STEWARDSHIP MATTERS

MARTIN CURRIE
A Franklin Templeton Company

09 ACHIEVING POSITIVE CHANGE

FEBRUARY 2023

INVESTING TO IMPROVE LIVES™

www.martincurrie.com

Introduction

Welcome to Edition 9 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.

This edition focuses on how we look to **achieve positive change** at both company and industry level through active engagement and monitoring.

Contents

Stewardship and ESG

Firmwide highlights: 2022

Engagements

31	Markets covered
405	Companies engaged
591	Total engagements

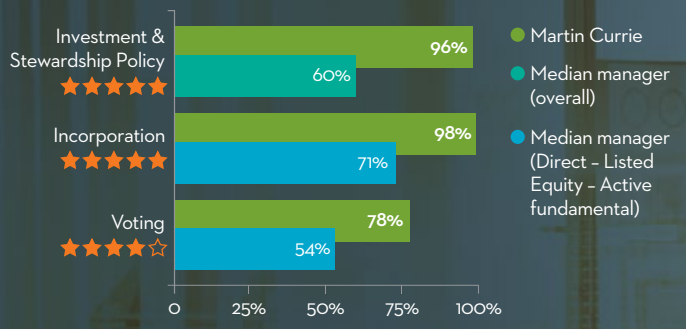
Top engagement topic:
Environmental – Climate Change

Proxy voting

36	Markets covered
549	Total shareholder meetings
153	Meetings where we voted against management

Top voting topic against management:
Director related

Martin Currie 2021 PRI assessment[1]



[1]Source: Martin Currie and PRI 2022. Ratings relate to the period 1 January 2021– 31 December 2021. A copy of the PRI's assessment and transparency report are available from *our website*. Please note, in the 2021 Reporting Framework, the PRI introduced accountability measures around the accurate representation of PRI Assessment Reports with the aim of improving transparency and accuracy of representation of the scores. The 2021 scoring methodology also changed to reflect the new Reporting Framework, by moving away from letter ratings to star ratings (from 1 to 5 stars (with 5 being strong)) and scores. The new ratings are therefore incomparable with scores from previous PRI years.

Martin Currie was previously awarded the highest possible ratings by PRI across Strategy & Governance, Incorporation and Active Ownership activity for the years 2016, 2017, 2018, 2019.

Foreword

David Sheasby
Head of Stewardship, Sustainability & Impact, Martin Currie

At Martin Currie, our purpose, Investing to Improve Lives, frames how we act as fiduciaries for our clients.

We help fulfil our clients' ambitions by supporting the sustainability of the companies we invest in, thereby contributing to a more sustainable economy, society and environment.

Active ownership is central to our approach. As long-term investors, engagement and voting can make a meaningful difference. To achieve the greatest impact, engagement and voting is done by those carrying out sustainability analysis and making investment decisions: our investment teams.

Engagement allows us to further improve our understanding of the opportunities, demands and challenges companies face, as well as how these are being monitored and managed. It also allows us to promote and influence best practice and to actively push for change on material sustainability issues. We have developed a systematic engagement approach that focuses on materiality and outcomes in the companies in which we invest. This approach is designed to promote best governance and sustainability practice at investee companies, where we ascertain key engagement topics, set targets of what we would like to achieve, and work with the company to make progress which we track, monitor and document. As a minority shareholder, we recognise the need to work in partnership with these companies.

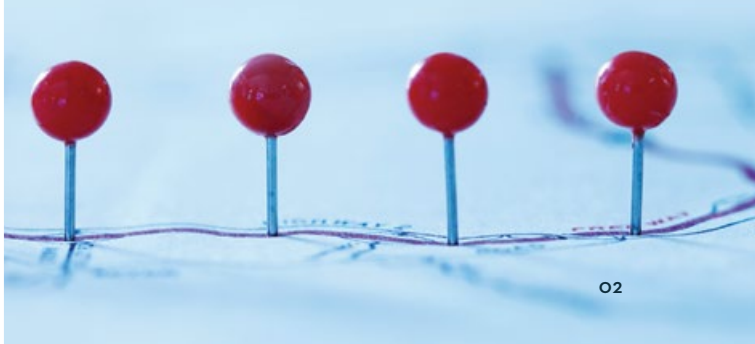
In our experience, there is a clear appetite for engagement and learning by many companies that value informed and thoughtful shareowners. We leverage our extensive experience and understanding of sustainability matters to engage in ways that help companies achieve better outcomes. Our input is increasingly recognised by companies, and we are regularly approached to provide insight and support to improvement initiatives.

We believe our engagement efforts lead to more informed decision making, improved relationships with companies, and it helps ensure those companies operate with better governance and sustainability practices.

While most of our engagements are private, we are also active participants in collaborative engagement, particularly on broader issues such as climate change. We will join in collaborative engagement initiatives where the issue is relevant and material, and where we can help drive positive change. For example, we were an early active participant in a number of the Principles for Responsible Investment (PRI) - led collaborative engagements, and more recently have been active participants in Climate Action (CA) 100+ and the non-profit global disclosure initiative CDP, to name a few. In December 2022, we also became a signatory of the PRI Advance initiative in which we will participate as a lead investor.

Part of our role as the fiduciary of our clients' assets is to drive higher sustainability standards across the financial services industry, promoting well-functioning markets and addressing systemic risks. We are committed to playing an active role to shape and promote sustainable economic growth, and we are a contributing member on several influential industry bodies. This gives us a voice in regulatory and policy development to support a more sustainable financial system. It also gives us valuable insight and new perspectives on the critical issues we collectively face.

We have developed a systematic engagement approach that focuses on materiality and outcomes in the companies in which we invest.



Systematic engagement: enabling positive change

To ensure our engagement efforts lead to better informed investment decisions, we apply a systematic approach centred on materiality and outcomes.

By focusing primarily on positive change, we ensure better relationships with the companies we engage with.

Identifying material ESG issues

Our portfolio managers and research specialists use a variety of proprietary and third-party research to identify potentially material stewardship and sustainability issues. We use third-party data as an input rather than an output of our process. We believe it is important to have our own view on material governance and sustainability issues, as this gives us a better-informed approach to engagement, voting and escalation, as well as providing a source of insight for producing better risk-adjusted returns.

Analysing and setting objectives

Our fundamental sustainability analysis concentrates on understanding how these factors may influence the ability of the company to generate long-term sustainable returns.

- The investment team express these views in our Governance and Sustainability risk ratings. These proprietary risk ratings assess each measure of Governance and Sustainability from 1 (low risk) to 5 (high risk) representing our analysis of material issues for each investment.
- The rating framework is set out in a series of consistent areas that allows us to leverage our knowledge and the context of the underlying companies. The analytical framework helps to identify risks, opportunities and areas for engagement.
- Where the frameworks have identified an issue requiring change or greater clarity, the portfolio manager/analyst will set the sustainability engagement objectives and monitor the outcomes.

Constructive and systematic engagement

Recognising that engagement often takes considerable time depending on the nature of the issue, we systematically track, record and report on progress, again using a scale of 1 to 5, with '1' representing initial contact with the company, and '5' recording the company has successfully addressed the issue. Our approach is outlined in the diagram below.

Proxy voting plays a crucial role in our overall approach to engagement. While we always seek a constructive dialogue with company management, there are occasions where we will use voting as an 'escalation' tool. This can include voting against management recommendations on significant matters or voting against director elections. We will always try to advise company management of our voting intentions in good time ahead of the vote to encourage further dialogue.

Quantifying positive change

After doing so for a number of years, Martin Currie began formally, systematically tracking company engagements in early 2021, to provide greater transparency to our investors and to have more successful conversations with companies.

We continue to build on our work in this area and have observed:

- an increasing focus on engagement for change
- more frequent engagement on environmental and social issues

Although we have been successful in supporting change in a number of engagements, we keep asking, 'How can we increase the success rate of the engagements we undertake?'

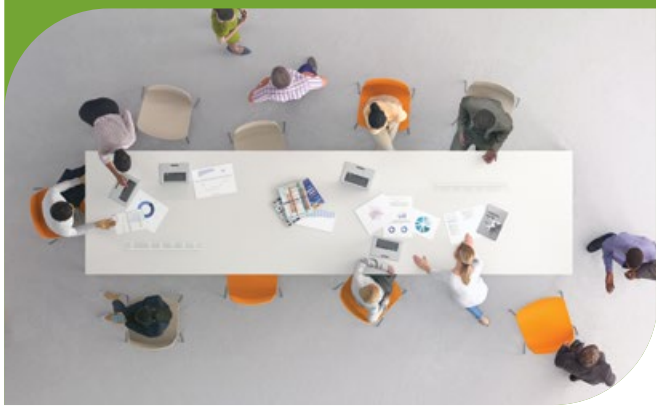
While it is easier to track engagement success purely on outcomes, this approach may be short-sighted. We do not interact with our investee companies in a vacuum, but as part of a complex system, with numerous interactions, dependencies and competing demands. Knowing where the dependencies, barriers to progress and opportunities are can help us to prioritise our engagements. In turn, this improves efficiency for both us and our investee companies.

Conversely, informational asymmetry between ourselves and company management can hinder our understanding, which is where the exchange of knowledge between parties can bring true value to engagement. It also means we can broaden our understanding of the many complementary or opposing forces that surround our interactions.

We do not interact with our investee companies in a vacuum, but as part of a complex system, with numerous interactions, dependencies and competing demands.

The PRI sets out three positive aspects that can be drawn from engagement:

- **Communicative:** there is an increased understanding between investors and companies, creating a "communicative value".
- **Learning:** the flow of information passing between investors and companies generates a 'learning value'.
- **Political:** as long-term shareholders, we have the opportunity to build lasting relationships with investee companies, improving the quality of dialogue and developing an understanding of how best to interact.[1]



These benefits may be difficult to quantify, they may not be felt for a long time after the engagement has concluded, or a positive change may not be truly recognised in the outcome. Therefore, a purely numbers-based approach may be ineffective without a deeper consideration of engagements.

For example, when our Global Emerging Markets team first contacted Reliance Industries (described on page 5), they were able to leverage and build upon a multi-year relationship that had already been established previously between Reliance Industries and other Martin Currie investment teams.

When we track the outcome, it is vital we are just as cognisant of what we cannot measure. This may often inform future engagements, not just with the initial company engaged, but with other companies, government organisations or non-governmental organisations (NGOs).

While we will often attempt to quantify certain aspects of our engagements, we want to resist 'chasing numbers' that could result in us failing to recognise other positive aspects of our engagement efforts.

[1] https://www.unpri.org/download?ac=4637

Positive change: engagement and active ownership

Global Emerging Markets

Governance

Objective: Improving board independence and diversity

Stage of completion: 1 2 3 4 5

Colin Dishington
Portfolio Manager

Reliance Industries (Reliance) is India's largest conglomerate company. Its underlying businesses have focused on traditional energy and materials. However, in recent years it has been transitioning towards increasingly consumer-led areas and has ambitious plans in new energy including solar, battery storage and hydrogen.

Through our ongoing engagements with the company we identified its board of directors as a key area for targeted engagement. We believe good corporate governance plays a pivotal role in achieving long-term corporate success, and the composition of the board of directors is a critical part of this.

In early 2020, when we began engagement with Reliance, we raised for discussion the risk of entrenchment and lack of independence at board level. Over the last two years, we have outlined our views on best practice on board composition and discussed potential changes. The company provided a clear roadmap for restructuring its board, as well as outlining enhancements already made to improve gender diversity and include board members with financial and technology expertise.

From our initial discussion in mid-2020 to November 2022, we have seen several positive changes. This period included a structured transition as the board of directors underwent a renewal and all of its long-tenured directors were replaced. Since the appointment in November 2022 of new director KV Kamath, Reliance has secured a numerical majority of independent directors. The company has also shown willingness to improving corporate governance through its commitment to complying with the Companies Act, which limits independent directors to a ten-year tenure.

While we consider this engagement concluded, we will look for continued positive developments at Reliance, and engage on other aspects of corporate governance.

UK Equity

Social

Objective: Eradicating child labour in the supply chain

Stage of completion: 1 2 3 4 5

Will Bradwell
Portfolio Manager & Research Analyst

Imperial Brands (Imperial) is the fourth-largest international tobacco company. The company has been subject to ongoing allegations of use of child labour and as result has been flagged as potentially in breach of UN Global Compact Compliance. In line with our commitment to engage on potential violations of the UN Global Compact principles, we recently contacted Imperial to determine the steps it is taking to eradicate child labour from its supply chain and to push for enhanced disclosure on the issue.

So far, our engagement has been structured in three steps:

1. What is Imperial doing to improve child labour practices and disclosures within its supply chain?
2. To what extent is Imperial's implementation of child labour industry initiatives supported by evidence?
3. Does Imperial intend to set quantifiable targets to eliminate child labour on its tobacco farms?

Imperial acknowledges the importance of disclosure and has since published details of its approach to addressing supply chain child labour in its 2022 annual report. This encouragingly outlined enhanced governance on the issue with the appointment of a new Human Rights Manager and reinstatement of a Human Rights Compliance Working Group. We await the publication of Imperial's annual modern slavery statement in March 2023 as part of its human rights reporting.

Imperial gave us examples of its involvement within the Sustainable Tobacco Programme (STP), an industry-supported, enhanced due diligence programme to improve the social and environmental footprints of the global tobacco supply chain.

The STP informs Imperial's participation in Leaf Partnerships, for example funding school feeding programmes in regions identified to be at higher risk of child labour activity. Imperial is also a member of the Eliminating Child Labour in Tobacco-growing Foundation (ECLT) board – a foundation which has provided 50,000 children with access to school gardens for nutritious school meals in Mozambique and Malawi.

We intend to progress our structured engagement to the stage where we can encourage the broader publication of these child labour initiatives alongside evidence-based examples. While Imperial has responded to child labour controversies, some competitors have assigned greater prominence to the topic by publishing evidence-based data. Moreover, unlike some competitors, Imperial has not published quantifiable targets to eliminate child labour on its tobacco farms. We want to determine whether Imperial is planning on making this information public in the coming months, and how the new Human Rights Manager and Human Rights Compliance Working Group will support this action.

We intend to progress our structured engagement to the stage where we can encourage the broader publication of these child labour initiatives alongside evidence-based examples.

Global Long-Term Unconstrained

Governance

Objective: Three objectives on the company's remuneration structure, as below

- (i) Integration of sustainability targets
- (ii) More relevant peer group for benchmarking
- (iii) Greater transparency

Stage of completion: 1 2 3 **4** 5 (3 on transparency)

Yulia Hofstede
Portfolio Manager

Infineon Technologies (Infineon) is a German semiconductor manufacturer. Through 2020, we engaged and fed back to Infineon's management on several occasions that:

- Across sectors, the most sustainable businesses were including explicit sustainability targets into their overall remuneration structure.
- Measuring Infineon's performance versus the Philadelphia Semiconductor Index (SOX) for long-term incentives was in our view a 'missed opportunity' to benchmark against the most relevant peer group.
- Infineon was lacking transparency on how key performance indicators (including absolute free cash flow and capital returns) were being set.

Ahead of Infineon's annual general meeting (AGM) in February 2021, we welcomed some positive developments. First, it introduced sustainability targets – complimenting financial targets – into its compensation system. Second, it introduced a peer group for the total shareholder return within its long-term incentives.

At the time, we took the opportunity to reiterate our stance on the preferred transparency around the targeted capital returns. We also questioned the peer group composition – whether this group represented the most relevant peers and whether it was ambitious enough.

In November 2022, Infineon introduced an explicit free cash flow target in its target operating model (10-15% of revenue through the cycle) – effectively, tackling the third challenge of transparency, which we welcomed.

Under the latest revision of the remuneration policy – proposed ahead of the AGM in February 2023 – the Board would have a flexible weighting for the ESG metrics of 20-30% within the long-term incentives plan. This latest change allows to include a governance target broadening out the ESG targets or to give a higher weighting to the overall ESG targets.

Of the three specific engagement issues mentioned, we are still dealing with various stages of completion. The first issue (sustainability metrics in compensation) has been largely addressed. Discussion of the second issue (peer group benchmarking) is ongoing, although some progress has been achieved – management has introduced a bespoke peer group of international competitor firms, as opposed to the US-focused SOX.

The third issue (transparency around the short-term incentives) is also on a positive trajectory. We would characterise the current stage as a work-in-progress, whereby Infineon has set out a plan to address the issue. We are waiting to see if the remuneration structure evolves in line with the business model parameters. We will continue to engage on a regular basis on the work-in-progress issues, to push for ongoing improvement in a timely manner.

We will continue to engage on a regular basis on the work-in-progress issues.

Martin Currie Australia

Environment

Objective: Increased role in the transition to clean energy

Stage of completion: 1 2 3 4 5

Andrew Chambers
Portfolio Manager

APA Group (APA) is a leading Australian energy infrastructure business predominately operating in gas transmission and distribution.

We have been investors in APA since Martin Currie Australia launched our Australian Real Income strategy in 2010. We have had ongoing engagements and two-way dialogue with the company on several topics including improving remuneration practices, modern slavery, biodiversity, the setting of net zero targets, the use of carbon offsets, and capital management and business strategy, particularly around electrification.

APA's business has traditionally relied on the long-term movement of gas. While gas is cleaner than coal, its carbon footprint will see its role change over time towards becoming an energy transition and peaking fuel.

We have long identified the importance of electrification and renewables as part of the clean energy transition. We have also shared with APA's board and management team our belief that allocating capital towards electrification and renewables would be more beneficial to its future than the US acquisitions considered in recent years. We encouraged APA to shift its strategy to invest more significantly into the Australian electricity sector given the massive electrification requirements ahead, and the opportunity for APA to position itself as an Australian energy transition champion.

As part of this push, we were active supporters of APA's proposal to acquire AusNet Services business in 2021.

Because of our belief in the electrification theme, we were also major shareholders in AusNet and therefore engaged with both boards on this process. We found AusNet appealing for its so-called 'boring' role in the transition to clean energy of owning the poles and lines that had up to that point been largely ignored by institutional shareholders. We shared the vision that APA and AusNet would have created a listed flagship Australian group with the scale and capability to accelerate growth in electricity infrastructure to support the decarbonisation of Australia.

Unfortunately, APA did not win the bidding war for AusNet, which was purchased by rival bidder Brookfield. However, on the back of this loss, we continued to engage with APA on electrification opportunities, and we are strong supporters of the acquisition of Basslink – which operates the interconnector between Victoria and Tasmania – acquired via off-market debt in 2022. We believe Basslink can facilitate further electrification and renewable investment by APA.

We believe APA's eventual decision not to proceed with investment in the US, and subsequent resignation of its chief executive officer (CEO) was partly due to the realisation of greater electrification opportunities and synergies available in Australia, alongside investor encouragement (including by Martin Currie Australia) to pursue these opportunities.

We are very pleased with the progress APA is making in transitioning its business and will continue to discuss further opportunities to champion electrification. We are also monitoring APA's net zero progress and have been encouraging the better disclosure of scope 3 emissions data for some time (as APA had largely been ignoring the magnitude of these). In late 2022, APA announced interim carbon reduction targets for 2030 and has made progress towards releasing its scope 3 plans. APA now plans to collaborate across its value chain to develop a meaningful scope 3 goal to be finalised by 2025.

We are very pleased with the progress APA is making in transitioning its business and will continue to discuss further opportunities to champion electrification.

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. It is not known whether the stocks mentioned will feature in any future portfolios managed by Martin Currie. Any stock examples will represent a small part of a portfolio and are used purely to demonstrate our investment style.

Asia

Governance

Objective: Improving board independence and diversity

Stage of completion: 1 2 3 **4** 5

Environmental

Objective: Improving disclosure and working with CDP

Stage of completion: 1 2 **3** 4 5

Tom Wills
Portfolio Manager

We have been engaging with electrical component manufacturer **Venture Corporation** (Venture) since it became a portfolio holding in 2019. Before then, we conducted the first of our annual in-depth ESG assessments. These reports have allowed us to monitor progress as well as identify areas to focus on when engaging for change. During our first assessment, we noted Venture had taken steps to strengthen its governance profile through improved independence and diversity of its board of directors. We encouraged the company to continue down this path and engaged in a positive and constructive way on key areas including the structure of the board and some of its key committees, further enhancing diversity, and the merits of separating the roles of chairman and CEO.

Over the ensuing three years, we have seen progress made in a number of areas: gender diversity has improved to 38% of the overall board (and 50% of the independent non-executive directors), and at the start of 2022, Venture separated the CEO and chairman roles, as well as reconstructing its audit and nomination committees to become majority independent and chaired by independent non-executive directors.

Most recently, the focus of our engagement with Venture has been on its environmental disclosures. As part of the CDP's Non-Disclosure Campaign, we took on the role of lead investor in a collaborative engagement alongside other institutional investors. The objective was to encourage Venture to complete CDP questionnaires on climate change and water security. In requesting Venture disclosed its management of these environmental issues, we noted the progress already made in improving its governance structure. We encouraged Venture to take this next step in enhancing its ESG profile, for the long-term benefit of the company and its shareholders. In July 2022, Venture submitted both the climate change and the water security questionnaires to CDP. This was an important step, and one we welcomed.

Having embarked on this path, Venture has confirmed it is committed to progressing on its sustainability journey, and we will continue to engage with the company across all aspects of its business.

We encouraged the company to continue down this path and engaged in a positive and constructive way on key areas including the structure of the board and some of its key committees, further enhancing diversity, and the merits of separating the roles of chairman and CEO.

Collaborative engagement

Collaborative engagement can be significant in driving action on systemic issues.

At Martin Currie, our private engagement helps build strong relationships with investee companies, ensuring that it is not constrained by minority-shareholder status.

Nonetheless, we have found that collaborative efforts can be more effective than acting alone, especially in relation to industry-wide, systemic and material issues such as climate change and human rights.

We are currently involved in three collaborative engagements:

CA100+: We are a lead investor in this investor-led initiative to ensure the world's largest corporate greenhouse gas (GHG) emitters take necessary action on climate change. CA 100+ targets 166 companies accounting for 80% of global industrial emissions and is backed by investors totalling USD68 trillion in assets.[2]

CDP Non-Disclosure Campaign 2022: We were the leading investor and supporting investor across 23 holdings at Martin Currie. In 2022, the CDP Non-Disclosure campaign was supported by 263 financial institutions with over USD31 trillion in assets calling on the world's highest impact companies to disclose environmental data.[3]

Advance: Launched by the PRI in December 2022, Advance is a stewardship initiative where institutional investors work together to take action on human rights and social issues. Engagement has started with 40 companies in the metals & mining and renewables sectors. Advance features 220 investors with more than USD30 trillion in assets under management, with 45 signatories acting as lead investors on the companies targeted.[4]

Collaborative engagement can help achieve critical mass and provide a common approach so that investor action in targeted areas can be achieved most effectively. More significantly, it represents a long-dated commitment to engage on areas of significance with a public and clear objective. The longevity of these engagements requires dedication to achieve success. Having been part of collaborative engagements for over a decade, it is imperative to approach them as a partnership for mutual benefit, leveraging strong relationship with management teams to help drive results.

One of our key learnings from these collaborative engagements is that persistence, clear objectives, and the tracking of progress all helps to increase the probability of a successful engagement. These are all elements that align with Martin Currie's own approach to engagement.

[2] *https://www.climateaction100.org/* [3] *https://www.cdp.net/en/investor/engage-with-companies/non-disclosure-campaignand*

[4] *https://www.unpri.org/investment-tools/stewardship/advance*

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UltraTech Cement (Ultratech): our longest running CA100+ engagement

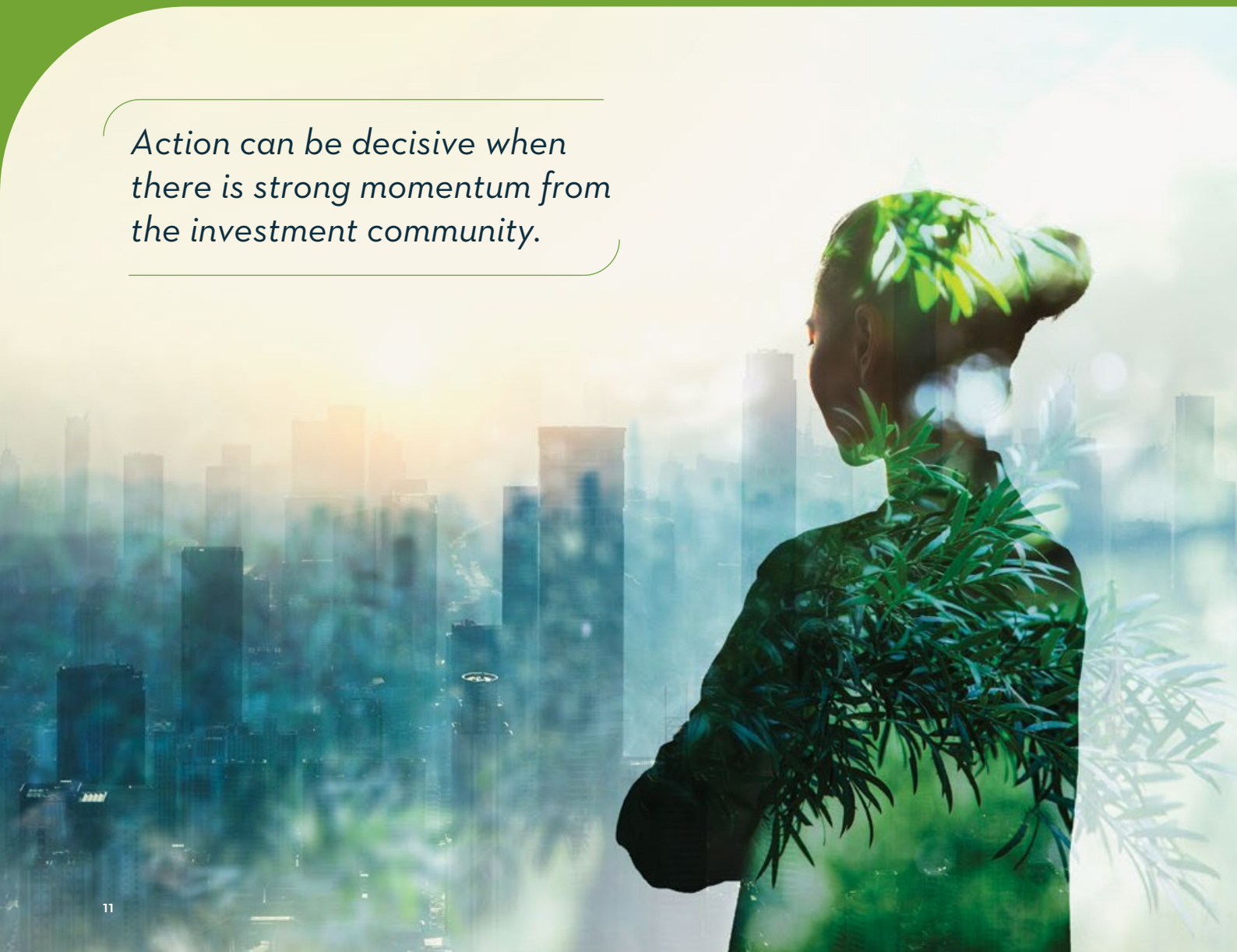
One of our longest running collaborative engagements through CA100+ has led to significant progress to date. UltraTech responded positively to engagement on fossil fuel use and resulting GHG emissions, committing to a carbon reduction plan that aims to reach carbon neutrality by 2050. This plan, led by the Chief Finance Officer (CFO), encompasses the governance of its commitments and the alignment of a sustainable strategy with the United Nations Sustainable Development Goals (SDGs). This, in addition to the company's commitment to a science-based emission target, shows its willingness to commit to addressing its negative impacts in a constructive way. We believe this demonstrates leadership qualities compared to global industry peers, which is particularly pertinent given how the building materials sector has a significant environmental impact through GHG emissions.

Climate momentum following COP26

Action can be decisive when there is strong momentum from the investment community. For example, the CDP non-disclosure campaign in 2022 – the first after the Glasgow Climate Summit – and growth of significant industry campaigns such as the Net Zero Asset Managers Initiative has been instrumental in promoting the rapid adoption of climate disclosure. Of the 23 target companies where we acted as a lead investor or as a co-signatory, we successfully encouraged 11 to submit disclosures to CDP as a first step in tackling climate change.

In summary, involvement in support of collaborative engagements is a longstanding and significant commitment on the part of our investment teams and the Stewardship, Sustainability & Impact (SSI) team to take substantive action on systemic issues as part of our overall mission of 'Investing to Improve Lives'.

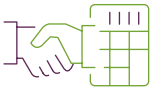
Action can be decisive when there is strong momentum from the investment community.



What this means for investor portfolios

As stewards of our clients' capital, we have a duty to ensure our activities are carried out as transparently as possible.

While previous editions of Stewardship Matters and Insights published on our website highlight examples from across our investment teams, we also aim to provide engagement information specific to our clients' portfolios. For example, we now provide both quantitative and qualitative information on our engagement activity, including:



Number of engagements on a rolling quarterly basis

Purpose of engagements (Change/Monitor)

The **themes** of our engagement, (going further than Environmental, Social or Governance (ESG)), and the aspects being considered.

We also discuss recent engagements with some investee companies, the actions taken and the outcome of each engagement. Most importantly, we raise any necessary next steps we plan on taking, such as further engagement, further monitoring or escalation if necessary.

This is intended to display how we conduct our active ownership, and that our engagement activity extends beyond our policies and into firm actions.

PORTFOLIO ENGAGEMENT ACTIVITY

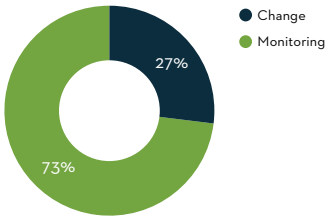
TWELVE MONTHS TO 31 DECEMBER 2022

Engagement is integral to our process. Engagement informs our analysis and helps us to understand the opportunities and challenges a company faces as well as how they are adapting to them. This ultimately leads to better decision making.

Number of engagements	
Q1 2022	38
Q2 2022	65
Q3 2022	46
Q4 2022	33
Rolling 12-month total	**182**

Engagements by primary theme	(%)
Governance	32
Environmental	29
Social	25
Other	14

Engagements by purpose



Engagements by secondary theme	(%)
Governance	
Board, directors and committees	15
Remuneration	11
Other	4
Taxation	2
Social	
Labour	14
Other	4
Human rights	3
Data and privacy	2
Supply chain	1
Environmental	
Climate change	15
Other	4
Science based target setting	4
Waste	2
Water	2
Science based target implementation	1
Other	
General disclosure	14
Other	1

Source: Martin Currie. Data is for 12 months to 31 December 2022 and is calculated for a representative Martin Currie Global Emerging Markets account.

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

For illustrative purposes only.

Looking forward

An increasing focus on real-world impacts

Impact investing has risen in prominence as more investors focus on the intentions and the outcomes of their investments, and seek a positive impact alongside financial returns. Investor demand has driven this rapid evolution over the last decade, while stakeholder responses shown below.

We expect further progression in these areas with an increased focus on real-world impact.

Impact can be achieved through different means – the activity and actions of investee companies, or the commitment of capital to these investments alongside the stewardship activities of investors. Historically though, the definition of impact has focused on private capital provision to drive impact, ignoring the role that structured investor stewardship can play. But a report by Global Impact Investing Network (GIIN) is helping to revise this notion.

'Impact Investing in Listed Equities' begins by recognising that all businesses (and therefore, by extension, all investments), have effects on people and on the planet – both positive and negative. We believe this report reflects the important role stewardship can play in achieving impact, and we expect investors will consider the role of public equites in generating impact as a key focus for 2023.

'Impact Investing in Listed Equities' begins by recognising that all businesses (and therefore, by extension, all investments), have effects on people and on the planet – both positive and negative.

New Martin Currie SSI team

In this context, we are excited to announce the SSI team led by David Sheasby, who also serves as Franklin Templeton's Stewardship and Sustainability Council co-chair. The team also includes new portfolio manager Lauran Halpin, who joined from Franklin Templeton. Lauran will lead the new dedicated impact-driven investment strategy focused on listed equities, alongside SSI specialist and portfolio manager John Gilmore. Lauran and John will be supported by SSI investment analyst, Eoghan McGrath.

David Sheasby
Head of Stewardship, Sustainability & Impact

Lauran Halpin
Portfolio Manager, Impact Equity

John Gilmore
Portfolio Manager, Impact Equity/Stewardship, Sustainability & Impact Specialist

Eoghan McGrath
Investment Analyst, Stewardship, Sustainability & Impact

Authenticity key in 2023

Climate will continue to be a key issue in 2023, with an increased sense of urgency for action as the window for limiting climate change rapidly closes. We anticipate increased focus from regulators on issues such as emissions reporting and (in some cases) mandatory reporting through the Task Force on Climate-Related Financial Disclosures (TCFD). Investors will also be increasingly active through expanded collaborative engagements such as CA100+. Biodiversity is a related, but separate, issue supported by the emergence of new reporting frameworks, and we expect to see progress in this area over the course of the year.

Human rights, social issues and inequality will all be increasingly prominent stewardship topics. In December 2022, the PRI launched 'Advance', a collaborative engagement on human rights and social issues. Martin Currie will be participating as a lead investor. The initiative is backed by 220 investors who collectively manage more than USD30 trillion in assets under management. We are also now seeing new regulation emerging in this area.

In 2023, asset managers will be asked to demonstrate their authenticity in managing sustainability and stewardship risks on behalf of investors. The UK will see the introduction of the Sustainability Disclosure Regulation (SDR) which aims to tackle greenwashing and as a labelling and disclosure regime will set a very high bar for products to be labelled as sustainable. In Europe, we expect a continued tightening of regulation on how funds are categorised, while in the US, we should see the next stage of the emerging naming and disclosures regime on ESG-labelled products.

These developments will be critical in providing investors with the comfort of knowing their assets are being deployed in a way that does not run counter to their sustainable investment beliefs.

Human rights, social issues and inequality will all be increasingly prominent stewardship topics.

Summary of our purposeful engagement activity

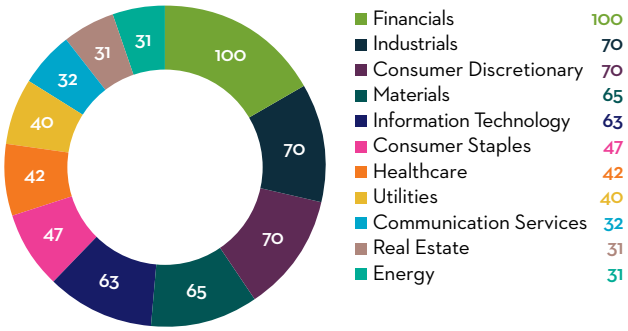
We believe monitoring and engagement is an essential part of being a shareholder in a company. It allows us to improve our understanding of investee companies and their governance structures, so that our voting decisions may be better informed. In addition, it enables us to understand to what extent companies have identified material ESG risks and how they are managing these.

Overview: 2022

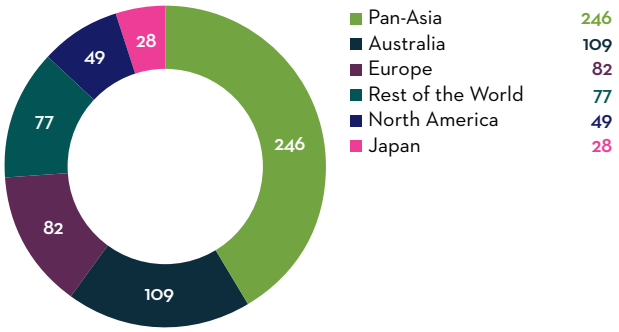
Firm-wide engagements

31	Markets covered
405	Companies engaged
591	Total engagements

Engagements by sector

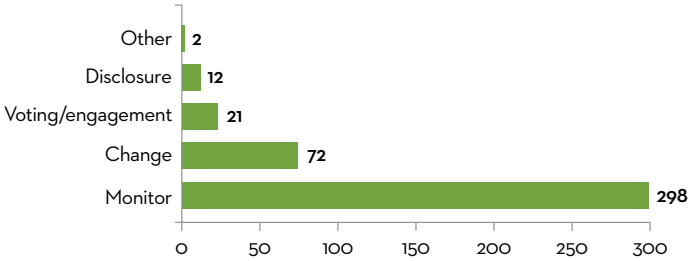


Engagements by region

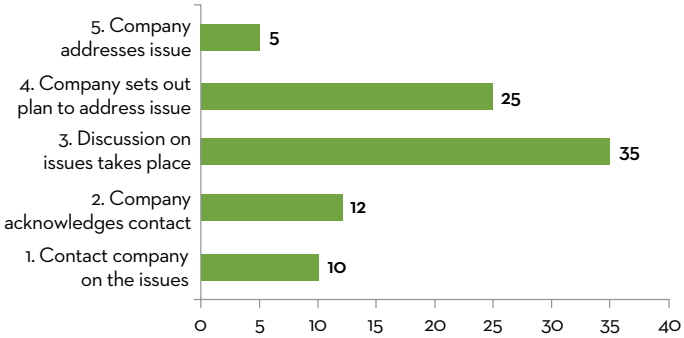


Engagements by topic

Purpose of engagement



Stage of completion for *change*



Source: Martin Currie. Engagement activity is for the period 1 January 2022 – 31 December 2022.

Advocacy through proxy voting activity

Proxy voting is a key component of stewardship and plays a crucial role in our overall approach to engagement.

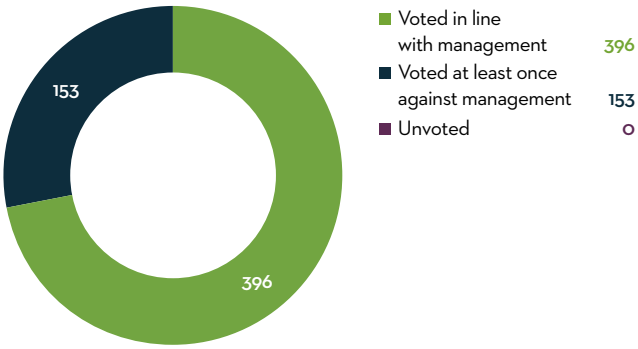
When voting on behalf of our clients, we will always seek to do so in their best interests considering the long-term impact of these voting decisions.

Overview: 2022

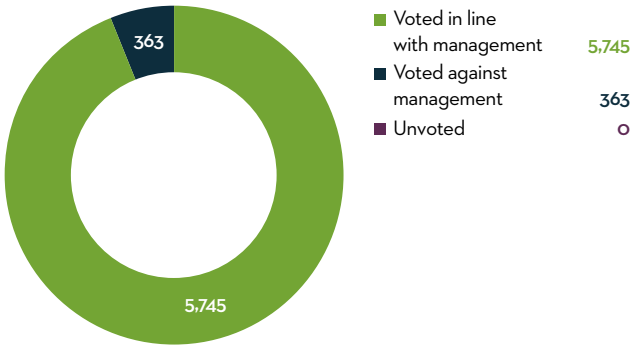
Firm-wide proxy voting

36	Markets covered
549	**Total shareholder meetings**
153	Meetings where we voted against management
6,108	**Total resolutions:**
363	Resolutions voted against management

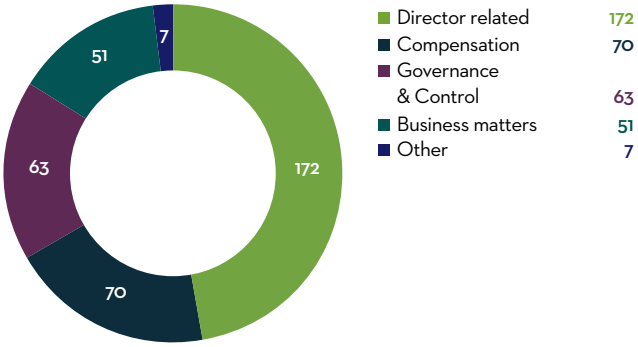
Total meetings



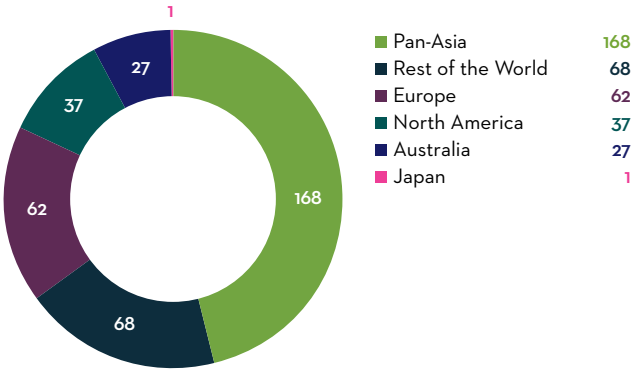
Total resolutions



Resolutions voted *against* by proposal type



Resolutions voted *against* by region



Source: Martin Currie. Proxy voting activity is for the period 1 January 2022 – 31 December 2022.

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:

- **Global emerging markets – through the ESG lens**

  With Emerging Markets having made great strides in ESG over the years, there is now a constellation of companies capable of going head-to-head with their Developed Market peers.

  18 January 2023

Sustainability and Stewardship Outlook

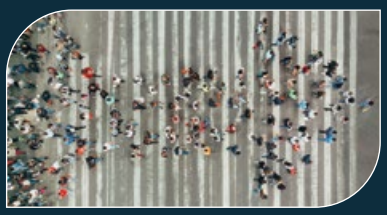
David Sheasby explains why 2023 will see an increased focus on real-world impact.

9 January 2023

- **Stewardship Matters – Edition 8: The power of Diversity and Inclusion in investing**

  This edition explores increasing evidence of a positive link between greater corporate understanding of Diversity and Inclusion (D&I) and financial performance.

  20 October 2022



- **Stewardship Matters – Edition 7: The path to Net Zero**

  On the anniversary of becoming a NZAMI signatory, our latest edition of STEWARDSHIP MATTERS discusses how we are formalising our commitments, partnering with our clients, educating our teams, and building tools and structure around carbon measurement.

  20 July 2022

- **Natural capital's key role in sustainable food systems**

  David Sheasby contributes to a wider Franklin Templeton series on investing in the future of the food supply chain across sustainable processes and best practices.

  12 July 2022

- **Investing in the UN Sustainable Development Goals: Good health and wellbeing**

  Using our knowledge and engagement with corporates, we look at structural trends and companies making material contributions toward SDG 3.

  1 July 2022

- **Stewardship Matters – Edition 6: Navigating Change**

  The ongoing evolution of the stewardship environment has impacted expectations from clients, market practices, regulation, and our own activities. Our latest edition looks at how to navigate the fast pace of change.

  20 April 2022

- **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

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