions put to shareholder vote, help us identify potential issues or changes at investee companies. Where we identify a particular material issue this will inform our engagement activity with the investee company.

How Martin Currie conducts dialogue with investee companies

Our aim is to establish an open dialogue with investee companies. We aim to engage with companies in an informed, constructive and discrete manner.

Dialogue with companies is conducted via in-person meetings, phone calls, letters or email either one-on-one or as part of a collaborative approach. The dialogue is normally led by the portfolio manager or analyst responsible for the analysis of that company. The nature and frequency of the dialogue is



dependent on the type of issue and the likely timescale for resolution. The majority of dialogues are with investors relations, subject specialists, executive management or the board of directors. Under certain circumstances – when we deem it to be in the best interest of our clients – we will agree to being made insiders in investee companies for a limited period of time, but we expect the latter to seek our explicit approval beforehand and to exercise due caution in what information they share with us during this process. Where we do become an insider, we follow the procedures in our ‘Insider Dealing and Market Abuse’ policy.

We recognise that our ‘standard’ engagement approach – seeking constructive dialogue with management – may not always yield the results aimed for and in these circumstances we will consider escalating our stewardship activities. This will include seeking additional meetings with the company, contacting the non-executive directors or company advisors, or voting against management. Scenarios that would warrant this include when minority shareholders’ rights are being compromised; when we are concerned about board structure; or sustainability issues that could undermine a company’s future earnings’ potential. Indeed, as long-term investors we expect the companies in which we invest to focus on delivering durable shareholder value. This means that we expect management to consider long-term risks and opportunities presented by environmental, social and governance (ESG) factors. The topics and issues on which we are most likely to intervene will therefore also include environmental or social issues.

In making decisions as to whether engagement will be escalated, a number of factors will be considered, for example:

- The particular circumstances giving rise to an issue
- How this compares to perceived best practice
- The explanations provided by the company
- The potential impact for our clients
- Whether there is a history of related issues

Should unilateral engagement efforts prove insufficient, we will consider escalation via a collaborative route – contacting other shareholders to discuss joint intervention. When all reasonable options have been exhausted, we may sell the shares to protect our clients’ interests.

We have an internal research database where we also record our engagement. and voting activity and ISS, our proxy voting provider, publishes our voting records on their platform. We also publish our voting record on our website.

How Martin Currie approach collaborating with other investors.

We are willing to collaborate with other investors when this is in our clients’ best interest. For example, we are an active participant in a number of Principles for Responsible Investment (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 materiality 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 collaborative engagement is predominantly carried out in conjunction with the PRI. The PRI set out a clear process and parameters around each engagement which provide a framework within which we operate.

Our collaborative engagements are overseen by the Head of Stewardship and ESG.



How Martin Currie communicates with relevant stakeholders of investee companies

Our stewardship activities may include discussions with other stakeholders of investee companies, such as policymakers, regulators, industry groups, customer groups or employee groups.

How Martin Currie approaches voting and disclosure of voting activity.

Martin Currie endeavours to vote all clients' shares when this responsibility has been delegated to us. Our protocol is set out in our Global Corporate Governance Principles and our Proxy Voting Policy. Our policy is not to automatically support the management and we will consider to what extent the proposals are in line with our policy. We focus on the extent to which managers of the business have been good stewards of shareholder capital and in particular we will pay attention to:

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

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

We encourage the companies in which we invest to focus on delivering sustainable shareholder value. This means management should consider the long-term risks and opportunities presented by environmental, social and governance (ESG) factors. How the company behaves in this respect will also inform our voting decisions. When voting against management on a material issue 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.

We disclose our voting records on our website one quarter in arrears. These disclosures can be found on our Stewardship page at www.martincurrie.com. Where clients request it, we will also provide a reason for each vote against management. Martin Currie does not provide clients with a stock lending service. Should they want to lend their stock, they have to make their own arrangements, and assume responsibility for calling back their shares if they wish to exercise their voting rights.

How Martin Currie reports on stewardship and voting activities.

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



We record all of our voting and engagement activity and publicly disclose a summary of our voting activities on our website. In an effort to make sure we do not depart from best practice we also solicit external assurance of our voting processes, in particular with reference to conflict management. This is under the SSAE16 framework.

How Martin Currie manages conflicts of interest in relation to stewardship.

We make significant efforts to identify potential conflicts of interest and have detailed management policies in place to mitigate these should they arise. These policies are owned and signed off by our Executive and shared with our clients. In addition, we disclose to our clients the nature and source of conflicts and our processes and controls around them, to ensure that risks of damage to the interests of a client will be mitigated. The types of scenarios covered by our conflicts of interest policy are:

- Where the interests of Martin Currie conflict with those of a client
- Where the interests of one Martin Currie client conflicts with interest of another client
- Where the interests of an employee of Martin Currie conflicts with the interest of a client

One specific conflict relates to investment in the shares of our parent company Legg Mason. In order to manage this conflict, our policy is that Martin Currie does not invest client portfolios in shares of Legg Mason.

Our policy places responsibility on all staff to identify and report any potential conflicts. These are reported to our compliance team and placed on our conflicts register. There is an established process for managing each conflict, with an owner assigned to each and controls put in place and regularly reviewed to ensure that they remain relevant and effective.

We principally manage money for institutional investors – many on a segregated basis – who all receive our policy, but we do not publish this on our website, as we do not believe it is appropriate or beneficial to share with a wider audience. The policy contains sensitive and confidential information and full public disclosure may therefore not be in our clients' best interest.

David Sheasby, Head of Stewardship and ESG, is independent of both the investment and client servicing teams, which helps guard against any potential conflicts. We maintain a conflicts register and assess our controls on a quarterly basis. We also provide our staff with regular training in 'conflict management' to ensure company-wide clarity about our policies.

CONTACT



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