STEWARDSHIP
ANNUAL REPORT

APRIL 2024

MARTIN CURRIE
A Franklin Templeton Company

2024

www.martincurrie.com

INVESTING TO IMPROVE LIVES™

Foreword

Jennifer Mair
Chief Executive Officer,
Martin Currie

It gives me great pleasure to introduce the 2024 Martin Currie Stewardship Annual Report, my first as CEO of Martin Currie.

During this period, we worked to reaffirm and strengthen our stewardship approach and values in support of our purpose of Investing to Improve Lives. We believe financial security creates opportunity and wellbeing in people's lives, while long-term thinking supports our society and planet. Investing to improve lives is the standard we hold ourselves to, from innovative strategies to powerful conversations and active stewardship.

Our teams are free to think, to do, to act, creating innovative strategies where clients are front and centre. We listen and share insight to stimulate powerful conversations to create client solutions. With stewardship at the heart of our philosophy and investment strategies, we work to fulfil clients' aims and ambitions. What is really pleasing to me is the clear evidence of this intentionality, partnership, and leadership in our stewardship activities this year. We actively participated at COP28, continued to evolve how we analyse and measure climate risk, provided climate insights to our clients, led collaborative engagements, and successfully delivered against our own internal targets on climate and diversity. I am encouraged further by the progress we have made in taking our intentional stewardship focus and applying it to innovative new strategies; this year we launched our first impact equity capability, the Improving Society strategy, an important step in the evolution of our equity investment offering.

Most importantly though, a key area of focus this year has been enhancing and strengthening our own ability to deliver relevant and material sustainability insights. This has helped drive best practice internally through hard work, collaboration with investor-led forums and guidance from our Stewardship, Sustainability & Impact (SSI) team. Martin Currie's latest ratings from the Principles for Responsible Investment (PRI) are a great endorsement of the investor-led stewardship model we have fostered over the past two decades and more.

In 2023, Martin Currie achieved five stars across the PRI's modules, which includes the 'Public Governance and Strategy,' and 'Confidence building measures' segments that apply to all asset managers. We also received a five-star rating in the category of 'Direct - Listed equity – Active Fundamental,' which is specific to the equity asset class. We celebrate this achievement which we believe reflects the importance of stewardship in our culture, business operations and approach to investing. These are crucial to delivering positive outcomes for our clients and other stakeholders.

This investor-led focus on active stewardship is what sets us apart from others. We use fundamental insights from our stewardship process to enhance our understanding of what drives corporate value for the long-term and to help deliver strong outcomes for clients, with investment teams empowered to carry out all sustainability activity themselves. This is what has always driven our approach and I am proud to showcase how this philosophy has helped deliver for all our clients over the past 12 months. It is natural therefore that this report also serves as our conduit for reporting under the UK Stewardship Code, showing how our stewardship actions meet the 12 principles of the UK Stewardship Code that promote transparency, accountability and a focus on client outcomes that have always been a hugely important focus for us.

I hope you enjoy the insights and examples contained in this report and I look forward to sharing with you the stewardship activities we undertake as they continue to evolve.

Contents

Report summary

The primary purpose of this report is to provide insight into our business, the importance of stewardship and examples of how this is incorporated in our investment process and activities.

- Martin Currie believes strongly in its purpose of Investing to Improve Lives.
- This report also serves as our submission supporting the UK Stewardship Code, demonstrating how we incorporate its 12 principles into our stewardship activities. These ultimately seek to promote the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, environment and society.[1]
- **We also highlight our key achievements during 2023:**

- *Continued to lead in key collaborative engagements on systemic issues such as climate change, human rights and reporting standards.*
- *Increased the focus on outcomes of our engagement activity with a significant step up in the proportion of engagements for change with specific objectives.*
- *Embedding the capability to increase the range of climate data available for consideration in our risk process, with the ability to carry out climate scenario analysis in the form of Carbon Value at Risk (CVaR), to aid with our preparations for entity and product level TCFD reporting.*
- *Launched our first social impact equity strategy – Improving Society.*
- *Continued to drive best practice in our stewardship and integration approach. We are delighted that the Principles of Responsible Investment (PRI), has awarded us a 5-star rating across all the categories relevant to our investment activities in our 2023 Assessment Report. This is a fantastic endorsement from the world's largest global reporting project for responsible investment.*
- *Reported on actions to reduce emissions and increase diversity at a firm level.*

This report has been reviewed and approved by the Martin Currie Stewardship & ESG Council and the Martin Currie Executive Committee. It represents a fair and balanced view of our stewardship activities.

Jen Mair
Chief Executive Officer

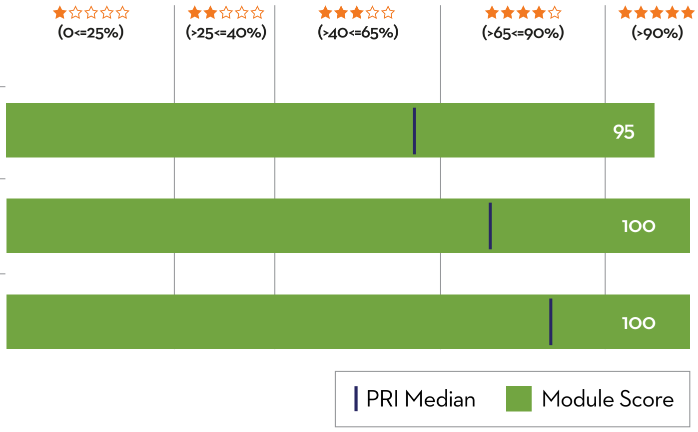
David Sheasby
Head of Stewardship, Sustainability & Impact

[1]FRC Stewardship Code.

Firm-wide highlights

Martin Currie 2023 PRI assessment

Module/Star score	AUM coverage
Policy governance and strategy ★★★★★	
Direct – Listed equity – Active fundamental ★★★★★	>50%
Confidence building measures ★★★★★	



Firm-wide engagements

29	Markets covered
233	Companies engaged
3	Collaborative engagements
647	Total engagements

Top engagement topic:

Environmental – Governance – Board, directors and committees

Proxy voting

34	Markets covered
530	Total shareholder meetings
160	Meetings where we voted against management

Top voting topic against management:

Director-related

The journey to net zero carbon emissions and our own carbon footprint

Our role in achieving net zero carbon emissions

Martin Currie became a signatory to the Net Zero Asset Managers (NZAM) initiative in July 2021. As a member of NZAM, we acknowledge that there is an urgent need to accelerate the transition towards global net zero greenhouse gas emissions, and for asset managers to play their part to help deliver the goals of the Paris Agreement and ensure a just transition.

Recognising a necessity for collaboration and partnership, we adopted an opt-in model for client asset commitment to take action on our financed emissions. After a period of hard work, and consultation with clients, on the first anniversary of becoming a signatory we were initially able to commit 15.4% of Martin Currie's assets under management (AUM) to be managed in line with NZAM's goal of 'net zero greenhouse gas emissions by 2050' (referred to as 'Net Zero' hereinafter). This represented a substantive first step on our part to help guide investee companies towards a more sustainable future. As at the end of 2023, 18.1% of our assets were committed to being managed in line with net zero. We continue to work with our investment teams and collaborate with our clients to increase the commitment to 100% of assets by 2050.

Our own carbon footprint

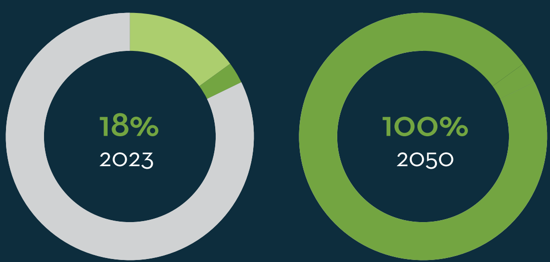
How we choose to run our own business is particularly important when we consider our role often involves advising companies worldwide on how to adopt best practice. It is why we hold ourselves accountable for taking action on the same systemic issues relevant to the companies in which we invest. By managing our impact on the environment through operational carbon targets we demonstrate the same practices as we expect of investee companies in managing their impact on the environment.

As such, we have committed to reduce our operational emissions intensity by 50% from our 2019 baseline by 2030 and to offset 200% of residual emissions. In 2023 we estimate that we emitted 982 Tonnes of CO2, (the majority of which is generated by business travel). This represents an increase versus our emissions in 2022 (413 Tonnes), however remains below our 2019 baseline of 1,260 Tonnes. This equates to a carbon intensity of 12.7 tCO2/\$m revenue versus our baseline of 18.7 tCO2/\$m in 2019, a 32% reduction.[2]

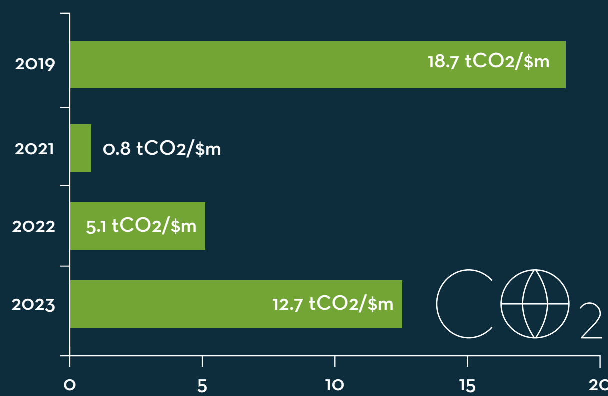
We expected an increase in emissions versus 2022 due to the ongoing normalisation following the COVID-19 pandemic and global reopening. We continue to monitor our CO2 profile and take steps where possible to avoid emissions, however there is likely to remain some volatility in the short term as we continue to develop our business going forward.

[2]Source: C-Level, based on carbon data for 2023, provided by Martin Currie.

Our Net Zero commitment



Emissions intensity figures:



How we choose to run our own business is particularly important, when we consider our role often involves advising companies worldwide on how to adopt best practice.

Stewardship Code summary

Our Stewardship Report acts as a conduit for our reporting under the UK Stewardship Code (the Code). Below we provide a summary and references for how we adhere to the principles and where greater detail on these can be found within this report. The Code is widely regarded for setting ambitious standards for asset managers in relation to their stewardship activities, globally. The code comprises an "apply and explain" set of principles which we utilise across all of our assets, regardless of geography. Through applying these standards, we can deliver strong stewardship outcomes for all of our clients.

Principle 1. Purpose, strategy and culture

Context: Our purpose of **Investing to Improve Lives** is more than just providing market leading investment solutions and better financial outcomes for our clients. We believe financial security creates opportunity and wellbeing in people's lives, while long-term thinking supports our society and planet. Investing to improve lives is the standard we hold ourselves to, from innovative strategies to powerful conversations and active stewardship. These are set out in the ***Purpose, Strategy & Culture*** section and ***Business Summary*** and ***Resources*** sections which explain our approach to governance, resourcing and activities surrounding our stewardship, and our business approach to key issues such as diversity and climate change.

Activity: Investing to create long-term, sustainable value is at the heart of our business. 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. We believe the best model to implement our stewardship approach is an 'investor-led' model. This informs how we have structured the governance and implementation of our stewardship approach including the ***Resources*** we dedicate in support of this and how this has evolved and improved over time, as does our approach to ***Training*** and ***Diversity***. Overall, we show how this is manifested in the ***Identification & Engagement*** around governance and sustainability issues and ***Voting*** related to our stewardship activity.

Outcome: Investing to create long-term, sustainable value is the purpose of our business. 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 meet our clients' expectations.

We believe we have been successful in delivering this; over a 10-year period 78% of our assets under management and 59% of portfolios have outperformed their relevant benchmark.[3]

Our recent ***Stewardship and sustainability insights*** outline how our research responds to client requests in relation to key topics for analysis covering market wide and systemic issues related to stewardship. During 2023 this included a strong focus on the insights we can generate from analysing material aspects of governance and sustainability, how our actions as investors can improve corporate value, creating and measuring impact through investments and thought pieces on the importance of culture and diversity in investing. We also established a new impact investing capability in our Stewardship, Sustainability & Impact team who launched their first social impact strategy 'Improving Society' in June 2023.

Principle 2. Governance, resources and incentives

Activity & Outcome: We set out the rationale surrounding resourcing and governance of our stewardship and sustainability activities, as well as how we seek continuous improvement. This is outlined in our ***Resources***, ***Evolution & improvements*** and our ***Key issue & policy summaries***. This also explains our approach to third-party data, systems and services, diversity, training and remuneration.

Principle 3: Conflicts of interest

Context, Activity & Outcome: Martin Currie has a Conflicts of Interest policy that governs situations where conflicts could arise in our stewardship activities. Our approach is set out in our ***Key issue & policy summaries***. This covers the governance, identification, and process for managing conflicts of interest and examples of how we have addressed actual or potential conflicts.

[3] Over ten years to 31 December 2023 (for accounts that have been in place for the duration of that period).

Principle 4: Promoting well-functioning markets

Activity: Martin Currie is committed to helping the wider financial industry identify, manage and respond to systemic risks such as climate change, human rights and sustainable development as set out in *Contributing to well-functioning markets* as well as in *Purpose, Strategy & Culture*. Our approach to the identification, management and engagement of market-wide systemic risks and well-functioning markets is covered in our sections on *Identification & Engagement*, *Taskforce on Climate-Related Financial Disclosures (TCFD)*, *Collaborative* and Thematic engagements, and industry Initiatives. Collectively, these, along with our *Engagement* case studies, outline our contribution to the identification and management of key issues. Our actions to promote well-functioning markets during 2023 are set out in more detail in *Contributing to well-functioning markets*.

Outcome: As highlighted in our *Contributing to well-functioning markets* we have continued our leadership role promoting industry dialogue through forums such as PRI and the Investment Association (IA), by responding to industry consultations as well as key initiatives such as the consultation on accounting standards through the International Accounting Standards Board (IASB). This section also outlines our contribution through thought leadership and promoting dialogue in response to systemic issues through bodies such as Global Ethical Finance Initiative (GEFI) and Official Monetary and Financial Institutions Forum (OMFIF) at COP28. Being a lead investor in multiple industry-wide *Collaborative engagements* also shows our commitment to promoting an industry response to these systemic issues. Our *Identification & Engagement* section describes and provides case studies of how we have identified material issues and aligned our investment approach to these systemic risks. As an investment manager focused on concentrated, long-only equity strategies, our primary mechanism for aligning our investments to these risks is through the identification of them in our analysis and engagement activities both privately and in collaboration with others. We assess the effectiveness of our actions through the progress on engagement and on industry-wide initiatives such as NZAM.

Principle 5 Review and assurance

Activity: The section of the report on *Resources* covers our governance structure, key forums in respect of Stewardship, our processes for management and oversight of these activities and our rationale for our chosen model – investor-led research and stewardship activity supported by areas of expertise within the business from an implementation and oversight perspective. Key stewardship policies around governing these are summarised in our *Key issue & policy summaries*. Martin Currie continually updates key policies and reviews the effectiveness of stewardship activities through both internal challenge and review from our key Stewardship Governance forums such as the Stewardship & ESG Council, ESG Oversight and Investment Risk Group and Regulatory Working Group, which have all been created to provide a clear forum for internal feedback on our investor-led approach and to provide expertise, oversight and challenge to augment the structured feedback from bodies such as the FRC and PRI in relation to our stewardship activities. We also regularly discuss best practice through our committee roles in organisations such as the IA. As part of the assurance process, funds that are covered by SFDR are also subject to annual review by the ESG Product Advisory Group (EPAG) of Franklin Templeton. In addition, in 2023, Franklin Templeton compliance undertook a broad review of the approach to sustainable investing and our stewardship activities as part of our submission to the annual PRI assessment.

Outcome: In order to further improve our stewardship policies and processes we significantly reworked and expanded our governance structure in 2021 and 2022 to more effectively oversee our stewardship activities as described in our *Resources* section. In 2023 the level of change as noted in *Evolution & Improvements* was more modest and focused on improving embedding climate metrics in our risk activities and further strengthening our client reporting capability. In addition, we have chosen in this report to continue the structure of reporting on our stewardship activities we established last year – with a more defined approach to our stewardship reporting in respect of our Stewardship Code obligations in this report. We have updated key policies such as our *Stewardship & Engagement Policy* and *Proxy Voting Policy*, as well as establishing new policies such as our *Human Rights policy*. These are signed off through the Stewardship and ESG Council.

Principle 6: Client and beneficiary needs

Context: We provide a breakdown of our asset base across client types and geography in *Business Summary*. We believe that for effective delivery of our long-term investment strategies a time horizon of over five years is required. This ties into our intention to be active owners and stewards of our clients' capital and allows time to conduct meaningful engagement with investee companies in relation to good governance, business model, strategy and sustainability approach. In turn, engagement on these topics helps support the delivery of long-term returns which meet our clients' expectations as highlighted in our *Purpose* section.

Activity: Martin Currie is committed to dialogue and transparency with our clients when it comes to structuring and reporting on our stewardship agenda. Quarterly client reporting at portfolio level on our stewardship and sustainability activities includes research, engagement and voting. Client views are sought in relation to their key priorities for stewardship activities and these are reflected in the research conducted, the emphasis on certain topics as part of our *Engagement*, and our recent *Stewardship and sustainability insights*. As part of the launch of our impact investing strategy 'Improving Society', we also publish an annual impact report for this product looking at the measurable impact delivered through the companies in which we invest and our engagement activity.

Outcome: We aim for an open dialogue with clients in relation to whether our stewardship activities are effective in meeting their needs in relation to the actions we undertake on their behalf and how these are reported to them. In 2022 we expanded the coverage of our client reporting providing more granularity of stewardship activities on a portfolio specific basis. We have also continued to refine our approach to both the structure of our stewardship reporting (for example the continued evolutions of the structure of this report) and by providing enhancements to our engagement reporting, as set out in *Evolution & Improvements*. During 2023 we continued to seek client views around commitment of assets to NZAM and received feedback on what climate-related data they wanted on an ongoing basis. This resulted in adding insights in relation to progress on those companies setting targets for those assets in scope of NZAM.

Principle 7: Stewardship, investment and ESG integration

Context: Examples of the key areas we focus in assessing investments are provided in the *identification* of Governance and Sustainability issues as well as an overview of our approach to assessing and engaging on these issues as part of our *Identification & Engagement* examples.

Activity: We view stewardship, investment and integration of governance and sustainability factors as intertwined issues. Our investment teams take direct ownership of conducting these activities as described in *Identification & Engagement*. Our focus is on identifying material governance and sustainability issues and opportunities to inform our long-term investment approach prior to investment and facilitate ongoing engagement. These also inform our voting activity during our holding period. Our preference is for using our investor-led judgement and insight from our investment teams, rather than an external data or service provider. We believe this offers a clear sense of accountability and ownership for our stewardship activities and is the most effective way to reflect these in our portfolio management decisions.

Outcome: The outcomes of our stewardship activities are highlighted as case studies in our *Identification* section and *Engagement* examples. In addition, we detail how we have escalated these where necessary through our *Voting activity and case studies*.

Martin Currie is committed to dialogue and transparency with our clients when it comes to structuring and reporting on our stewardship agenda.

Principle 8: Monitoring service providers

Activity & Outcome: Our governance structure for overseeing and monitoring service providers is detailed in our *Resources* section. Most data utilised in our stewardship, sustainability and impact activities is procured and overseen centrally by our parent company, Franklin Templeton, while other services such as those related to proxy voting and client reporting are procured by Martin Currie. During 2021 there was an exercise to compare and procure a wider range of ESG data for both regulatory and research purposes across Franklin Templeton. In 2022 there was an exercise at Franklin Templeton, including the Specialist Investment Managers (SIMs), focusing on data quality. For 2023 this was augmented through the actions of a Sustainability Data Forum within Franklin Templeton which contributes to the oversight and review process in terms of data quality, utility, and user experience. The result of this exercise in 2023 was a consolidation in the sustainability data provided for the group as well as a reduction in the number of providers. This exercise including our process for ongoing monitoring of service providers is detailed in our *Key issue & policy summaries*.

Principle 9: Engagement

Activity & Outcome: Martin Currie is a strong proponent of our proprietary research around governance and sustainability forming the basis of our engagement and stewardship activity. We view this as a core part of delivering client outcomes. Our approach, case studies and a qualitative and quantitative review of activity including the outcomes of our engagement is included in our review of engagement activity for the year in the *Identification & Engagement* section. Our approach to *Collaborative engagement* is set out in this section.

Principle 10: Collaboration

Activity & Outcome: We are willing to collaborate with other investors when this is in our clients' best interest, particularly in relation to systemic issues. Systemic risks by their nature are caused by factors beyond the control of a specific company and cannot be diversified away by holding a large number of securities. Although most of our engagement is private, where an issue is systemic and therefore likely to impact a broad range of companies and stakeholders, we believe that this requires a more collaborative approach to engagement. We participate in several collaborative efforts to address specific issues that impact companies held in our portfolios.
The activities and outcomes of this is described in the *Collaborative engagement* section which describe the nature of the initiatives we have joined as lead investors.

Typically, we will only join a collaborative initiative where we have an existing relationship with a company involved and where we have the capacity to bring something to the collaborative engagement – most usually by leading on a specific investee company. As well as leading engagements with targeted companies, in certain cases we will also help set the terms and targets for the engagements. Our decision to pursue a collaborative effort will, among other things, be a function of the 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.

Martin Currie is a strong proponent of our proprietary research around governance and sustainability forming the basis of our engagement and stewardship activity.

Principle 11: Escalation

Activity & Outcome: Our structured approach to prioritising topics for engagement, and escalation examples are included in our *Collaborative engagement* review and in case studies within our *Identification & Engagement* and subsequent escalation in our *Voting activity*. These issues are typically material governance and sustainability issues. We summarise our review of overall statistics and themes of our engagement and voting activity. These examples include the outcome of engagements in terms of specific actions. Our statistics also provide a summary of the current stage of completion of engagements for change, which informs the potential timing of escalation activity and how our voting escalation has differed by geography.

Principle 12: Exercising rights and responsibilities

Context: We explain how we exercise our voting rights and responsibilities and how this differs depending on key regional or sector considerations used in arriving at decisions in our *Voting Policy*. This also includes how we use proxy advisors in providing voting research and recommendations, and the rights of clients to set their own specific policies or use direct voting in segregated mandates together with considerations regarding stock lending.

Activity & Outcome: Our voting activity for the year is summarised in the statistics in our *Voting activity* section. Case studies are used to reflect our approach to clients in respect to the rationale behind certain decisions. The wider management of our voting activity, including execution and monitoring of third-party services, is also included in the *Key issue & policy summaries*.

Purpose, Strategy & Culture

Our Purpose remains *Investing to Improve Lives*

At Martin Currie, our purpose of Investing to Improve Lives is a vital component of being a sustainable business. When we generate returns for our clients, profits for our financial stakeholders and provide a rewarding place to work for our employees, we can have a broad-based positive impact on the communities in which we operate.

Our purpose guides us through our partnerships with clients, as investors in equity markets, our business practices, as an employer, and as members of the community.

Our strategy: creating long-term value

Our business strategy centres on protecting and enhancing the risk-adjusted returns on our clients' capital by investing in concentrated, long-term equity portfolios. As active managers, an integrated approach to stewardship and sustainability is core to this objective. Through investor-led analysis, we believe we can increase the efficacy of our research in identifying successful long-term investments that drive positive outcomes for all stakeholders.

To us, financial returns and governance and sustainability factors are fundamentally intertwined. We believe that companies exhibiting strong governance, that are well-run, and where management interests are aligned with minority shareholders, are more likely to produce long-term returns. Analysis of sustainability factors is owned by our investors, which allows us to obtain deeper insights throughout the research process. This meaningfully improves our understanding of investee companies, their material risks and their opportunities to the ultimate benefit of our clients. Our frameworks for assessing and measuring positive impact also give clients who want a more explicit outcomes focus to have access to strategies that are more intentional in this respect.

Overall, this leads to us looking beyond the numbers to gain a greater understanding of the real-world contributions and impacts of the companies in which we invest. The fundamental insights that our stewardship activities and governance and sustainability research generates, enhances our understanding of what drives corporate value for the long-term and helps deliver against our strategy.

This approach has helped provide an environment to deliver returns that we believe satisfy our clients' expectations. We have been successful in delivering this; over a 10-year period 78% of our assets under management and 59% of portfolios have outperformed their relevant benchmark.[4] Given the average tenure of our client base is around seven years, we believe this is an appropriate timeframe to measure client outcomes. This also reflects our belief that material governance and sustainability risks and opportunities are likely to play out over the medium- to long-term.

We are aware that the perfect company does not exist. By reflecting on the outcomes of our own stewardship approach, we can continue to improve our governance, integration, oversight and disclosures over time.

These improvements have reinforced our ability to deliver greater investment and stewardship insights, contribute more effectively to addressing systemic issues and, most importantly, to respond effectively to client needs and enquiries.

This year we have focused our attention on:

- Enhancing our governance and risk management processes relating to stewardship activity through new tools for climate scenario risk analysis and new policies and structures for governing key issues such as human rights.
- Expanding our analysis and engagement capabilities, such as developing a proprietary net zero alignment methodology and improved tracking of engagements for change.
- Launching new capabilities in our establishment of an impact strategy, focused on social impact. In June we launched Improving Society, which invests in companies whose products and services positively impact fundamental human needs and create conditions for advancements in equity.

[4]Martin Currie Performance Data as of 31/12/2023.

Our culture: extending beyond our investment business

Our business is bigger than its sum of parts and its influence reaches many stakeholders. We hold ourselves to the same exacting standards that we expect of investee companies: fostering a diverse and inclusive workplace, being trusted advisors to our clients, and positively contributing to where we live and work.

People are the heart of our business. Harnessing all our life experiences, distinct capabilities and talents is key to our success. We value these differences, but know they require the right environment to flourish. It is why we are committed to being a truly diverse, inclusive, and equitable company.

This approach helps the delivery of our stewardship activities and wider business success by creating a supportive, diverse and inclusive working environment for our people. We believe this creates the best conditions for optimal decision making, enabling us to deliver positive outcomes for all stakeholders. Systemic issues such as climate change also require a credible system-wide response.

In order to have credibility in pressing our investee companies to deliver on setting climate targets for example, it is important we act with authenticity in our own response.

We have continued to deliver on our diversity and environmental commitments during 2023.

- After initially committing 15% of our assets to the NZAM initiative in 2021, this has increased to 18% as of 31 December 2023. Our long-term commitment is 100% of assets by 2050.
- We appointed Jennifer Mair as CEO of Martin Currie in October 2023.
- We have continued to make progress on our own corporate gender diversity goals. This is supported by our partnerships with Investment 20/20, focused on attracting a broader range of candidates, and Future Asset, which seeks to promote careers in investment to schoolgirls.
- More broadly we continue to work with Black Professionals Scotland and Salvesen Mindroom to promote wider aspects of diversity in our business.

> *People are the heart of our business. Harnessing all our life experiences, distinct capabilities and talents is key to our success.*

Business summary

Our aim is to develop true partnerships with, and value for, our clients, while delivering against our purpose of Investing to Improve Lives. We leverage the expertise and insights of our investment teams, and a consistently high level of client service from our distribution department, to add meaningful value for our clients.

We are focused on sharing our knowledge through a range of avenues including risk analytics, data sharing, thought leadership, client round tables, bespoke client training and reporting. We develop strategic partnerships where we become an extension of our clients' investment teams and staff. Asset owners today want a relationship that is more than just alpha generation. A deeper partnership which sees Martin Currie at the centre of their portfolio and decision-making enables a closer alignment and ability to deliver for all stakeholders. This has contributed to our success in building a business with a focus on both institutional clients and in pooled vehicles within long only active equity.

The following table shows the split of assets under management (AuM) between institutional and retail clients and by geography at 31 December 2023:

Channel	Client region	% of AuM	Value (US$ millions)
Institutional	Asia & Australia	14.5	3,119.9
	Europe	1.2	265.1
	North America	17.7	3,802.1
	United Kingdom	14.2	3,053.3
Institutional total		**47.5**	**10,240.3**
Retail	Asia & Australia	15.3	3,301.2
	Europe	1.7	369.2
	North America	17.8	3,830.8
	United Kingdom	17.6	3,795.2
Retail total		**52.5**	**11,296.4**
Total			**21,536.7**

Source: Martin Currie, 31 December 2023.

Total assets under management as of 31 December 2023 in US dollar billions, split by region of domicile of the client.

Asia & Australia
Total 6.4

Europe
Total 0.6

Americas
Total 7.6

United Kingdom
Total 6.8

TOTAL ASSETS UNDER MANAGEMENT US$21.5 billion

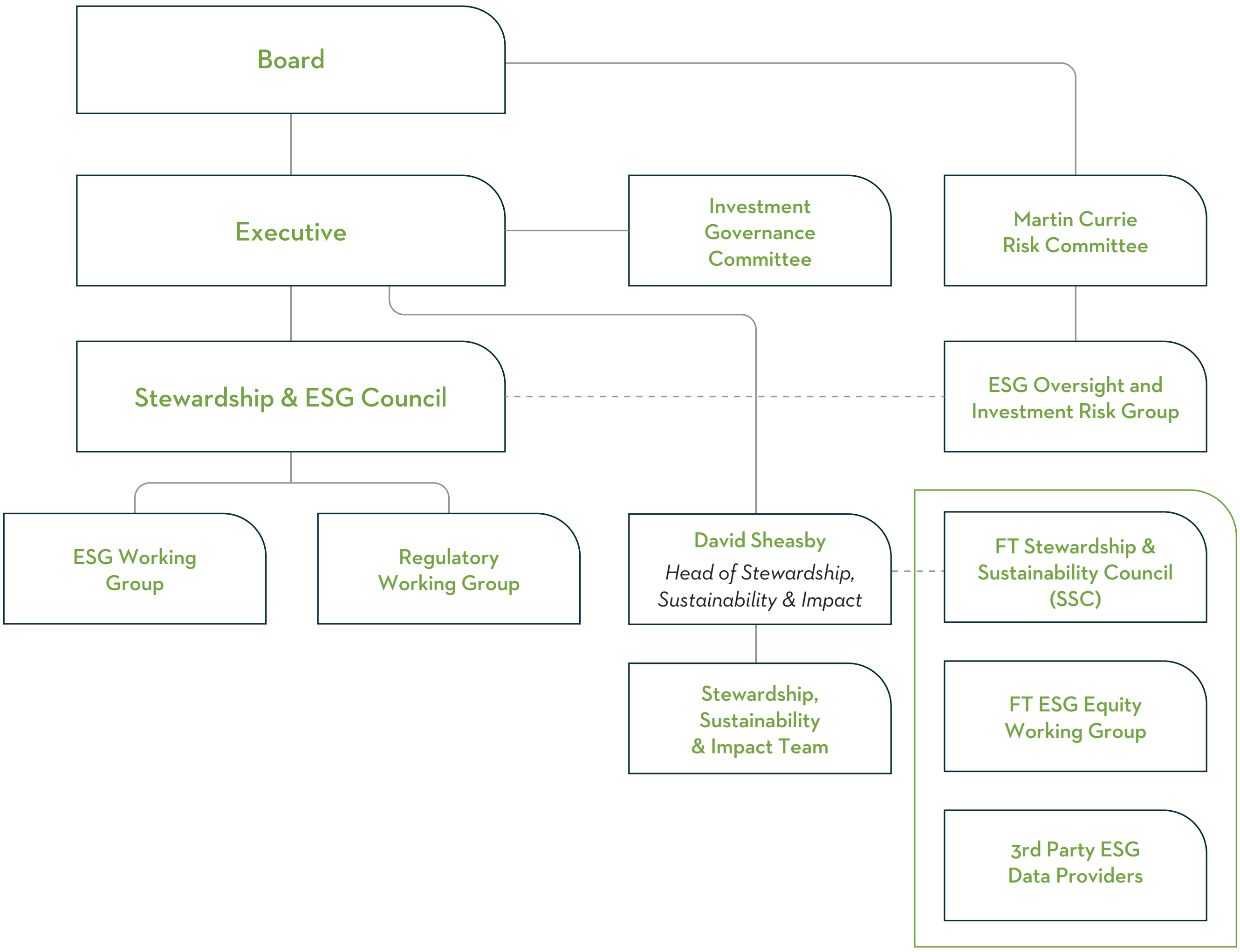
Resources

The structure and governance of our stewardship and sustainability activities at Martin Currie is outlined below, highlighting the central role of the investment teams together with the collective resource and oversight that is dedicated to activity in this area in specialist teams and forums.

A central tenet to our approach to stewardship and sustainability is that responsibility for carrying out analysis and stewardship sits with the investment teams. We believe that this creates clear accountability and provides the best method for authentically integrating this into investment decisions. This section sets out our approach to the structure, governance and oversight of stewardship and sustainability at Martin Currie and outlines the resources and forums that are in place to support this.

During 2023 we extended our existing investment capabilities with the market launch of our impact offering, the Improving Society strategy. This would not have been possible without the preceding work that was completed in setting up effective governance structures, oversight processes and data flows to allow the efficient control and scrutiny an impact product necessitates. As part of this launch, we have expanded our analytical toolkit to include a comprehensive impact analysis that is completed on each portfolio holding. Our SSI team continue to work with other investment teams to meet the expectations of clients and oversee client mandates that have specific stewardship or sustainability requirements.

The chart below shows the overall governance and oversight structure for our approach:



During 2023 we extended our existing investment capabilities with the market launch of our impact offering, the Improving Society strategy.

Overall accountability lies with the Board of Martin Currie. They have delegated oversight and implementation of stewardship and sustainability to the Executive.

Overseeing stewardship and sustainability strategy at the firm is the Stewardship & ESG Council (the Council). This body was created in 2021 to have a dedicated high-level forum specifically related to stewardship and sustainability at Martin Currie, to oversee the corporate approach to sustainability, to ensure that we are fulfilling our stewardship responsibilities and to provide a channel for assurance, feedback, evolution and improvement of our stewardship activities. As a relatively small, focused equity asset manager running concentrated long-term portfolios, the Council has strong visibility and deep knowledge of our internal approach. Assurance on stewardship activities focuses on validating the public commitments we make, and assessing the effectiveness of the controls and oversight procedures in place. The Council has delegated authority from the Executive for these matters. It is co-chaired by Michael Browne (Chief Investment Officer) and David Sheasby (Head of Stewardship, Sustainability & Impact). Also on the Council are representatives from other key business areas. The Council is the steering body for Martin Currie's stewardship and sustainability principles, long-term goals, and execution. This includes future planning, regulatory accountability and sign-off, ownership of Martin Currie's stewardship and sustainability-related policies and assurance that appropriate resources and training are in place. It also has oversight of third-party vendors in relation to proxy voting and client reporting. The Council reports to the Executive Committee.

Responsibility for carrying out sustainability analysis and active ownership resides with the investment teams. All stock research is required to consider the material and relevant governance and sustainability factors that could impact the ability of a company to generate sustainable returns. These factors are recorded in a standard dedicated section of our proprietary stock analysis templates. This requires an explanation on how these factors have been incorporated into the analysis. In addition, we have established industry frameworks that provide guidance on material factors to consider when looking at each industry, reflecting the wide variation in what may be significant and relevant across different industries.

Stewardship and Sustainability Forums:

1. *Martin Currie Stewardship & ESG Council*
2. *Martin Currie Stewardship, Sustainability & Impact (SSI) Team*
3. *Martin Currie ESG Working Group*
4. *Martin Currie Regulatory Working Group*
5. *Martin Currie ESG Oversight and Investment Risk Group*
6. *Franklin Templeton Stewardship and Sustainability Council (SSC)*
7. *Franklin Templeton ESG Equity Working Group*

We have a dedicated SSI team that works with the investment teams on how to incorporate responsible investment more explicitly into analysis and how to implement best practice in stewardship. This team reports directly to the Executive with oversight of the overall stewardship approach as well as reporting on stewardship activities including engagement and active ownership. David is Co-Chair of Franklin Templeton's Stewardship and Sustainability Council (SSC).

The SSI team works with investors to develop frameworks for governance and sustainability analysis, providing guidance and oversight in all aspects of stewardship and sustainability. They work with the investment teams on relevant issues such as corporate engagement, proxy voting and questions around integration. They provide expertise as well as context and a global perspective on stewardship, governance and sustainability matters. The team, along with Investment Risk, is responsible for the oversight of Martin Currie's process on corporate governance and responsible investment.

The Responsible Investment Policy, the *Global Corporate Governance Principles*, *Stewardship and Engagement Policy*, *Climate Engagement & Escalation Policy*, *Human Rights Policy*, and *Voting Policy* set the framework for stewardship and sustainability-related investment activities.

There are also three key stewardship and sustainability-related forums, each with the aim of focusing on continuous improvement and sharing ideas, insights, and best practice:

- **ESG Working Group –** comprising representatives from each investment team, the SSI team and the Chief Investment Officer. It is led by the Head of SSI. This group is focused on the work of our investment teams with the aim of continuing to evolve the approach in each team, building expertise and sharing best practice. Through this we ensure broad consistency and efficiency in our approach and are able to identify resourcing and training needs.
- **Regulatory Working Group –** comprising representatives from Distribution, Legal, Risk, the SSI team, Investment Data Platform & Quant, and Compliance. Reflecting the rapid evolution in the regulatory environment, this group reviews upcoming regulation, oversees the necessary resourcing and implementation to meet these requirements and reviews the effectiveness of the frameworks established. This group is chaired by the Head of SSI.
- **ESG Oversight and Investment Risk Group –** comprising the Head of Investment Risk, the Chief Investment Officer, the Head of SSI and Head of Compliance. This forum is responsible for overseeing and assuring that process and mandate commitments are being observed. This includes, but is not limited to, oversight of the proprietary governance and sustainability risk ratings, compliance with fund specific restrictions (both sector and norms based) and risk rating thresholds as well as monitoring, oversight and challenge on ESG risk data and controversies.

In addition to these Martin Currie forums, there are workstreams in place across Franklin Templeton (our parent) with a view to tackling common challenges across the group.

- **Franklin Templeton Stewardship & Sustainability Council –** David Sheasby is Co-Chair of this Council. This group focuses on strategic, regulatory and emerging sustainability issues affecting all Franklin Templeton's SIMs, with the objective to share best practice and coordinate activity where appropriate.
- **The Franklin Templeton Equity ESG Working Group –** members include ESG representatives from each of Franklin Templeton's equity focused SIMs, with the objective to share best practice and coordinate activity where appropriate.
- **The Franklin Templeton Global Sustainability & Strategy Team (GSST) –** has a role in coordinating multi-stakeholder areas in relation to sustainability at Franklin Templeton. In terms of Martin Currie's governance and oversight structure, the GSST is responsible for the central provision and oversight of sustainability-related data providers such as MSCI and Investor Shareholder Services (ISS). The GSST shares sustainability data provider recommendations and oversees the appropriate delivery of service.

As part of the assurance process, the Martin Currie funds that are covered by Sustainable Finance Disclosures Regulation (SFDR) are also subject to annual review by the ESG Product Advisory Group (EPAG) at Franklin Templeton. This includes a review of all disclosures, investment process and any binding criteria with regards to sustainability or stewardship. We continue to work with Franklin Tempelton's internal teams to ensure that regulatory requirements are being met, and there is effective oversight of sustainability and stewardship activities across the group.

There are three stewardship and sustainability-related forums, each with the aim of focusing on continuous improvement and sharing ideas, insights and best practice.

Training, Remuneration & Diversity

Training

Beyond our governance structure supporting our stewardship activities, we are committed to supporting the continuous improvement and deepening of stewardship and sustainability understanding across the investment teams, and other stakeholders. The SSI team is responsible for sustainability-related training and the team ensures there are regular learning sessions and mentoring. Training sessions are either provided internally by the SSI team, or externally by experts in their field.

Examples of training where we have leveraged external providers and the teams at Franklin Templeton are as follows:

- Drivers of biodiversity loss, commodity impacts on biodiversity, and portfolio analysis implications from Professor Brendan Wintle from the University of Melbourne.
- Biodiversity measurement and impacts from the GSST.
- Climate scenario analysis and portfolio alignment for investment teams from the GSST.

The ESG Working Group is an additional educational forum providing guidance and insights on regulation and specialist topics in order to support the investment teams.

During 2023, examples of education and training included an introduction to impact investing, held ahead of the launch of our first impact strategy.

We also hosted external training and education on regulatory developments and requirements and set up regular training sessions with a number of our service providers. Employees are supported to pursue sustainability-related professional qualifications, such as the CFA Institute's Certificate in ESG Investing, the Certificate in Climate and Investing, and, following its launch, the new Certificate in Impact Investing from the CFA Society of the United Kingdom. Other qualifications pursued have included the Fundamentals of Sustainability Accounting (FSA).

Externally, we have worked to build knowledge and expertise with other external stakeholders. We have held education sessions covering stewardship, sustainability, and our approaches with clients and other business partners to share knowledge. Our Head of SSI, David Sheasby, also participated in a CFA Societies Australia event where he discussed Stewardship in Action, and the core principles of effective stewardship and sustainability integration.

Remuneration

The management of governance and sustainability risks and the integration of stewardship is incorporated into the firm's investment process and is, as such, also considered in the performance measurement of each member of our investment teams. Compliance with the firm's stewardship and sustainability-related policies, which govern the monitoring and management of sustainability risks, is among the nonfinancial metrics which determine compensation outcomes.

Diversity

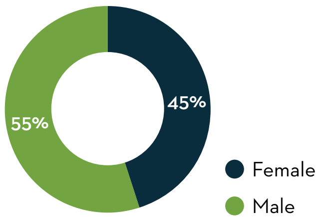
A healthy and vibrant workplace for all creates the best possible conditions for optimal decision making, and thus the best outcomes for all stakeholders. As part of our corporate purpose of Investing to Improve Lives, we are on a continuous journey to improve Martin Currie's diversity. We are also working to create a more inclusive environment for our employees that recognises how our different perspectives, knowledge and attitudes can best inform our approach to providing solutions for our clients.

We know that like many companies in the financial services industry, we have much to improve upon in this area. In 2021 we set ambitious diversity targets across the business reflecting our aspirations to address diversity challenges in a systematic manner. We continue to leverage Franklin Templeton's recruitment network, as well as working with our existing recruitment partners to ensure that we are reaching and attracting high-quality candidates. Since establishing targets, we have seen continued progress in increasing representation across many areas of the business, such as our investment teams, with gender diversity rising from our 2021 baseline of 16% to 29%.

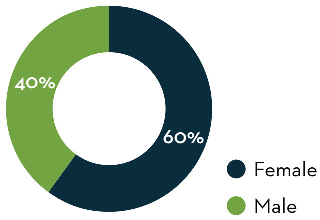
> *Since establishing targets, we have seen continued progress in increasing representation across many areas of the business, such as our investment teams, with gender diversity rising from our 2021 baseline of 16% to 29%.*

Split of recruitment by gender

Year to 31 December 2022 hires

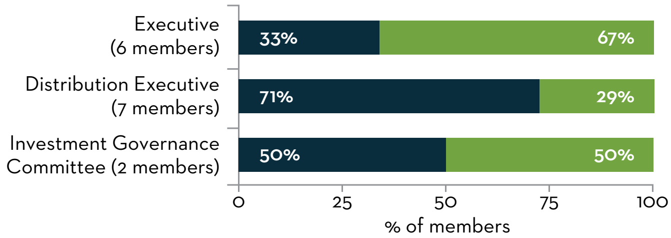


Year to 31 December 2023 hires

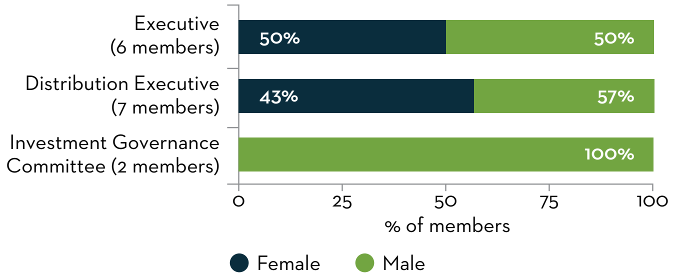


Split by gender of representation on key forums within the organisation

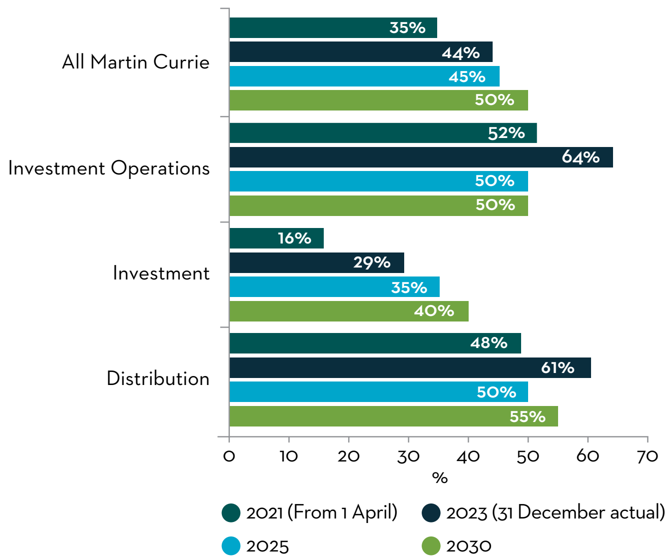
Year to 31 December 2022



Year to 31 December 2023

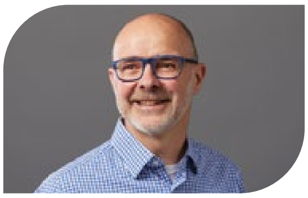


Gender parity targets (% female)



Source: Martin Currie, as of 31 December 2023.

Evolution & Improvements



David Sheasby
Head of Stewardship, Sustainability & Impact

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

The stewardship environment has continued to evolve at pace over the course of the past year in terms of the expectations from our clients, market practices, regulation and our own activities.

We continually refine and evolve our stewardship approach to reflect the regulatory environment, industry best practice, the needs of our investment teams and clients and to deliver against our public stewardship commitments. For 2023 we group our progress into three key areas: governance structure and risk management, expanding our analysis and engagement capabilities in support of delivering on our stewardship commitments, and, lastly, launching new capabilities.

Governance and risk management

The governance and risk management structure surrounding our stewardship activities continued to evolve in 2023. We focused on building on the relatively significant change in our structure and the regulatory landscape which took place over 2021 and 2022. During 2023 we delivered new tools to enhance our risk process, specifically in the analysis of climate scenario risk, as part of our quarterly risk meeting cycle. This is also in preparation for TCFD reporting - our first TCFD entity and product reports are due to be published during 2024.

During the year we also produced more specific policies and governance structures tailored to particular systemic issues. As part of our commitment under the PRI Advance collaborative engagement, we introduced our first standalone human rights policy (summarised in the appendices of this report). We view human rights and labour rights as universal principles. We believe that human rights issues are relevant to businesses, and that they can present a material financial risk for the investments that we make.

Expanding our analysis and engagement capabilities

We continued to expand our analysis capabilities to support our investment research. This included developing a proprietary net zero alignment methodology that has been rolled out across all investment teams to provide a consistent framework for categorising progress against climate action. This was also partially rolled out across our client reporting where the analysis has been incorporated into our research management platform 'Calibre'.

Calibre is a platform which we are using to develop further tools to support our analysis. One such tool within this that we have developed is specifically focused on our engagement activities, encouraging the setting of clear objectives and the linking and tracking of progress where we engage with companies to drive specific outcomes. This rollout allows us to easily measure and track progress on engagement that is conducted for change and with a clear objective, rather than for monitoring only. During 2023, the proportion of engagement for change has risen from 18% to 37% of our engagements, when compared to 2022.

It is pleasing to see that our commitment to continued innovation and evolution in our stewardship approach is reflected in external validation; Martin Currie's latest ratings from the PRI are a great endorsement of the investor-led stewardship model we have fostered over the past two decades. In 2023, Martin Currie achieved five stars across the PRI's modules, which includes the 'Public Governance and Strategy,' and 'Confidence building measures' modules that apply to all asset managers. We also received a five-star rating in the category of 'Direct - Listed equity - Active Fundamental,' which is specific to the equity asset class.

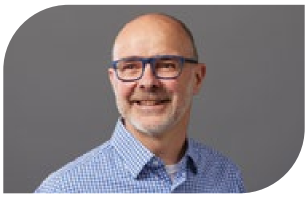
Launching new capabilities

Lastly, we have broadened our product capability with the creation of an Impact Equity team under Lauran Halpin and the launch in June 2023 of the teams' first product – the Martin Currie Improving Society strategy. The strategy aims to take advantage of mispricing opportunities and make a positive social impact by investing in companies whose products and services positively impact fundamental human needs and create the conditions for advancements in equity. Active ownership is a fundamental tenet of the strategy, with structured engagement on company-specific impact goals, sustainability issues and business topics at the heart of the investment process. The strategy leverages Martin Currie's strong track record within sustainability thought leadership and business integration and is well-aligned with our corporate purpose of 'Investing to Improve Lives'.

Overall, we are pleased with the progress we have made, and continue to make, in the areas of governance, capabilities and processes around our stewardship activities. We expect these to be fundamental in delivering on client expectations as we move towards the implementation of further key regulatory changes such as The UK Sustainability Disclosure Requirements (UK SDR) and the Securities and Exchange Commission (SEC) Names Rule.

> *We have broadened our product capability with the creation of an Impact Equity team under Lauran Halpin and the launch in June 2023 of the teams' first product – the Martin Currie Improving Society strategy.*

Stewardship: *the year in review*



David Sheasby
Head of Stewardship, Sustainability & Impact

Eoghan McGrath
Stewardship, Sustainability & Impact Analyst

The concept of environmental, social and governance (ESG) factors being a hotly debated and contentious topic is not new. In 2022 the debate largely circulated around companies, and their alignment with ESG principles. One such example came in the wake of the Russian invasion of Ukraine with a question being posed "Are defence stocks now ESG?". (We have previously written that there is no such thing as an 'ESG investment' and a 'non-ESG investment').

From ESG to SSI

In 2023 however, the debate turned to ESG's role in fiduciary duty. In last year's Stewardship Annual Report, we introduced some new language that we felt was clearer in its intentions when discussing ESG. As a reminder, we proposed that ESG be recast as Stewardship, Sustainability and Impact (SSI); language that reflects the importance of fiduciary duty and more clearly articulates how the integration of governance and sustainability factors contributes to long-term sustainable value creation for clients.

At times of controversy and confusion, the need to clarify and define language becomes even more important. This was something that we aimed to achieve with our reframing of ESG as SSI, and we believe that more intentional and purposefully specific language should provide clarification for consumers. The release of a joint paper from the PRI, CFA Institute and Global Sustainable Investment Alliance (GSIA) mirrors our attempts at clarity and defines the numerous approaches to responsible investment. We hope that this paper will help cement definitions in peoples' minds and reduce the (potentially intentional) use of vague and imprecise language.

A clear intention matters in an increasingly polarised landscape

This clarity of intent is particularly important in a world of shifting regulation and bifurcation, particularly in the US market. Several states have brought in measures which restrict or ban the consideration of ESG factors in the investment process for state-owned money. Such a visceral response is perhaps understandable when an industry with a reputation for opacity rolls out a slew of new acronyms with differing definitions depending on who you speak to.

We also saw other asset managers softening their language on the topic, and if not stepping back, then downplaying the extent of their commitments to various initiatives and collaborative engagement platforms such as the NZAM initiative and Climate Action 100+. More extreme cases saw legal action taken against asset managers accused of not acting in clients' best interests.

This polarisation makes it all the more difficult for asset managers to navigate the investment landscape influenced by many competing factors. While the landscape may shift, our approach remains clear – we remain committed to these initiatives. We continue to firmly believe that integrating material governance and sustainability factors into an investment analysis complemented by active ownership is consistent with fiduciary duty.

> *We continue to firmly believe that integrating material governance and sustainability factors into an investment analysis complemented by active ownership is consistent with fiduciary duty.*

Industry participants all have a role to play

It is not just asset managers that are coming under scrutiny, we are seeing the emerging desire for some regulation of ESG ratings providers. A code of conduct was launched by the International Capital Market Association (ICMA) and the International Regulatory Strategy Group (ISRG) last year that provided guidance for companies in the ratings market, intending to increase transparency and trust. We believe that this is vitally important for those investors choosing to use these ratings as an integral part of their investment process. In these cases the investors should be able to interrogate the associated methodology and what the is actually being assessed. While one of the criticisms of ESG ratings is that they do not correlate particularly well (54% average correlation) compared with credit ratings from the largest Credit Rating Agencies (~99% correlation), we believe they are more subjective – they are effectively opinions - and that differences of opinion should be expected (just as different analysts can judge the same company as a "Buy" or a "Sell").[5] We do not believe that one is "right", and the other is "wrong", instead we form our own views through our proprietary risk rating system. This allows us to better disclose where and why our judgements differ, for the benefit of our end clients.

[5]Berg, F. et al., *Aggregate Confusion: The Divergence of ESG Ratings* (2019).

Sustainability Standards

After its establishment at COP26 in 2021, the International Sustainability Standards Board (ISSB) launched the first of its sustainability standards in June last year:

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 Climate-related Disclosures

The standards are effective for any annual reporting periods beginning on or after January 2024, and form a set of disclosure recommendations designed to meet the increasing desire of investors for meaningful sustainability-related information. The disclosures have mirrored the format proposed by the TCFD, covering Governance, Strategy, Risk Management, and Metrics and Targets. It also builds upon the Sustainability Accounting Standards Board (SASB) standards which set out the sustainability issues that are likely to be most material for a variety of sub-industries.

In environmental regulation, Europe pushed forward with its sustainability initiatives, with the introduction of the Carbon Border Adjustment Mechanism (CBAM) – a tariff designed to prevent 'carbon leakage' through the offshoring of high emitting operations to countries without a carbon price. The first phase of this is disclosure-based, with companies in the six carbon-intensive industries[6] that are initially targeted required to report their emissions, including embedded emissions of their goods. The period from now until 2026, regarded as a transition period, comes with penalties for non-reporting proportional to the amount of unreported emissions, with those companies with a track record of reporting non-compliance being more heavily penalised than consistent reporters.

The broader regulatory landscape continues to evolve and shift in response to demands for clarity and guardrails around stewardship and sustainability. In the UK, the Financial Conduct Authority published the Policy Statement on the long-awaited (and delayed) SDR and investment labels. Through our committee memberships we provided feedback on the consultation at the beginning of the year, and closely followed its progress. We also submitted our own written response where we outlined the strengths and challenges we observed in the regime as it was presented in the consultation paper. Our interest was shared with other asset managers, with the FCA receiving 240 responses to its consultation.

Elsewhere, we began to see a response to the sustainable investment market in Australia, where the Government released a consultation paper on its Sustainable Finance Strategy. For asset managers, the consultation includes the proposal to develop a labelling regime for sustainable investment products, as well as the formation of a sustainable finance taxonomy (probably similar to the EU's taxonomy for sustainable activities).

Despite seeing resistance in some parts of the US, the SEC is still enacting regulation in the interest of consumer protection. The latest iteration of this is the Names Rule, which requires that where a fund's name suggests certain characteristics, at least 80% of the fund's holdings must exhibit such characteristics. While the rule itself is not new, the scope of "particular characteristics" that fall under it is new. The scope includes the terms "growth", "value" or any terms related to environmental, social or governance factors. As we entered 2024, the SEC published its much-delayed final version of the climate disclosure rules, however, on publication, this was immediately challenged in the courts so the final implementation of this looks uncertain.

All this points to a continued development in the regulation of stewardship and sustainability activities, with the intended aim of increasing clarity and improving consumer protections. We welcome the opportunity to feedback on these consultations where we believe we have something important to add to the conversation, guided by the belief that any developments of regulation should serve consumers effectively, and should aid capital allocation and stewardship within the market.

Looking into 2024, there is no sign that things are letting up as David discusses in the ***Reaching Forward*** section of this report. Regulation and technologies will continue to develop, necessitating a response from asset managers. What is important to remember though, is why we do what we do: it is framed by our fiduciary duty and achieving the best possible outcomes for our clients.

What is important to remember though, is why we do what we do: it is framed by our fiduciary duty and achieving the best possible outcomes for our clients.

[6] Aluminium, cement, electricity, fertilisers, hydrogen, and iron and steel.

Contributing to well-functioning markets

An aspect we consider important is how we can work with other stakeholders to promote continued improvement to the functioning of financial markets.

In line with previous years, there were several regulatory consultations in 2023, following on from the extensive FCA consultation on SDR at the start of the year. Our membership of key committees at the IA and the PRI provides additional opportunities to provide input into these processes alongside that work we do independently.

Consultations of note included the Code of Conduct for ESG Ratings and Data Product Providers, the FCA consultation on Guidance on the Anti-greenwashing Rule and the European Securities and Markets Authority's (ESMA's) consultation caper on Guidelines on Funds' Names using ESG or Sustainability-related Terms. Through our membership of key committees at the IA we were able to input extensively into these important consultations, all of which will help shape the evolution of the approach to sustainability.

We were also involved in work, through the GEFI, to support the launch of a new Tayyib Initiative which aims to unlock a US$500bn opportunity to Islamic Finance[7]. This initiative aims to build on the Shariah-compliant model of Islamic finance to develop a Tayyib-inspired approach with enhanced ESG and sustainability considerations. We were able to leverage our experience as practitioners in sustainability to contribute to the development of this initiative. This included presenting on the role stewardship can play in supporting this initiative.

Biodiversity has been an additional area of focus, in particular as the understanding of the interlinkages between nature and climate have developed.

Understanding and particularly measuring biodiversity risk is complex and cannot easily be distilled into a single metric. As asset managers we work with clients to build their and our understanding of complex issues such as this. We hosted a roundtable discussion with a focus on biodiversity data and the challenges and complexities in measuring biodiversity risk.

In conjunction with our parent company and OMFIF, we also hosted a roundtable as part of the COP28 in the United Arab Emirates (UAE) on the topic of the Just Transition. The meeting brought together policymakers, investors and regulators to discuss transition finance, the role of the private sector and blended finance in scaling the capital needed to drive a sustainable economy, and expectations for 2024 in the aftermath of COP28.

Members of our Asian equities team have engaged extensively with the IASB (the standard setting body behind IFRS) on many of the public consultations that have been launched ahead of the latest version of the standard. This included topics such as business combinations and associated disclosures such as assumptions and justifications for acquisition activity. We were conscious of the cost implications of this added disclosure from an intellectual property (IP) and resource perspective, however believe that these disclosures should lead to better transparency for investors and other stakeholders. We were pleased with the level of engagement, and look forward to the revised standard being released in 2024, with the knowledge we contributed to the development of accounting standards globally.

We were pleased with the level of engagement, and look forward to the revised standard being released in 2024, with the knowledge we contributed to the development of accounting standards globally.

[7] https://www.globalethicalfinance.org/2023/12/04/new-tayyib-initiative-launches-to-unlock-500-billion-opportunity-for-islamic-finance/

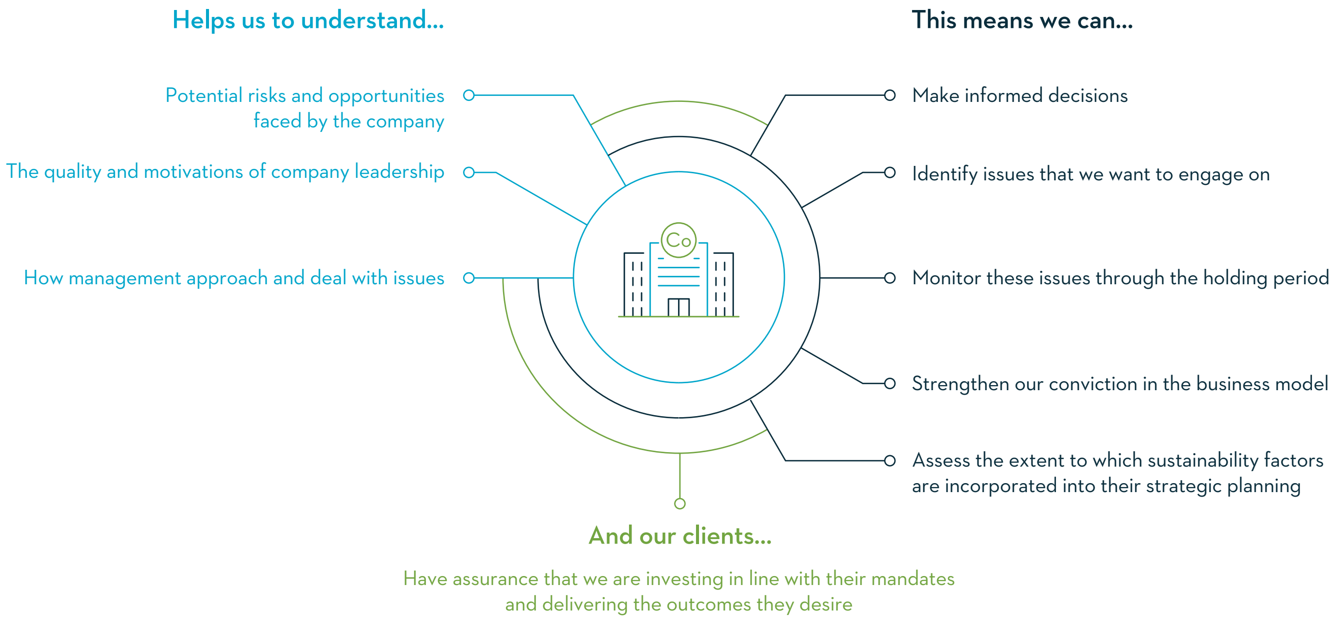
Identification & engagement: *identification*

What we look at

Our aim when conducting our proprietary governance and sustainability analysis is to provide fundamental insight into material issues that can influence long-term returns for companies and to highlight potential areas for engagement. This analysis also allows us to assess where the companies in which we invest may have a material impact on key common issues such as climate change, human rights and workers' rights. The level of analysis and engagement prior to investment varies depending on region, sector and, critically, the materiality of the issues in question. The overarching aim is to assess the extent to which the identified factors will contribute to, or detract from, insights into the potential long-term value creation of a firm. We use a variety of resources to identify potentially material governance and sustainability issues including third-party data along with other publicly available information from a company's sustainability or integrated reporting. These inform our proprietary governance and sustainability risk ratings. Third-party data is 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 allows us to have a better-informed approach in relation to escalation and engagement as well as providing a source of insight for producing better risk adjusted returns.

We have an investor-led model and integrate our governance and sustainability analysis fully into our investment process. We explicitly model some of these impacts. For factors that are not as explicit, such as regulatory change, this can be stressed via a cost of capital sensitivity and can influence valuation and portfolio management decisions during acquisition and when holding investments. Since we started almost two decades ago, our approach has always been that in order to fully integrate this analysis, responsibility resides with the individual research specialists and portfolio managers rather than a siloed and separate team in order to increase its relevance and connection to investment decision making. Our Stewardship & ESG Council has specific oversight controls alongside a focus on continuous improvement and sharing best practice driven by the ESG Working Group. At Martin Currie we focus on those factors that are relevant and material to the investment case. This applies equally to fundamental factors as to governance and sustainability factors.

The rationale for our stewardship and sustainability approach is best summarised in the diagram below:



> *At Martin Currie we focus on those factors that are relevant and material to the investment case. This applies equally to fundamental factors as to governance and sustainability factors.*

Proprietary Ratings

Our work on sustainability is ultimately focused on the long-term economic success of the underlying business – understanding how these factors may influence the ability of the company to generate sustainable returns over the long term. We express these views in our Governance and Sustainability risk ratings which range from 1 (low risk) to 5 (high risk).

The first component is governance. Recognising the different governance frameworks across the globe and our clients' international portfolios we take a 'principles' as opposed to a 'rules'-based approach. This provides the opportunity to assess governance in the context of individual company circumstances and identify any particular areas of weakness. Our focus is on board quality, management quality, remuneration, capital allocation and culture.

The second part is sustainability. This is an assessment of the extent to which the company has integrated sustainability into its business model and strategy.
In referring to sustainability we focus in particular on the economics of the issue – what might impact the ability of a company to generate long-term sustainable returns?

Our focus is on materiality – relevant environmental risks and social risks – and common factors including climate change, human capital, cyber-security and tax.
The framework for our analysis and risk ratings is set out in a series of consistent areas that we focus on and questions that we ask. For a broad range of funds that we manage, there are also binding criteria that reference the proprietary ratings to exclude those companies with the highest risk ratings.

This framework allows us to leverage our deep knowledge of the companies and our understanding of the context of the underlying companies. The analytical framework helps to identify risks, opportunities and areas for engagement. The resulting ratings from each team are based on consistent informed judgement of the extent to which the companies demonstrate strong practice or face potential risks in the various aspects of governance and sustainability.

A summary of the key factors used in our analysis is shown below.

Governance

We value transparency and clear, accountable governance structures, paying considerable attention to the extent to which a company demonstrates alignment with the interests of long-term investors.

- Board leadership, diversity and independence
- Management remuneration
- Shareholder rights
- Succession planning
- Accounting and audit standards

Sustainability

Environmental

Knowing how a company identifies and manages potential environmental issues helps us to understand how it is preparing for changes to regulation and disclosure requirements.

Social

How a company treats its people, customers and other stakeholders, can give valuable insight into its culture – a good proxy for long-term business success.

- Pollution
- Water usage
- Climate change
- Energy efficiency
- Resource management
- Data protection and privacy
- Equity and diversity
- Community relations
- Human capital management
- Product safety and liability
- Supply-chain management
- Human rights

Material matters

Materiality is a concept used frequently in this report. In simple terms, this refers to the strength of the relationship between a governance or sustainability factor and corporate performance. Materiality also covers the scale of impact that companies have on wider environmental and societal issues. Some of this is common sense. For example, carbon risk is clearly more material to an oil and gas firm than it is to an IT services business. Similarly, cybersecurity and data protection are likely to be more material to the latter than the former. In other instances, it may be less intuitive. To make the best use of our research time we have created hierarchies of the most material issues industry by industry. This way we can gauge whether management is focusing on the right areas – an approach that is backed up by research showing a clear link[8] between a firm's integration of material sustainability issues and enhanced shareholder value (versus a less-discriminating approach). Once the most material issues have been identified and analysed, the challenge is to translate this information into numbers in our modelling of key financial variables, such as the cost of capital, cash flow, turnover or capital expenditure.

[8]*Corporate Sustainability: First Evidence on Materiality*, The Accounting Review, Vol. 91, No. 6, pp. 1697-1724. Khan, Serafeim & Yoon (2016). https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2575912

Identification & engagement: *engagement*

Engagement is a key element of our stewardship approach, how we manage our client's assets and how we deliver long-term value for them. What we engage on is informed by our analysis of the material governance and sustainability risks that each company faces, how they are managing and mitigating these and the disclosures that they make in this regard. Examples of the linkages between our research, integration and engagement activities are shown in the diagram below and in the case studies which follow. These examples highlight the multi-period nature of engagement for change. Some of these examples (both private and collaborative) were included in last year's annual report and, where this is the case, we have tried to highlight the long-term and ongoing nature of these engagements and what progress has been made.

Our engagement is also informed by the broader systemic issues that have the potential to impact many companies and different parts of the financial ecosystem – the most pertinent example being climate change. We engage not only with companies but also with regulators and policy makers to support the evolution of a sustainable financial system.

We interact extensively with our investee companies and, in many cases, we seek information on, or monitor the evolution of, their business, strategy and long-term value creation.

Engagement for change focuses on specific issues and we place a particular emphasis on governance, strategy and capital allocation, and material sustainability (environmental and social) issues which may impact the company, or where the company's impact is material.

Every time we engage for change on a particular issue, we strongly encourage our investment teams to set out a clear objective (what we are trying to achieve) and then work with the company toward this defined outcome.

We also monitor the progress of the engagement against this objective, recognising that engagement takes time and often requires patience and persistence.

Engagement may include a combination of writing emails or letters to set out concerns, face-to-face meetings with management or other key personnel, or meetings with board members.

Our engagements are led by the investment teams – they have the strongest long-term relationships with the companies that we invest in. They are supported as necessary by the Stewardship, Sustainability & Impact team.

Where there is limited progress on an engagement or where it relates to an issue which may impact the investment thesis of a company, we may escalate the issue through other stewardship activities such as voting, collaboration or ultimately divestment.

Much as our analysis informs our approach to engagement, the progress and outcomes of engagement also inform our ongoing analysis and understanding of the companies concerned.

Integration & engagement: *activity examples*

Below we highlight recent focused engagements undertaken by our investment teams and the associated outcomes including the nature and extent of escalation where this was required. We have indicated whether each example is related to governance (G) or sustainability (S).

[G] S Global Emerging Markets

Asian Paints

India's leading manufacturer and distributor of paints, coatings and related services

Reason for Engagement: Governance

As part of our governance analysis, we had identified the suboptimal board independence as an area of potential risk. However, our governance risk rating of 2 does indicate that we reflect positively on the business leadership, capital allocation and disclosure practices as part of our investment thesis. While the company definition of Board independence did conform to SEBI rules, the classification of directors with more than 20 years tenure on the Board was below global best practice so we chose to engage on this topic.

Objective: Achieve a majority independent board, as defined by global best practice standards.

Scope & Process of Engagement: We have continued to engage with the company on the composition of the Board, specifically seeking a majority independent Board. In the past, the company has acknowledged that it has fallen short of global best practice but also emphasised the ongoing journey of improvement it is on. In 2022 they had, encouragingly, set out next steps to improving Board structure including plans to add new independent directors.

Engagement Outcome & Next Steps: Throughout the years, we have utilised our voting power multiple times to express our disapproval of the lack of Board independence (see voting section of this report for further details of our most recent vote). In early 2023, we met with the management, and they acknowledged shareholders' concerns, committing to improving the Board structure before year-end. As part of their plan, the non-independent chairman retired and was succeeded by an existing independent director. Additionally, another non-independent director retired, and two new independent directors were elected in the latter half of the year. In December 2023, the Board independence ratio reached 54%, signifying the successful completion of our engagement objective.

Engagement Stage of Completion:

1 2 3 4 **5**

The company addresses the issue.

In December 2023, the board independence ratio reached 54%, signifying the successful completion of our engagement objective.

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.

G[S] Global Emerging Markets

Capitec

Leading South African retail bank

Reason for Engagement: **Sustainability**

Over the past few years, Capitec has positioned itself as a bank committed to providing banking services that are simpler, more transparent, and more affordable compared to its regional peers. Prior to investing in the company, we made verifying those facts our key engagement objective with them. Our analysis, supported by customer growth metrics, digital performance indicators, and price comparisons, affirms that Capitec is indeed dedicated to the core principles of simplicity, accessibility, affordability, and personalised service. These principles form the bedrock of its value creation strategy, which aligns closely with our investment thesis.

Objective: Enhance understanding of Capitec's beneficial impact on its customers and refine disclosure methods to effectively communicate these contributions.

Scope & Process of Engagement: We engaged with the company to gain insights into the comparative affordability of their products in relation to peers, as well as to advocate for enhanced disclosure practices within their reports. Despite being a prominent South African bank with a robust commitment to social impact, the articulation of this impact has appeared somewhat vague. We emphasised the importance for Capitec to enhance its transparency efforts and to highlight the affordability of its products more prominently. Specifically, it became apparent that while Capitec provided a consolidated figure in 2022 showcasing savings resulting from fee reductions, this gives investors limited insight on the company's impact as the institution offers a selection of competitively priced products. We suggested the disclosure of cumulative savings extended to customers across essential products like deposits and funeral insurance, benchmarked against industry competitors, could be valued by the market.

Engagement Outcome & Next Steps: Capitec acknowledged our suggestion and intends to explore further enhancements in response to our feedback. We will review their next reports when published and will provide more guidance on how to perfect their disclosure.

Engagement Stage of Completion:

1 2 **3** 4 5

Discussion on issues take place.

> *Capitec acknowledged our suggestion and intends to explore further enhancements in response to our feedback.*

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.

[G S] Martin Currie Australia

Medibank Private

Medibank is one of the largest Australian private health insurance providers

Reason for Engagement: Governance & Sustainability

In late 2022, Medibank suffered a major cyber security incident which resulted in around 200GB of data being stolen. Almost 10 million customers were impacted by the breach, with compromised records including names, birth dates, passport numbers and claim information.

The hackers sought US$10 million in ransom, but Medibank refused to pay, citing that hackers can never be trusted to follow through with their promise. Medibank's security team were able to quickly shut down the extraction of data, limiting a much larger breach or encryption of the data.

Objectives: Prior to the incident we had rated the company's management quality and overall quality highly. We also held (and continue to hold) a large position in the company across many of our Australian equity portfolios. The objective for our engagements post-cyber incident was to assess if the company was appropriate in its business response and that our high Management rating remained appropriate.

Scope & Process of Engagement: We initially met with the Chair shortly after the cyber-attack to discuss the initial response from Board and priorities for resolution. The Chair believed their systems were robust and noted that they regularly defend 250 million hack attempts per month and 5 million malicious emails. The Chair expected this to drag on and for more customers to be exposed, which did subsequently come to light. The Chair agreed with us that new sales could be the key fallout.

We met with the Chief Finance Officer (CFO) in the subsequent months to go over the customer response and remediation impact. In early 2023, we met again with management post their results call, to discuss customer redress plans, further internal actions and residual Privacy Commission and Class Action risks.

Engagement Outcome & Next Steps: Our multiple discussions with Medibank reinforced our view that management had the acumen to manage the situation and that the resilience of the franchise would lessen the fallout.

As such, following the incident in 2023 we maintained our conviction in management's capabilities, and our proprietary Governance rating remained a 3.

Unlike other recent data breaches at Australian companies, the public relations fallout was satisfactorily managed. Medibank took the strategy of over-communicating. Market share issues were in fact very limited due to the quality of ongoing communication with clients. Customer Net Pomoter Score (NPS) has in fact increased since the incident, exhibiting that customers still have "trust" in Medibank. New sales have also held up well.

Medibank's internal review into their systems suggested shortcomings in design resulting in ingress and failed detection, which are now being addressed through reinvestment.

Given the apparent short comings regarding data protection at the time in 2022, our perception of sustainability risk was heightened, and our view on the net sustainability benefits the company provided was somewhat diminished. This reduced our overall Sustainability rating from 1 to 2.

While Medibank did err in their management of cyber risk management, they proved they had the acumen to manage the situation. The response, with a range of well-targeted customer support measures, and preservation of the management team throughout the crisis was well handled. As such, in early 2024 we recently upgraded our Governance from 3 to 2 to reflect this and we continue to rate Medibank's management as top-class operators of the business.

We also note that is early 2024, the Australian government used cyber sanctions powers on a Russian individual for his role in the breach of the Medibank network.

Engagement Stage of Completion:

1 2 3 4 **5**

Company addresses issue.

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.

G[S] Martin Currie Australia

Omni Bridgeway

Omni Bridgeway (OBL) offers litigation financing globally

Reason for Engagement: Sustainability

In July 2021, we signed up to the NZAM initiative, and as part of this commitment we set portfolio-level targets for committed assets, which refer to the percentage of companies within portfolios that have set science-based targets consistent with a 1.5°C pathway. We expect 100% of investee companies in committed portfolios to have a target by 2040 but acknowledge that the expected trajectory of target adoption may vary, not least due to the starting position of portfolio companies and the regions and industries in which they operate. For some sectors, agreed Net Zero methodologies still do not exist.

As part of our engagement-driven approach to encourage adoption of science-based targets, we have had discussions with numerous investee companies since signing up. Our analysis indicated that OBL were yet to announce a Net Zero objective or any interim emission reduction plans.

Objective: Our objective was to encourage the company to move forward along the Net Zero pathway, and encourage them to contemplate establishing formal emission reduction targets.

Scope & Process of Engagement: As part of our ongoing discussion with the company, we engaged with the Investor Relations (IR) team on the topic. They shared that they are developing a comprehensive environmental strategy, and that setting targets is possibly on the Board's agenda for FY24. The company noted that they are a comparatively low-level carbon emitter, with the largest source of our carbon emissions being travel. In August 2022 they started using an end-to-end carbon offsetting travel solution for their Australian and North American teams and are looking to expand the programme in FY24.

Engagement Outcome & Next Steps: The company's steps on understanding their emissions are positive, but we believe that it will be important that they remain on top of this issue, and move quickly towards setting firm targets.

Our current overall Sustainability rating is a 2. Going forward, we will continue to engage with the company on the matter of Net Zero as they formulate their targets and also on how they communicate these with investors. Improvements in this space may prompt upgrades in our Sustainability rating and its components for the stock in due course.

Engagement Stage of Completion:

1 2 **3** 4 5

Discussion on issues take place.

The company's steps on understanding their emissions are positive.

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.

G[S] UK Equities

Victrex plc

British polymer manufacturer

Reason for Engagement: **Sustainability**

During a re-assessment of our governance and sustainability risk ratings for Victrex, our investment team questioned the extent to which sustainability is integrated into the business beyond targets to grow products offering quantifiable social or environmental benefits to 70% of revenues by 2030. This specifically impacted the 'Sustainability Momentum' and 'Understanding and Integration' pillars. From our perspective, to minimise risks to financial performance over the long term, it is important to establish balance between growth opportunities from sustainable products and mitigation of the operational impact of the business through a robust, well-governed sustainability strategy.

Objective: To understand the extent to which sustainability is integrated into the business from an operational perspective.

Scope & Process of Engagement: We met with the CFO and Head of IR in May 2023 where we initiated our engagement. We followed up with IR via email to further the conversation.

Engagement Outcome & Next Steps: Following our engagement, in the 2023 Preliminary Results, Victrex confirmed decarbonisation targets had been submitted to SBTi for validation, thus we feel that progress is being made. We have recognised our research and Victrex's progress in our Governance and Sustainability risk ratings. We will continue to pay close attention to Victrex's sustainability initiatives, hoping to see SBTi validate Victrex's targets within the 2-year timeframe allocated, and adjust our risk ratings in response to material change.

Engagement Stage of Completion:

1 2 3 **4** 5

The company sets out a plan to address issue.

It is important to establish balance between growth opportunities from sustainable products and mitigation of the operational impact of the business.

[G S] UK Equities

Tatton Asset Management

British discretionary fund manager and consultant

Reason for Engagement: Governance and Sustainability

In our governance and sustainability analysis prior to building a position in Tatton Asset Management, we identified that the group had joined the Women in Finance Charter (WIFC). One of the four commitments made when joining the WIFC is to 'have an intention to ensure the pay of the senior executive team is linked to delivery against internal targets on gender diversity.'

From disclosure of the Remuneration Policy, the Long-Term Incentive Plan (LTIP) was based on Earnings Per Share (EPS) and Total Shareholder Return (TSR), and Short-Term Incentive Plan (STIP) based on financial targets and personal performance. It was unclear as to whether these targets were integrated into executive directors' incentivisation schemes, and the extent to which joining the WIFC had increased diversity within the business.

Objective: To clarify the ties between their Remuneration Policy and internal targets on gender diversity, and to encourage focus on Diversity & Inclusion (D&I) progress.

> *Our engagement has met our objective and we are pleased to see the Group's commitment to furthering their D&I agenda.*

Scope & Process of Engagement: We emailed Chris Poli, Senior Independent Director on the Board, in February 2023 on the issue. He outlined the Remuneration Committee's intention to review the Remuneration Policy to ensure targets were integrated into the policy which aligned with those mandated by the WIFC. We furthered our engagement with the Board in November, encouraging increased focus on D&I and the integration of D&I targets into remuneration. An element of the CFO's variable pay is now linked to the achievement of WIFC aligned targets and plays a part in the annual performance evaluation.

Engagement Outcome & Next Steps: Our engagement has met our objective and we are pleased to see the Group's commitment to furthering their D&I agenda. As the business is a people-based business with minimal operational environmental impact, we feel encouraging focus on D&I is meaningful and will continue to look closely at further disclosure and development on this front.

Engagement Stage of Completion:

1 2 3 4 **5**

Company addresses issue.

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.

[G] S Long-Term Unconstrained

Masimo

Medical technology firm

Reason for Engagement: Governance

We have been involved in an ongoing governance engagement with Masimo management and the Board, related to board structure, composition (including on diversity and skillset) oversight as well executive compensation. Our concerns around these factors were amplified by, and perhaps contributed to, the Sound United (SU) acquisition and subsequent activist campaign by Politan Capital. Our proprietary analysis of these factors was reflected in our scores of a 5 for chairperson quality and shareholder rights alignment as we felt that the Chief Executive Officer (CEO) and Chair, Joe Kiani, did not have enough challenge from the Board, as well as high risk scores of 4 across various assessments including in remuneration appropriateness and Board diversity. In combination these factors were material to the overall investment case and we had a multi-year engagement on this basis.

Objective: Our initial objective was twofold. Firstly, to address concerns about the alignment of long-term incentives and secondly, to address Board diversity and structure.

Scope & Process of Engagement: We have engaged with Masimo management (CEO, CFO) and Board members (Joe Kiani, Craig Reynolds and Michael Cohen) several times post the SU acquisition to help inform our proxy voting intentions in the context of a contested proxy from Politan, as well as to feedback our views around governance improvements. In 2023, after initial recognition of the issues, we saw a commitment to de-classify and expand the Board from 5 to 7 members, as well as add diversity and consumer expertise and the appointment of a lead independent director. This caused us to lower our risk assessments of chairperson quality and shareholder rights alignment from 5 to 4.

On remuneration, our principal concern regarding the non-disclosure of LTIP targets has been somewhat ameliorated, with increased disclosure and the addition of an TSR metric to the LTIP, though we have fed back our preference for a return-based metric given the recent large acquisition of SU. We also await improved disclosure of performance against metrics, ex-post. The CEO also has seen one of two vesting triggers to his previously awarded stockholding removed, which we see as a positive development. While we believe CEO Kiani is important to the business in terms of driving innovation and relationships within the industry, we do not think this retention policy is optimal.

Engagement Outcome & Next Steps: While we saw several improvements against our engagement agenda, activist investor Politan Capital won two seats in the proxy battle, which did not mitigate our concerns around shareholder rights alignment. We retained outstanding points for improvement around Board composition until the new members are nominated and until the compensation including the trigger criteria for CEO Joe Kiani's substantial shareholding vests. While we retain conviction in the core hospital healthcare business, on the basis of continuing concerns around governance and a lack of visibility into the contribution from the acquired consumer asset and consumer health product strategy, we exited the position.

Engagement Stage of Completion:

1 2 **3** 4 5

Discussion on issues take place.

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.

G[S] Long-Term Unconstrained

Nike

A global sportswear company

Reason for Engagement: Sustainability

Our analysis concludes that Nike has low sustainability risk overall, however, its social exploitation risk is flagged in some areas as high, largely due to supply chain exposure to certain countries including China. Given the importance that we place on social exploitation we conduct a more detailed analysis for this specific risk. Our analysis flags high risk in terms of Nike's country exposure risk, country exposure human right risks and country labour rights risk, as China is a critical country of supply amongst other countries in Southeast Asia. Specifically in China, and highlighted by many agencies since 2021, there are exploitation risks associated with Xinjiang cotton production. However, we note that these higher risks can be mitigated by the policies, procedures and practices in place to contract labour abuses out of the supply chain. These include a strong partnership approach with suppliers, clear and transparent processes of compliance and audit, strong onboarding processes and the use of third parties to audit.

Objective: Investigating Nike's current exposures to social exploitation risk, specifically due to issues arising from reported abuses of Uyghur minorities in China. We also engaged on the most recent Impact Report with questions on progress around their Diversity, Equity & Inclusion (DE&I) agenda.

Scope & Process of Engagement: Our engagements with the company are long-term; in 2018 we spent time with them at their headquarters, talking specifically to their corporate responsibility team, focused on two key issues, firstly the management and audit of their third party operated supply chain and secondly, DE&I, focused on the firing of several very senior employees post complaints from female employees about a challenging working culture. Most recently we engaged with Nike's Investor Relations in August 2023, addressing the issue of labour rights and supply chain standards with a focus on China, and several reports that made allegations related to its suppliers in that country.

Through our engagement we have established that Nike continues to scrutinise its supply chain for forced labour and in the early stages of this issue found evidence of it and remediated the situation. In addition, Nike looks to test for Xinjiang-sourced yarn using audit and stipulates clearly by contract that this should not be used. Nike takes these issues exceptionally seriously, but human rights issues soon escalate into geo-political statements, hence Nike tries not to speak publicly about these issues. To better detect risk exposures, Nike are working to improve foundational standards across the supply chain. The vast majority (90%) of Nikes' supplies are sourced from Tier 1 suppliers, where underlying systems have been put in place to allow them to track audit results and remediation. Nike has moved onto Tier 2 suppliers, and this will take more time, we will continue to monitor their progress here.

With regards to DE&I, we discussed with Nike IR previously, changes that were made to drive a more inclusive culture post the departure of several senior team members in 2018. In August 2023, we requested an update on the evolution of measures to address such issues internally. Our takeaway was that when Mark Parker (ex-CEO of Nike) became aware of the dossier (gender discrimination allegations) he acted decisively and with breadth, which has set a new standard. Even though cultural changes can take time, Nike has launched many initiatives internally to instil a more inclusive culture, such as zero tolerance policies, educational training and setting the tone from the top.

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.

Nike (cont)

Engagement Outcome & Next Steps: We believe that there is still significant opportunity to gauge and monitor improvements. Our interaction with the company confirmed the risks and challenges of their business model and extensive emerging market supply chain.

Whilst we continue to think that Nike has strong infrastructure around Corporate Social Responsibility (CSR) and significant transparency around its outsourced manufacturing ecosystem, we are looking to engage further with them to ensure that they are evolving to meet the dynamic challenges in an increasingly complex geo-political landscape. We believe that the management of risks in the supply chain and CSR policies generally reflects the strong governance and sustainability practices at the firm.

Engagement Stage of Completion:

1 2 **3** 4 5

Discussion on issues take place.

Nike continues to scrutinise its supply chain for forced labour and in the early stages of this issue found evidence of it and remediated the situation.

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.

G[S] Asia

Venture Corporation

Singapore-based technology company

Reason for Engagement: Sustainability
Martin Currie led the CDP Non-Disclosure Campaign's engagement with Venture Corp in 2022 culminating in the company, in July of that year, submitting the Climate Change and Water Security questionnaires to the CDP. We see this as an important step not only in providing investors with information but also as indicative that the company is serious in the consideration of the risks to its corporate value posed by environmental factors.

Objective: To learn how Venture's approach to sustainability is evolving and to assess the likelihood of Venture formally adopting a target date for achieving Net Zero. We wanted to encourage them to set formal targets and understand their expected timeline for doing so.

Scope & Process of Engagement: Following the engagements associated with the CDP process, we have continued to monitor and engage with Venture to follow its progress. This included us speaking to the company in Q1 of 2023 about its plans around committing to Net Zero and what a likely timeline might look like. To us, this is a logical extension of generating and disclosing sustainability data and shows that the company is thinking about how it might use the data it generates to plan for and mitigate long-term business risk, as well as future opportunities.

In the initial stage of the Net Zero discussion the company felt it still needed more time to deliberate on this. Venture had learned from some of its directors and consultants that many companies set targets but with no serious plan of how to get there. Venture was clear that it will only commit to something after it has done proper analysis, followed by intensive discussion. The company wanted to be sure it had a proper decarbonisation plan and roadmap before making any Net Zero commitments.

As a bookend to this set of engagements, it is pleasing to note that Venture Corporation achieved FTSE4Good index inclusion.

Although the engagement did not directly impact our model assumptions, as there is currently no discernible, measurable financial impact, it did enhance our understanding of the decision-making process within the company. Firstly, the fact that the company wanted to ensure that its targets were achievable (how to get there rather than just setting a long-term arbitrary target) and secondly that such targets were realistic for their business model (they produce electronics products according to the specifications provided to them by customers - so they inherently lack some control over the materials used and methods of production).

Engagement Outcome & Next Steps: The company has confirmed that it will set specific 2030 targets and will aim for Net Zero by 2050. Additionally, the company plans to share more details with stakeholders in Q2 of 2024.

Engagement Stage of Completion:

1 2 **3** 4 5

Discussion on issues take place.

The company has confirmed that it will set specific 2030 targets and will aim for net zero by 2050.

[G] S Japan

Kyudenko

Japanese electrical contractor

Reason for Engagement: Governance

Kyudenko is an electrical contractor with an overly capitalised balance sheet. As has been typical amongst long listed Japanese companies, Kyudenko holds substantial amounts of cross shareholdings. This excess capital has resulted in a return on equity averaging 12% over the last 5 years, which could be considerably better if the balance sheet was reduced. Additionally, we are aware that despite attempts to improve the Board composition over the years, many of the external directors at Kyudenko are employees of important Kyudenko clients.

Objective: Firstly, that the company reduce their cross shareholdings, restructure the balance sheet and return proceeds to shareholders. Secondly, to help facilitate this or even after this is achieved, to improve the independence of the Board.

Scope & Process of Engagement: We identified Kyudenko as a business where there was scope for growth in shareholder value both through the operating business growing (improved margins and growth in the Kyushu region) and through improved balance sheet structure and returns to shareholders. In this respect the engagement with Kyudenko is directly to help realise one half of the investment thesis. As we are seeking for the company to reduce the cross shareholdings these relationships could complicate the process (whilst also maybe helping with communication) and so additionally we have engaged over the Board composition, seeking greater independence from the external directors.

The Tokyo Stock Exchange (TSE) has been encouraging companies to explicitly think about their cost of capital, use of capital and return on capital. It is fairly clear that having a substantial portion of the balance sheet in cash and invested in cross shareholdings is not an efficient use of capital and thus we think Kyudenko is a company which will benefit from a greater attention to these factors. Whilst cross shareholdings were 'business as usual' in the past, this is no longer considered good practice. In this aspect we are encouraging the company to be led by TSE guidance.

Our engagement so far has been direct contact with the company via video call. As well as the balance sheet question we directly engaged about the independence or otherwise of the board and how that might influence their ability or desire to make any substantial changes to their shareholdings.

We spoke to the company about these issues and encouragingly they were not only happy to engage on them but highlighted that many of them were already live issues for the Board.

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.

Kyudenko (cont)

Engagement Outcome & Next Steps: We spoke to the company about these issues and encouragingly they were not only happy to engage on them but highlighted that many of them were already live issues for the board. On excess cash, the company has highlighted that they have a large solar project just starting which will require substantial funding until it is completed and sold and thus the cash is needed for working capital purposes for the time being. This is understandable; however, the issue will be even more substantial once that project is complete.

On the cross shareholdings, however, the spokesman agreed that these were no longer needed in theory and that this matter had been a discussion at Board level.

With regards the potential conflicts of interest of the directors, many of whom work for companies which either hold Kyudenko shares or where Kyudenko holds their shares, the company recognised the dangers, but also emphasised that this allowed an open line of communication with regards how any disposals may take place. It was also highlighted that they were all from operating businesses and financial companies operating in Kyushu with good insights into their business environment.

The company has shown a willingness to discuss these items and will be under additional pressure from the TSE guidelines. Our next expectation is that we see some action on this front, or at least a specific plan. An obvious place for this may be their next mid-term plan. Their current mid term plan expires in March 2024, so we can expect some discussion around May when they announce full year results.

This will be followed by their AGM. Given the willingness of the company to engage and consider these items, coupled with a much improved board we would not necessarily consider voting against directors to be appropriate at this stage, but this could be changed if the new plan shows no serious intention around capital efficiency.

Engagement Stage of Completion:

1 2 3 4 5

Discussion on issues take place.

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.

G[S] Impact Equities

Vistry Group PLC

A UK-based developer of social and affordable housing

Reason for Engagement: Sustainability

UK housebuilder Vistry has been evolving its business model over the past three years organically and via acquisition. This aims to transition its business away from volume homebuilding in the UK towards a model focused on partnerships that build mixed use developments on behalf of housing associations, local authorities and other bodies with a much higher proportion of social and affordable housing provision in them. They made a strategic announcement that they were shifting to 100% focus on this model in 2023. We were engaging with them to give more granular output in terms of the mix of tenure of housing that was being sold. This is important to us in terms of assessing impact KPIs and impact conviction – specifically, the number of social and affordable housing units built. It is important to our investment thesis in understanding the building blocks underlying a shift to a model that is much higher return on capital with lower working capital requirements.

Objective: We engaged with Vistry to further enhance their sustainability reporting and to provide a more granular breakdown to allow us to assess the number of affordable and social homes built over time.

Scope & Process of Engagement: Upon becoming shareholders, we wrote an introductory letter to Vistry outlining this as a key aspect of engagement. We followed up with a call with management and the sustainability team where we discussed this in greater detail and asked for a more granular breakdown of completions by tenure type and ideally the ability to assess this over a multi-year time horizon.

Engagement Outcome & Next Steps: Following our engagement discussion in which we requested more detail on completions by tenure, the company has done this. We asked for a time series of comparable data but providing point-in-time information for FY23 is a good start. If this data is consistently released through 2024, we will move this to stage 5 as complete. As a result of this increased disclosure and the shift to a '100% partnerships' model, we improved our team impact conviction rating from a 1.7 to 1.3. We weight impact and investment conviction equally in our portfolio construction process.

Engagement Stage of Completion:

1 2 3 **4** 5

The company sets out a plan to address issue.

We were engaging with them to give more granular output in terms of the mix of tenure of housing that was being sold.

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.

Collaborative engagement activity

Systemic risks by their nature are caused by factors beyond the control of a specific company and cannot be diversified away by holding a large number of securities. Climate change is an obvious example of this kind of systemic risk. Although most of our engagement is private, where an issue is systemic and therefore likely to impact a broad range of companies and stakeholders, we believe that this requires a more collaborative approach to engagement. We participate in a number of collaborative efforts to address specific issues that impact companies held in our portfolios. Finding a coalition of like-minded shareholders is a good way of sharing knowledge and can generate more tangible results than acting alone. The following are a few examples of activities we are, or have been, involved in.

CDP Non-Disclosure Campaign

CDP's Non-Disclosure Campaign (NDC) is a collaborative initiative for CDP Capital Markets signatories to directly engage with companies that have failed to respond to either the climate change, forests and/or water security questionnaire. The NDC runs alongside the main CDP disclosure request and targets those companies that have failed to respond to at least one previous request to disclose from CDP. This 'opt-in' campaign allows CDP signatories to directly engage with companies on disclosure with the backing of a group of other financial institutions. The aim of the campaign is to allow financial institutions to use their influence and position to achieve higher rates of companies responding to CDP's disclosure request.

We have seen year on year that companies failing to disclose are more likely to complete the questionnaire for the first time after being directly engaged by financial institutions rather than just CDP requesting it on their behalf. In 2023 we led this effort on five companies. In total 1,134 companies were requested directly by their shareholders or bondholders to disclose information on climate change and, as a result, an additional 221 companies disclosed on climate change following the engagement through this campaign.[9]

Status: *ongoing*

Advance

Advance is a stewardship initiative that was launched at the end of 2022 where institutional investors work together to take action on human rights and social issues. Investors use their collective influence with companies and other decision makers to drive positive outcomes for workers, communities and society. At a high-level, three key expectations have been set for the focus companies:

- Implement the United Nations Guiding Principles on Business and Human Rights (UNGPs) the guardrail of corporate conduct on human rights.
- Align their political engagement with their responsibility to respect human rights.
- Deepen progress on the most severe human rights issues in their operations and across their value chains.

Martin Currie is leading this collaborative engagement with Antofagasta, one of the target companies. The engagement has continued through 2023, building on some the advances that the company has already made in its approach to climate – this has included reductions in carbon intensity and a committing to set a science-based target.

Status: *ongoing*

[9] *https://cdn.cdp.net/cdp-production/cms/reports/documents/000/007/561/original/CDP_2023_Non_Disclosure_Report.pdf?1706784161*

Historic collaborative engagements

Climate change | Employee relations | Fracking | Cyber security | Tax reform | Water risks | Human rights

Climate Action 100+

CA100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. It is the largest collaborative engagement to date with more than 700 asset owners and asset managers signed up.[10]

In early 2020, as the engagement expanded the number of targeted companies to the current 167, there was an opportunity for us to join this collaborative engagement as the lead investor on an Indian company which we have held long-term, and with whom we already have a strong relationship.

The engagement has continued through 2023, building on some the advances that the company has already made in its approach to climate – this has included reductions in carbon intensity and a committing to set a science-based target.

[10]Source: *https://www.climateaction100.org/about/*

Climate change is an important issue for our clients and for us as investors, and is routinely factored into our analysis of potential and existing investee companies. In signing up to this initiative, we furthered our commitment to engaging with companies on climate change and it has therefore been exciting to join this engagement with the opportunity to drive change in this important area. This represents one of a number of ways in which we are engaging on climate change alongside our obligations under the NZAM initiative and private engagement with underlying portfolio holding companies.

Status: ***ongoing***

In signing up to this initiative, we furthered our commitment to engaging with companies on climate change

Summary of our purposeful engagement activity

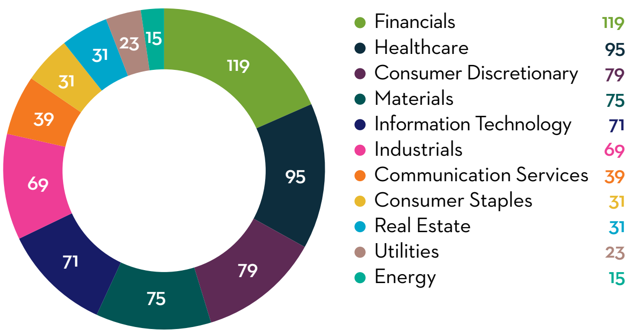
We believe monitoring and engagement is an essential part of being a shareholder in a company to drive positive change at our investee companies. Focusing on engagement for specific outcomes allows us to improve our understanding of investee companies and their governance structures, so that our voting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

Firm-wide engagements

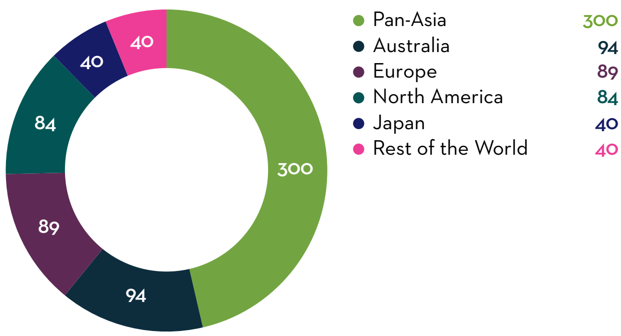
29	Markets covered
233	Companies engaged
647	Total engagements
3	Active collaborative initiatives

The extent, objectives and type of escalation through engagement will differ depending on the materiality of the issue, mechanism of engagement, local market practice which may lead to differing types of escalation across funds, assets or geographies. This is reflected in the regions in which we have conducted our engagements being more weighted to areas where standards of disclosure or market practice may still lag global standards.

Engagements by sector

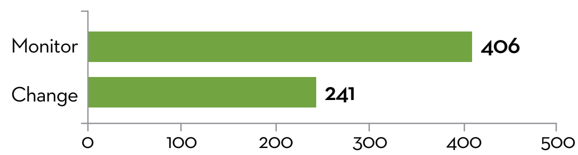


Engagements by region

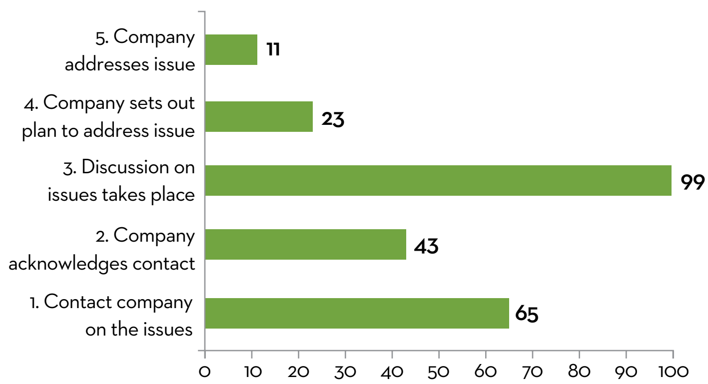


Engagements by topic

Purpose of engagement



Stage of completion for *change*



Source: Martin Currie. Engagement activity is for the period 1 January 2023 to 31 December 2023.

How TCFD reporting provides a vital framework for dialogue

What is TCFD?

In June 2017 the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) released a framework for companies and other organsations to develop more effective climate-related financial disclosures. The framework for disclosures sought to balance the needs of the users (financial institutions such as ourselves) with the challenges facing the underlying companies. This has the aim of creating a singular accessible framework for climate-related financial disclosures. The framework consists of 11 recommended disclosures covering governance, strategy, risk management, and metrics and targets.

Disclosure is coalescing around TCFD recommendations

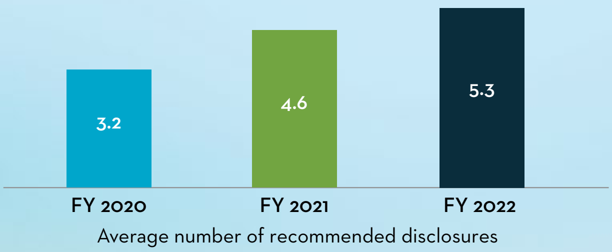
In establishing the framework, the TCFD emphasised the importance of transparency in pricing risk - including risk related to climate change - to support informed, efficient capital-allocation decisions. It has also been a key driver of greater consistency in climate-related disclosures and has formed the basis for a number of far-reaching disclosure regimes. These include the PRI, CDP and most recently the ISSB's release of its climate-related and general sustainability-related disclosure standards. Regulators have also adopted the recommendations and increasingly require mandatory disclosures in line with the TCFD recommendations including, for example, the UK FCA.

TCFD recommendations are increasingly being adopted

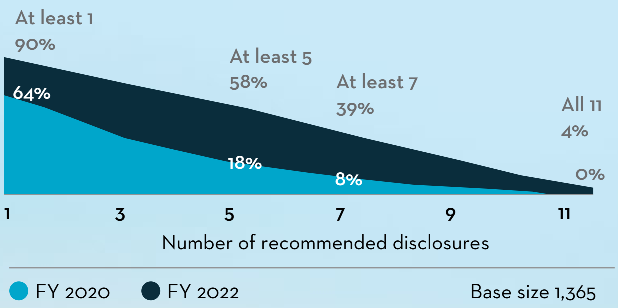
The TCFD has broad support in the markets – in 2023 there were more than 4,850 supporters including corporates and financial institutions. Martin Currie is one such supporter. The TCFD has also published a 'Status Report' each year since the implementation of the disclosures which provides an overview of how aligned current climate-related financial disclosure practices are to TCFD recommendations. To assess the current state and evolution of climate-related financial disclosures, the Task Force reviewed reports of more than 1,350 public companies over a three-year period – fiscal years 2020, 2021, and 2022 – and in 2022 also looked at a broader set of around 3,100 companies. This latest status report shows a continued rise in adoption of the TCFD recommendations. TCFD reporting is described as a 'journey' and while a relatively small proportion of companies are currently aligned with all 11 recommended disclosures, the proportion has continued to increase across the entire range.

AI review of results for fiscal years 2020-2022

Average number of disclosures per company



Percent of companies disclosing



Source: Financial Sustainability Board, *2023 TCFD Status Report: Task Force on Climate-related Financial Disclosures*, 12 October 2023.

We can encourage reporting as part of the CDP NDC

The CDP was established as the 'Carbon Disclosure Project' in 2000, asking companies to disclose their climate impact. Since then, the CDP has broadened the scope of environmental disclosure to incorporate deforestation and water security. The disclosures are aligned with the TCFD recommendations and provide an essential, consistent data source for investors. Each year, in parallel with the main disclosure requests made to almost 15,000 issuers, the CDP runs a non-disclosure campaign (NDC). It targets companies failing to disclose their data in previous years via CDP disclosure requests. In the case of the NDC, this relies on direct engagement from participating financial institutions, such as ourselves, to lead with company engagements. We have actively participated in this effort over the last few years; it is an important opportunity to work with portfolio companies to encourage disclosure to CDP where this is not already in place. In 2023, of the 1,590 non-disclosing companies engaged by financial institutions, 317 companies disclosed through CDP for the first time[11]; a response rate 2.2 times higher than among those companies not engaged.

Paving the way for Net Zero

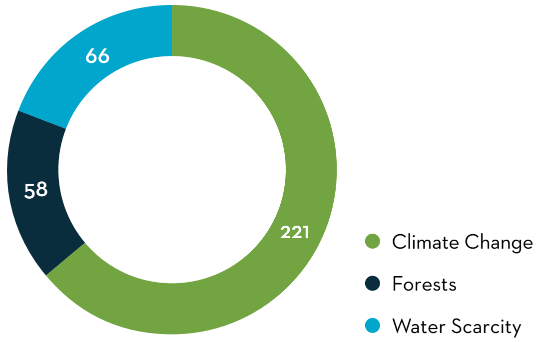
As a supporter of TCFD we encourage the companies that we invest in, through private as well as collaborative engagement, to make disclosures aligned with the TCFD recommendations. As a signatory to NZAM initiative and as a regulated entity in the UK, Martin Currie will make our own TCFD aligned disclosures. These disclosures consist of both an entity level report which will describe our approach to Governance, Strategy, Risk Management and Metrics and Targets, and product-level reports for those funds that are managed by the UK regulated entity.

These disclosures will detail the oversight structures for climate-related risks, how these risks or opportunities influence business and investment strategy, how they are identified and managed, and detail the targets that we have set, for example with regards to NZAM initiative and also for our business operations.

The recommendations of TCFD provides a vital framework as we progress towards the Net Zero. Through disclosure, companies and financial institutions can better understand the climate impact created as a result of their operations, and be held to account for minimising it. As an asset manager, we play a crucial role in encouraging companies to report in line with TCFD recommendations because we are in a position to have an impact and lead through example.

[11]Source: CDP, 2023 CDP Non-Disclosure Campaign: Results Report, January 2024.

Disclosure topics for the 317 companies newly disclosing through CDP in 2023



Source: CDP, 2023 CDP Non-Disclosure Campaign: Results Report, January 2024.

In 2023, of the 1,590 non-disclosing companies engaged by financial institutions, 317 companies disclosed through CDP for the first time[11]; a response rate 2.2 times higher than among those companies not engaged.

Voting examples

[G] S Global Emerging Markets

PT Telkom Indonesia

Indonesia's leading telecommunications conglomerate.

Reason for Engagement: Governance

Objectives: The company sought approval for a proposed special assignment to the company by the President of Indonesia.

Scope & Process: We met with the company and found out that this relates to the creation and administration of an electronic procurement system that will be used to enhance the transparency and accountability of government spending. We are comfortable that this unique project has commercial merit.

Voting Outcome: We voted against the ISS recommendation, for management. The vote passed with 78% of approval.

[G] S Global Emerging Markets

Asian Paints

India's leading manufacturer and distributor of paints, coatings and related services

Reason for Engagement: Governance

Objectives: The company proposed the election of several non-independent directors. As the Board lacks an independent majority, we voted with the ultimate aim of achieving 50% independence on the Board, because we believe this ensures they act consistently in the best interests of shareholders.

Scope & Process: A few weeks before this vote, the company informed us that they had set up a plan to achieve a majority independent Board. We reached out to them via email to explain that we would still vote against the reappointment of those non-independent directors, but that we were looking forward to seeing the future development of the Board.

Voting Outcome: We voted against management, and against the ISS recommendation.

The motions were passed with over 97% support.

As promised by the company, after the retirement of some non-independent directors and the appointment of new independent ones, the Board reached majority independence in December 2023.

We are pleased with this result and will continue to engage with the company and use our vote to maintain this level of independence.

[G] S Impact Equities

Airtel Africa

UK-based company which is a provider of telecommunications and mobile money services into African markets.

Reason for Engagement: Governance

Objectives: There was a lack of adequate explanation to justify proposed changes to the company's remuneration policy.

While the overall quantum of compensation raised in the proposal would not be excessive, we determined that the rationale for doing so was not adequately explained. In addition we do not support the one-time element of this without adequate rationale provided

Scope & Process: We emailed the company ahead of the meeting outlining our intentions and rationale for our vote.

Voting Outcome: Voted against management, in line with our proxy advisor, ISS. This motion was passed with a vote against management of c.10%.

[G] S UK Equities

Spirent

Multinational telecommunications testing company

Reason for Engagement: Governance

Objectives: To understand CEO remuneration.

Scope & Process: We engaged with the Board prior to the AGM, which provided clarity on the CEO's appointment. The appointment of Eric Updyke was as an unproven CEO (previously senior management at Amdocs), but he is now a proven CEO. When appointed we were aware that there was a disparity in UK vs US (where he is based) remuneration. Now, however, being US-based places him closer to industry and clients but his salary remains out of sync with the US and even the median of FTSE 250. To ensure retention, the Remuneration Committee should make the award to secure Eric and if potential successors are US-based they need to be seen as competitive. Furthermore, the company is 80% bigger than when he joined, reflecting the positive impact he has made. This led us to voting for 'Approve Remuneration Report' at the 2023 AGM.

Voting Outcome: We voted for 'Approve Remuneration Report' at the 2023 AGM, overriding ISS. 70% of votes cast supported management.

[G] S UK Equities

Vesuvius

Materials engineering company principally supplying steelmakers, foundries and the glass/solar industry

Reason for Engagement: Governance

Objectives: CEO Remuneration. ISS are concerned that the CEO's salary increase, alongside an increase in bonus opportunity, has a sufficiently compelling rationale.

Scope & Process: We have received sufficient justification from the Board on changes to the CEO's remuneration package – a 12% increase in base salary and increase in STIP opportunity to max 175% vs 150% of salary. In 2022, the Group were unable to retain its CFO and Head of Advanced Refractories. In addition, the Group has transitioned to a new Chair. As a result, the Board has focused on the importance of retaining CEO Patrick Andre who has led the business for over 5 years. We concur with the view that retention of the CEO is paramount given the recent changes in the wider leadership team. We note that the wider workforce received a 9% pay increase in 2022 vs the 12% increase that has been provided to the CEO.

Voting Outcome: We voted with management, against ISS recommendation. 82% of votes cast were in support of the Remuneration Report.

[G] S Long-Term Unconstrained

Masimo

Masimo is the leader in connected healthcare technology for hospitals. It has acquired consumer audio hardware business Sound United to use its channel breadth and expertise to accelerate the launch of consumer health products based on the same technologies developed for the core hospital business.

Reason for Engagement: Governance

Objectives: In the context of a proxy battle with Politan Capital, our objective was to 1. continue to drive positive change in the Board, including de-classification, increased independence and diversity of candidate profile and skillset.
2. Improve the compensation structure, including the metrics used in the LTIP and the trigger criteria for CEO Joe Kiani substantial shareholding to vest.

Scope & Process: We have engaged on these topics with senior management, including the CEO, CFO, board members and with IR, both as part of our research process and related to proxy voting intentions.

Voting Outcome: In light of Masimo declassifying the Board, a commitment to add 2 diverse Board seats with industry specific expertise, adding a rTSR metric to the LTIP and the removal of 1 of 2 triggers for the CEO shareholding to vest, we voted with management. This also factored in a view that Politan Capital's Board nominees were not of suitable standard, nor did Politan represent the best interest of long-term shareholders. We also fed back some further areas of improvement around disclosure and the removal of the second trigger on the CEO shareholding. Masimo saw 2 directors with significant votes against and therefore Politan Capital gained 2 Board seats.

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.

[G] S Long-Term Unconstrained

Satorius Stedim

Sartorius Stedim is the global leader (30-35% share) in single use bioprocessing equipment for the development and manufacture of biologic drugs.

Reason for Engagement: Governance

Objectives: We have previously voted against management compensation due to a complex related party structure with parent company Sartorius AG that makes it difficult to assess pay for performance, as well as a lack of disclosure around performance metrics and achievement against said metrics. Our objective has been to at least improve disclosure, but ideally to also see an improved structure including for billing and re-charging between Stedim and Sartorius AG.

Scope & Process: We have engaged several times since 2020 on these matters, including a call with IR in 2023 around proxy voting for the AGM. This includes voting against prior proposals.

While we have seen material improvement against our desired outcomes, however we have fed back, and continue to target improved disclosure around ex-post achievement against remuneration KPI's.

Voting Outcome: On the basis of Stedim removing the related party structure, separating the CEO and chair roles, and increasing disclosure around metrics for the STIP and LTIP (which include a CO2 reduction metric), we voted for the AGM proposals. Stedim received 98% support across all proposals.

[G] S Martin Currie Australia

Link REIT

Largest REIT in Asia and owns retail facilities and car parks

Reason for Engagement: Governance

Objectives: We sought reasoning for their blind equity raise, and for AUM growth to be removed as a key metric for management's long-term incentives as we believed that they would encourage inorganic growth.

Scope & Process: We met with IR to pass on our views on the capital raise, strategy and incentives for management which we believe lead to suboptimal outcomes and expansion into various geographies and non-core property types.

Voting Outcome: We voted against the re-appointment of the Chair, Nicholas Charles Allen.

We were disappointed with the blind equity raise in terms of the size and its impact on distributions. We have also seen AUM growth as an important Key Performance Indicator (KPI) for management historically, which encourages the wrong behaviour (acquisitive) and is detrimental in a rising rate environment.

Pleasingly they are suspending Gross Asset Value (GAV) growth as part of management incentives going forward.

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.

[G] S Martin Currie Australia

Inghams

Supplier/producer of poultry and fodder across Australia and New Zealand

Reason for Engagement: Governance

Objectives: We sought improved financial targets and more appropriate sustainability linkages in remuneration. We were not convinced of the viability of a one-off grant to the CEO given poor company performance and shareholder returns.

Scope & Process: We engaged with the company several times in late 2022 and early 2023.

In October 2022 we voted against the one-off grant as we believed the CEO already had very generous incentive compensation across fixed remuneration and STIP/LTIP opportunity.

Inghams justified the grant by referencing the tight labour market and stating that they did not want to lose the CEO.

Voting Outcome: Pleasingly, in July 2023 we received communication from Inghams that they had taken on board our feedback and improved the financial targets associated with future remuneration hurdles, with the changes being reflected in the proposed structures that were taken to the AGM in November. Furthermore, they also indicated that they would look for more appropriate sustainability KPIs in future periods.

The revised remuneration report was subsequently voted in.

[G S] Japan

Medical Data Vision

A provider of databases and systems for the medical industry in Japan.

Reason for Engagement: Governance and Sustainability

Objectives: To improve diversity on the Board. Specifically, we are concerned about the lack of female directors.

Scope & Process: We emailed the company who acknowledged receipt and passed the details onto management. We have since sold the funds' position in this company.

Voting Outcome: We voted against management. In the case of the President of the company this was in line with ISS, holding top management responsible. However, we also voted against the Chair of the Nomination Committee, against ISS recommendation. The President passed with 86% of the vote. The Independent Non-Executive Director (INED) who was Chair of the Nomination Committee passed with 95%.

[G] S Asia

Minth

Leading Chinese supplier of auto parts for global automotive manufacturers.

Reason for Engagement: Governance

Objectives: The company had requested to reduce the notice period for Extraordinary General Meetings from 21 to 14 days and authorise the re-issuance of treasury shares or fresh equity at up to a 20% discount. We voted to protect minority shareholders as we believed that the proposals were not in their best interests.

Scope & Process: Engagement with Minth indicated that they were seeking permission for the shorter notice period and 20% share discount in order to give the company the most flexibility within the limits of local law and regulation. While this rationale is legitimate from the perspective of the company, we did not believe it was likely to be in the interests of minority shareholders.

Voting Outcome: Voted against management, in line with ISS recommendation. While all three of the relevant proposals were passed at the 2023 AGM, in all three cases there was a significant minority of shares were voted against the proposals (approximately 40-45% in each case) – demonstrating the strength of feeling amongst the broader investor base with regard to these matters.

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.

Summary of our voting activity

Proxy voting is a key component of stewardship, plays a crucial role in our overall approach to engagement and can be used to escalate our engagement where this has not been adequately addressed though initial engagement. Our voting escalation is not prescriptive and will differ depending on the materiality of the issue, duration and extent of prior engagement as well as local market practice. This may lead to differing types of escalation across funds, assets or geographies.

This is shown below with differing proportions of meetings where we voted against management. The highest proportion was in Pan-Asia and North America while the lowest was in Japan. The highest proportion of votes against were on director or remuneration related votes.

Firm-wide proxy voting

34	Markets covered
530	**Total shareholder meetings**
160	Meetings where we voted against management

Top voting topic against management: Director related

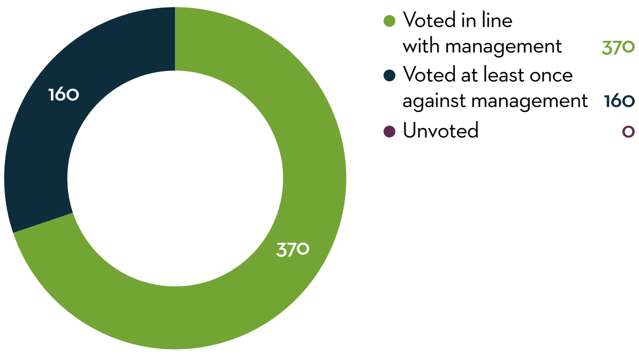
5,964	**Total resolutions:**
349	Resolutions voted against management
69.8%	Proportion of meetings where we voted in line with management

Company location	Meetings voted against management	Total meetings	Proportion of total meetings where we voted against management
Australia	17	91	19%
Rest of World	18	48	38%
North America	23	47	49%
Pan-Asia	71	137	52%
Europe	22	172	13%
Japan	9	35	26%

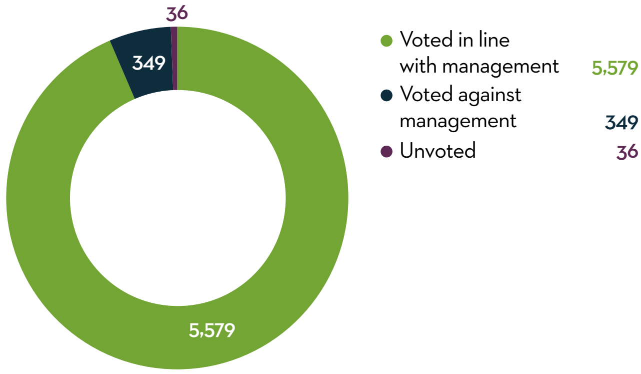
When voting on behalf of our clients, we will always seek to do so in their best interests considering the long-term impact of these voting decisions. We seek to vote all of our proxies and the proportion of resolutions voted in 2022 is shown below. Instances in which we have not voted have been a result of these being non-votable resolutions, where power of attorney was not yet in place or where votes took place during the process of fund transitions.

A full record of our voting activity is publicly available on our website one quarter in arrears.

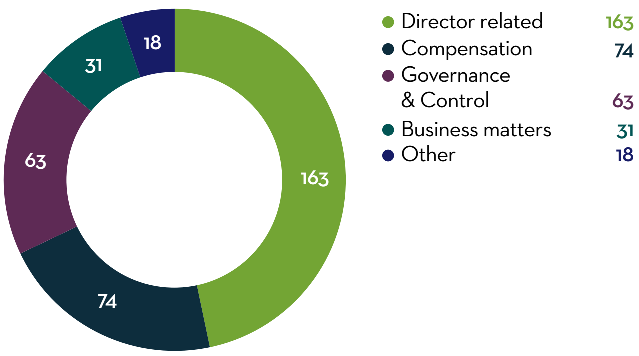
Total meetings



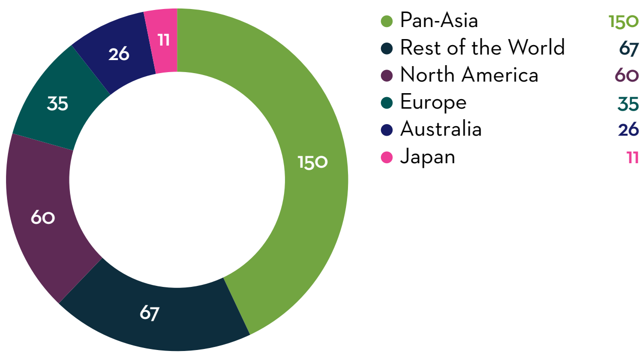
Total resolutions



Resolutions voted ***against*** by proposal type

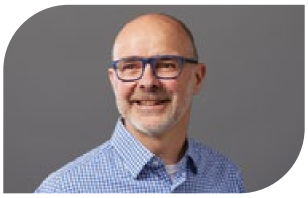


Resolutions voted ***against*** by region



Source: Martin Currie. Proxy voting activity is for the period 1 January 2023 to 31 December 2023.

Reaching forward



David Sheasby
Head of Stewardship, Sustainability & Impact

Regulatory scrutiny has increased

The focus on authenticity has been a key theme in stewardship and sustainability over the course of the past 18 months, with regulators and consumers interested in ensuring and understanding that financial market participants really do what they say they do and can evidence this effectively. Where this is not the case, for example asset managers overstating the claims that they are making, this has led to accusation of 'green-washing'. This focus by regulators has driven increased sanctions on market participants where they are shown to have fallen short, but also increased codification of expectations and requirements.

Our investor-led stewardship model has been an important pillar in demonstrating that we are true to what we say we do with a robust governance framework to ensure that we have an appropriate level of oversight in place.

The focus on authenticity has been a key theme in stewardship and sustainability over the course of the past 18 months.

Green-washing and green-hushing: an increasingly polarised market

One example of the increased regulatory focus is the Anti-Greenwashing regulation that comes into effect at the end of May 2024 in the UK as part of the new SDR being introduced by the FCA. We are equally seeing a broader tightening of requirements around the naming of funds across different jurisdictions (fund names being a key input into fund selection by end investors) and the criteria that need to be met to justify a fund name. These developments will be important for framing 2024.

It is also worth noting the counter-current that has been running through the asset management industry – this can be best characterised as 'green-hushing' – effectively understating what you are actually doing with regards to sustainability. This is partly driven by the polarisation that we have seen in certain markets around 'ESG' as noted in the 'Year in review' section. But it is also a consequence of increasing regulatory focus and caution by some players in the market.

In line with this increasing caution, we have also seen lower support for shareholder proposals in markets like the US, where proposals have faced increased scrutiny by investors.

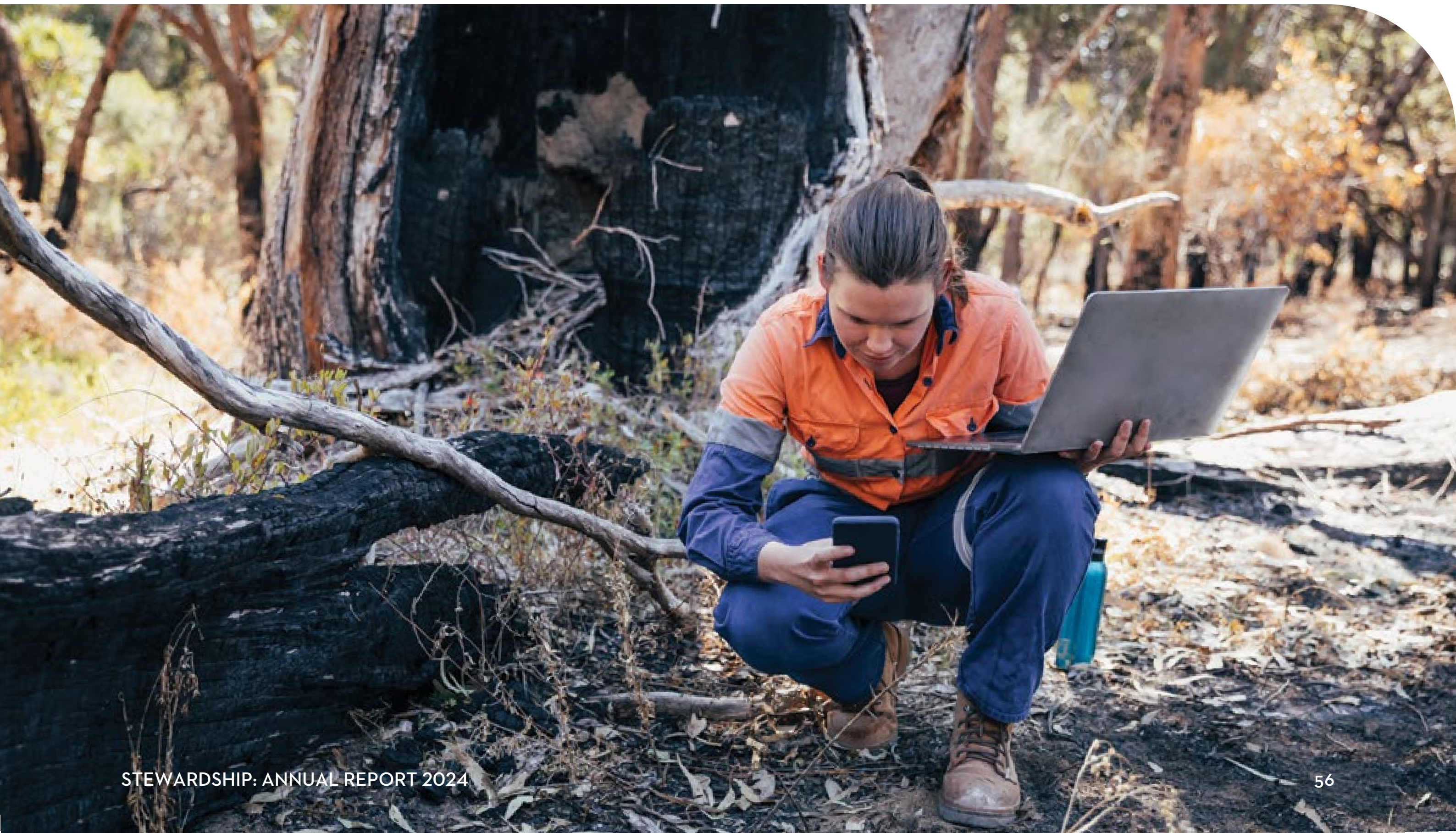
These trends are likely to continue in 2024 but our approach is to continue being transparent and authentic in what we do and what we do not do with regards to sustainability.

Artificial intelligence and biodiversity; key engagement areas going forward

Inevitably new topics emerge as analysis and understanding of sustainability evolves, as the economies continue to develop and new industries come to the fore. One such development has been the rising prominence of artificial intelligence (AI) and the interest that this as generated across the markets. AI presents both extraordinary opportunities and increasing complexity for businesses. In particular, this rapid evolution necessitates comprehensive governance and risk oversight to ensure that companies maintain trust and, as far as possible, limit potential harm. As such, AI and the governance structures around it are likely to receive increasing focus from investors and be a key topic for engagement over the course of the coming year.

We have also commented previously on the inevitable increasing focus on biodiversity and nature given their interlinkage with climate. This focus will be maintained this year. It is now almost 18 months since the Kunming-Montreal Global Biodiversity Framework (GBF) was adopted and work is progressing on targets and the exact indicators that will be used to measure progress. The next bi-annual biodiversity COP (COP16) will take place in Colombia in the autumn of 2024 with the key focus being a review of state of implementation of the GBF.

In addition, there is momentum behind the Taskforce on Nature-related Financial Disclosures (TNFD) following the publication of the 14 disclosure recommendations last September. The first cohort of adopters was announced at the World Economic Forum in Davos in January, comprising 320 organisations from over 46 countries. We will be following the progress in this area closely and have been working to identify the most effective service providers in this complex area, who can support the analysis that we are undertaking.



A continuously evolving regulatory environment

The regulatory environment continues to evolve apace both for asset managers and for companies. 2024 is unlikely to see any slowdown in this.

For companies, there has been a particular focus on disclosures. The publication of the ISSB sustainability standards in June 2023 and their endorsement by the International Organization of Securities Commissions (IOSCO) (effectively covering 130 security regulators) were key developments in this area. The path from here is focused on the extent to which these will be adopted by the different jurisdictions. The aim of these standards is to provide a global baseline for sustainability reporting and 2024 will see the ISSB focus on the delivery of this baseline, and an outreach and education programme on, for example, the connections between climate and nature and the framing of materiality.

In Europe the European Parliament also voted for the adoption of the European Sustainability Reporting Standards (ESRS) from 2024 which will impact both large European and non-European companies as they begin reporting under this in 2025.

One other area of interest has been in Japan where we will see the next periodic review of corporate governance.

The recent adoption in the US of the much-delayed SEC Climate rule will mandate company disclosures on climate risks and emissions. The rule will require almost 40% of the 7,000 US publicly listed companies (effectively larger companies) and some 60% of foreign private issuers registered with the SEC to disclose emissions for the first time.[12] That said, many larger companies already make more extensive voluntary disclosures on their website, in sustainability reports, in standalone TCFD reports, or in reporting to CDP. The new rule has already been challenged and we expect further challenges over the course of this year. But see the adoption of the rule as a positive development.

One other area of interest has been in Japan where we will see the next periodic review of corporate governance. This is likely to see a further move towards international governance standards which, alongside the focus that the TSE has put on addressing profitability, long-term returns and valuations, should see the Japanese market as a continued focus for investors.

For asset managers the naming and marketing of funds, and in the UK, the new labelling possibilities under SDR will be a key focus. Alongside this we see stewardship more broadly being subject to greater scrutiny – a development that we welcome – and as part of this we are particularly interested in the upcoming review of the UK Stewardship code due to take place later this year.

[12] The Financial Times, https://www.ft.com/content/8ba7ca8b-6ffa-4b19-b2bb-8acfd7dd83eb

Stewardship and sustainability insights

Over the course of the reporting year, we have responded to client requests and have sought their views on the stewardship and sustainability insights that we produce in terms of topics that have most relevance and urgency. During 2023 this focused on emerging issues such as biodiversity and regulation.

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:

- **Stewardship Matters – Edition 12: The Path to Net Zero**
  This edition focuses on the path to net zero and provides an update on the progress being made by our investment teams and the outcome of our Australian conference on sustainability, on our Pathway to 2030.
  March 2024

- **Improving Society – 12 Days of Impact**
  Our '12 Days of Impact' calendar, seeks to shed light on some of the social issues affecting millions worldwide and highlight what companies around the globe are doing to combat them.
  December 2023

- **Impact Report 2023**
  This report outlines the ethos and aim of our Improving Society strategy. We believe that public equities offering impactful, innovative solutions can drive real world change at scale.
  December 2023

- **Stewardship Matters – Edition 11: The Importance of Culture**
  The culture of a company is inherently important, it can inform the way in which we engage with corporate management and impact on the way in which we do business.
  November 2023

- **Stewardship Matters – Edition 10: Making an Impact**

  With the industry focused on environmental products and solutions, we are directing our efforts to the social arena. The need to create a more equitable and fairer society is something we can all agree on and there are many public companies that offer solutions that are helping achieve just that.

  July 2023

- **Moving beyond ESG – Reaching for a more sustainable future**

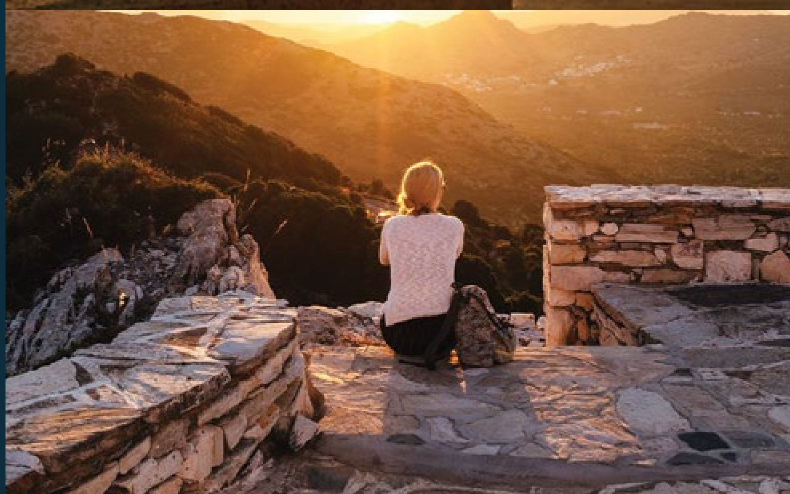
  Over the last decade, stewardship and sustainability have evolved rapidly, driven by a mixture of growing investor demand, increased sophistication to manage risk, improved reporting and enhanced regulation.

  June 2023

- **Moving beyond ESG – Stewardship, Sustainability & Impact**

  Our view is that the term 'ESG' is not fit for purpose. As such we have organised ourselves now with a focus on what we think should replace it.

  May 2023



- **Moving beyond ESG – Replacing ESG**

  Sustainable investment has become a significant trend in financial markets as science and society address a growing range of issues that pose risk and opportunity: biodiversity protection, water management, extreme weather events, diversity, equity and inclusion, are just some of the issues on investors' minds.

  May 2023

Appendix: *Key issue & policy summaries*

Proxy Voting

We recognise that we have a duty to act in the best interests of our clients. To that end, our Proxy Voting Policy is designed to enhance shareholders' long-term economic interests. All our voting decisions are made in-house and are undertaken in accordance with our Global Corporate Governance Principles and in line with our clients' best interests. Proxy voting is integral to stewardship and as such we will, in most cases, routinely inform management of our investee companies when we are voting against them on material matters and provide our rationale.

Our policy, which covers all funds where we have the right to vote, is updated at least annually, taking into account emerging issues and trends, the evolution of market standards, and regulatory changes. The policy considers market-specific recommended best practices, transparency, and disclosure when addressing issues such as board structure, director accountability, corporate governance standards, executive compensation, shareholder rights, corporate transactions, and social/ environmental issues. The framework for making these decisions is set out in our Global Corporate Governance Principles.

As responsible stewards of our customers' capital, the fundamental tenet of our Global Corporate Governance Principles is to protect and enhance the economic interests of our clients. These principles are focused around corporate governance and the role of board directors in promoting corporate success, thereby creating sustainable value for shareholders while having regard to other stakeholders, both internal and external.

We believe that Sustainability or ESG factors create risks and opportunities for companies and that these should be managed appropriately. In particular, 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.

Our proxy voting advisors also provide research and voting recommendations for Martin Currie in accordance with their own policies, which are closely aligned with our internal policy. As appropriate, our proxy voting advisors engage with public issuers, shareholders, activists, and other stakeholders to seek additional information and to gain insight and context in order to provide informed vote recommendations. Voting assessments are carried out by the member of the investment team with responsibility for the stock, in conjunction with the SSI team.

We recognise that regulatory frameworks vary across markets and that corporate governance practices differ internationally. We have adopted the International Corporate Governance Network (ICGN) Global Governance Principles, which set out a primary standard for well-governed companies that is widely applicable, irrespective of national legislative frameworks or listing rules.

Our voting decisions are informed by both our own internal work and that of our proxy advisor. We assess voting matters on a case-by-case basis, taking into account a company's circumstances. We are guided by our overarching principles on good corporate governance. Ownership of the votes lies with the investment teams. Our procedures provide that, where a portfolio manager decides to instruct a vote in a manner other than in line with an ISS recommendation, the prior approval of the SSI team is required, and the rationale behind this decision must be fully documented and retained.

Clients with segregated accounts have the capacity to set their own voting policies and we may enter into client relationships where voting discretion is retained by clients or where client input into voting decisions are sought. Client directed voting in segregated accounts can be facilitated but is not used for pooled accounts.

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. Where we are aware that securities are on loan and if we judge a vote to be material, we may advise the relevant clients recall that stock in order to cast a proxy vote. In circumstances where it is not possible or practical to assess the materiality or where it is not possible to recall the security (e.g. where the events subject to voting are not communicated by the company in sufficient time) no votes will be cast. Full details around our voting approach are contained in our *Global Corporate Governance Principles* and our *Proxy Voting Policy*.

Monitoring Service Providers

In addition to our own in-house research, we access a range of external ESG-specific service providers. Because these providers are used as inputs rather than outputs in our research and voting process i.e. for information not action, our key area of focus in supporting our stewardship activities is related to data quality, accessibility and compiling information. Assessments in relation to material ESG issues are covered by our own proprietary ratings and proxy voting decisions not outsourced to third-party providers. As the data contracts are typically at a firmwide level through our parent company Franklin Templeton, oversight and vendor management associated with these contracts is overseen on a centralised basis with a focus on good quality, data governance and sustainability as set out in Franklin Templeton's own Stewardship Report.

Most data utilised in our Stewardship, Sustainability and Impact activities is procured and overseen centrally by our parent company, Franklin Templeton, while other services such as proxy voting and client reporting are procured by Martin Currie. During 2021 there was an exercise to compare and procure a wider range of ESG data for both regulatory and research purposes across Franklin Templeton. During 2022 there was an exercise at Franklin Templeton, including the SIMs, focusing on data quality. For 2023 this was augmented through the actions of a sustainability data forum within Franklin Templeton which contributes to the oversight and review process in terms of data quality, utility, and user experience. The result of this exercise in 2023 was a consolidation in the number of sustainability data providers for the group.

Key challenges include ensuring data quality because of its use in research by the investment teams but also for regulatory reporting. We recognise that it is vital for investment teams to have complete trust in the quality of the data they use. Even with the large, respected data service providers we use, there is the potential for random data points occurring – sometimes due to human error when being entered into the system. We are reinforcing our governance framework to ensure any data points – for example on carbon emissions – that may be wrong are flagged. A focus on continuous improvement is key for us with regular and ongoing methodology and data checks as part of our regulatory reporting, adding to existing data quality checks. We feed into this process through feedback around vendor and data quality.

Our third-party suppliers in relation to our stewardship activities include:

- **MSCI ESG research –** covers most of the MSCI All Country World Index (ACWI) constituents and produces industry research, focusing on: key material Environmental, Social and Governance risks and opportunities by industry, with a focus on financial implications; and company reports, based on how individual companies are performing against these risks and opportunities, and ranking them relative to peers. In addition, they provide carbon emissions data, carbon intensity and historic time-series of these for each company. They also produce an assessment of corporate performance against internationally accepted normative standards of behaviour, with the UN Global Compact supporting effective benchmarking.
- **Institutional Shareholder Services (ISS) –** produces research reports which focus on voting recommendations for shareholder meetings. These provide useful insight into the corporate governance of the companies covered.
- **ISS ESG DataDesk –** Provides ESG data including datapoints on SFDR Principle Adverse Impact (PAI) indicators, EU Taxonomy alignment, and climate solutions. As this is a relatively new provider for us, we are still in the process of assessing how best we can use the data sets.
- **Broker research –** some of the leading brokerage houses produce ESG-themed research as part of their general research offering and incorporate relevant and material ESG factors into their stock research. This research can help frame the risks and opportunities both in broad terms and at a company level.

This external research complements our own ESG research capabilities. Our proprietary ESG research includes extensive engagement with companies which allows us to obtain relevant material data and ascertain the key non-financial factors that will impact a company's performance.

We monitor the quality of the research and service provided on an ongoing basis and provide feedback on the rare occasions we observe any issues. We also provide input the annual investor outreach programmes and policy roundtables that help frame the evolution of the voting policies and approaches.

Conflicts of Interest

A fundamental ethical principle of Martin Currie is to pay due regard to the interests of our clients and to manage potential conflicts of interest fairly. We take an holistic view of conflict risk and conflict mitigation and have policies, systems and controls in place to identify such potential conflicts between ourselves and our clients, as well as between one client and another, to achieve consistent treatment of conflicts of interest throughout the business. We aim to manage any conflicts of interest that may arise and to ensure, as far as practicable, that such conflicts do not adversely affect the interests of our clients. A robust conflict management process is in place which is owned by the Boards and maintained by Compliance.

Activities which could create a potential conflict of interest are recorded on the conflicts register and are reviewed by the business regularly to ensure that the controls in place remain adequate to mitigate any risk of a conflict arising.

Martin Currie has a Conflicts of Interest Policy that applies to the business as a whole and governs situations where conflicts could arise due to the business activities of different entities within Martin Currie. The policy applies to all clients, irrespective of their regulatory classification, and must be observed by all employees, without exception. This helps to achieve consistent treatment of conflicts of interest throughout all our operations. Martin Currie aims to manage any conflicts of interest that may arise and to ensure, as far as practicable, that such conflicts do not adversely affect the interests of its clients.

In managing conflicts of interest, Martin Currie:

- Prepares, maintains and implements an effective conflicts of interest management framework.
- Maintains detailed policies and procedures for identified activities to prevent conflicts of interest adversely affecting the interests of one or more clients. These include adequate measures to assess and evaluate potential conflicts identified.
- Prevents or limits any person from exercising inappropriate influence over the way in which services and activities are carried out.
- Prevents or controls the simultaneous or sequential involvement of a person in separate activities or services where such involvement may impair the proper management of conflicts of interest.
- Has appropriate monitoring and oversight arrangements in place to ensure policies and procedures are being observed in practice.
- Ensures its organisational structure has sufficient and effective segregation of responsibilities.
- Ensures that senior management periodically receive written reports detailing actual and potential conflicts of interest.

For example, in relation to our stewardship and sustainability activities we have highlighted examples of actual and potential conflicts of interest during 2023 below.

1. Conflicts of interest in relation to proxy voting activity where investments are commonly held across strategies. Where investments are held in multiple strategies, we encourage a collaborative approach to discussing and resolving key issues related to proxy voting to establish a common position across funds.
2. Potential conflicts of interest around M&A transactions. There is the potential in capital markets transactions to have exposure to both sides of a transaction across different client accounts. In such a situation our approach would be to vote in line with the interests of clients in each strategy separately rather than attempting to establish a net position on the transaction as a whole. Such a situation did not arise during 2023.
3. Potential conflicts of interest when assessing compliance with global norms such as the UN Global Compact which form a restriction on some funds. The initial assessment of compliance is made using a third-party data provider, but there is the capacity for this to be overridden following further research that leads to a different conclusion. This creates a potential conflict of interest in relation to the investment teams proposing that this threshold is not met. This is managed by having independent sign off of any override by the Head of Stewardship, Sustainability & Impact. There were no examples of any conflict in 2023.
4. Potential conflict of interest in proxy voting where a fund that we manage owns funds that we run as in the case of the Martin Currie pension scheme. In such situations voting decisions are made in line with Proxy Advice from our proxy adviser or at the discretion of the pension trustees rather than the fund managers.
5. Potential conflict of interest in stewardship oversight for products managed by portfolio managers who also have a role on the SSI team. This is managed by members recusing themselves from oversight forums such as the ESG Oversight Group as detailed in the Governance section when items for discussion arise in relation to funds managed by the SSI team.

Responsible Investment Policy

Our *Responsible Investment Policy* recognises 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 governance and sustainability 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 them appropriately.

We believe the sustainability of a company's business model is critical to maintaining its competitive industrial positioning and strong capital returns. Incorporating sustainability 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 integrated 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.

Our responsible investment policy applies to all investments made on the behalf of our clients. Sustainability risk is an important consideration and means an environmental, social, or governance event or condition, that, if it occurs, could potentially cause a material negative impact on the value of an investment. Sustainability risks can either represent a threat of their own or have an impact on others and may contribute significantly to market operational, liquidity or counterparty risks.

Sustainability analysis can also identify potential opportunities, for example, those created by the transition to more sustainable economic growth or those companies whose products and services can help meet the ambitions of the UN Sustainable Development Goals (SDGs).

We believe an investment approach that incorporates an assessment of a company's governance and sustainability (by the fundamental research teams and not outsourced to a separate team) enhances fundamental research and can help identify those business models that are most likely to sustain high returns and resist competitive pressures. As sustainability risks and opportunities 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 sustainability 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, and employees, as well as systemic risks such as climate change.

Stewardship and Engagement Policy

Stewardship refers to how we manage and protect our clients' assets by monitoring and discussing material issues with 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.

Martin Currie operates an investor-led model when it comes to Stewardship. This investor-led focus on active stewardship is what sets us apart from others. We use fundamental insights from our stewardship process to enhance our understanding of what drives corporate value for the long-term and to help deliver strong outcomes for clients. To achieve the greatest impact, our investment teams are empowered to carry out all sustainability analysis, engagement and voting themselves. We are motivated by a belief that this both helps protect and enhance the risk-adjusted return on our clients' capital. Ultimately, we want to ensure that the interests of company management 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 focus on material sustainability (environmental and social) issues where these may impact the company concerned or where the company's impact is material.

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 engagements on material issues, particularly when deemed likely to be more efficacious than acting alone. Our voting policy is determined by our internal guidelines, with an expectation that companies will comply with (local) best practice or explain why this is not the case. Where clients assign us proxies, we will vote in line with their best interests. When voting against management on a material issue we endeavour to inform them of our rationale for doing so in advance of the vote 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 SSI team.

How Martin Currie monitors investee companies on relevant material 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.

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 potential changes at investee companies. Where we identify a particular material issue, this will inform our engagement activity with the investee company. In cases where we are engaging for change on a material issue, we set out clear objectives for what we are looking to achieve and then monitor progress towards this.

How Martin Currie conducts engagement with investee companies

Engagement is a key element of our stewardship approach, how we manage our clients' assets and how we deliver long-term value for them. Areas of engagement are informed by our analysis of the material governance and sustainability risks that each company faces, how they are managing and mitigating these and the disclosures that they make in this regard. Our aim is to establish an open dialogue with investee companies. We aim to engage with companies in an informed, constructive and discrete manner. Our engagements are led by the investment teams – they have the strongest long-term relationships with the companies that we invest in – and are supported as necessary by the SSI team. Much as our analysis informs our approach to engagement, the progress and outcomes of engagement also inform our ongoing analysis and understanding of the companies concerned.

We recognise that our 'standard' engagement approach – seeking constructive dialogue with management – may not always yield the results aimed for. Where there is limited progress on an engagement or where it relates to an issue which may impact the investability of a company we may escalate the issue through other stewardship activities such as voting, collaboration or ultimately divestment.

How Martin Currie approaches collaborative engagement initiatives

We are willing to collaborate with other investors when this is in our clients' best interest, particularly in relation to systemic issues. Systemic risks by their nature are caused by factors beyond the control of a specific company and cannot be diversified away by holding a large number of securities. Although most of our engagement is private, where an issue is systemic and therefore likely to impact a broad range of companies and stakeholders, we believe that this requires a more collaborative approach to engagement. Typically, we will only join a collaborative initiative where we have an existing relationship with a company involved and where we have the capacity to bring something to the collaborative engagement – typically by leading on a specific investee company. Our collaborative engagements are overseen by the Head of Stewardship, Sustainability & Impact.

How Martin Currie communicates with relevant stakeholders of investee companies

Our engagement is also informed by the broader systemic issues that have the potential to impact many companies and different parts of the financial ecosystem. Our engagement is not just with companies but also with regulators and policy makers to support the evolution of a sustainable financial system. Our stewardship activities may include discussions with other stakeholders of investee companies, such as industry groups, customer groups or employee groups.

Global Corporate Governance Principles

All our voting decisions are made in-house and when voting on behalf of our clients, we will always seek to vote in their best interests considering the long-term impact of these voting decisions.

Our approach is framed by our Global Corporate Governance Principles, our proxy voting policy and, for some clients, their bespoke policy. Our Global Corporate Governance Principles are closely aligned to the ICGN Global Governance Principles, which set out a primary standard for well-governed companies with the intention of being widely applicable, irrespective of national legislative frameworks or listing rules. Where overseas corporate governance codes are consistent with our overall principles, we will adopt these. We recognise that the circumstances under which companies operate vary considerably and as such we take into account the specific circumstances of each company when assessing how to approach corporate governance. However, we will actively question and challenge companies when we believe that their governance policies fall short of the standards we expect and/or may affect our clients' interests and long-term returns.

At a minimum, we would expect companies to comply with the accepted corporate governance standards in their domestic market or to explain why doing so is not in the interest of shareholders. The principles focus on a number of areas: board role and responsibilities; leadership and independence; composition and appointment of the board members; corporate culture; risk oversight; remuneration; reporting and audit; and shareholder rights. For each of these, we set out our high-level expectations and what we regard as best practice. The Martin Currie *Global Corporate Governance Principles* can be found on our *website*.

Climate Engagement and Escalation Policy

Sitting alongside our Stewardship and Engagement Policy, our *Climate Engagement & Escalation Policy* sets out our current expectations of companies with regards to climate change and our approach to engagement with our investee companies.

As a systemic issue, climate change, and the transition to a lower carbon economy, will impact most companies in some way. We expect companies to be aware of the potential risks that they are exposed to and the potential impact that they have, and to manage and mitigate these risks and impacts. This ultimately includes setting a 'net zero' commitment and aligning the business to this commitment. We also encourage companies to embrace the potential opportunities that may be presented by the substantial economic changes required.

This policy sets out how we aim to support investee companies moving towards 'net zero', recognizing that the journey to a low carbon economy will not be easy, especially for companies with high emissions or those that operate in difficult to abate sectors.

As investors, in order to be able to make an informed assessment of these potential risks and opportunities we also expect companies to disclose decision-useful information in a timely manner that can help build our understanding of each company that we invest in on behalf of our clients. We believe that the TCFD and the CDP frameworks provide robust channels for these climate disclosures

Our aim is to establish an open dialogue with investee companies. We aim to engage with companies in an informed, constructive and discrete manner. The key considerations that frame our engagement include the overall governance, awareness and management of climate risks and opportunities; emissions disclosures; the ambition and disclosures of emission reduction targets; and overall climate reporting.

The policy sets out our approach to escalation and voting and also highlights that where appropriate we will take part in collaborative engagements with other investors, pooling our efforts to amplify our collective voice and effect greater change.

Human Rights

We view human rights and labour rights as universal principles, as articulated in both the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises. Human rights issues are relevant to businesses, and we believe that they can present a material financial risk for the investments that we make. We also believe that respect for human and labour rights is fundamental to advancing the UN Sustainable Development Goals (SDGs). They are therefore considered within the sustainability analysis of our investment process.

The UNGPs set out a framework based on Protect, Respect and Remedy. The UNGPs outline how states and businesses should implement:

- The state duty to protect human rights,
- The corporate responsibility to respect human rights, and
- Access to remedy for victims of business-related abuses.

These are complemented by the OECD Guidelines for Multinational Enterprises which set out recommendations from governments to multinational enterprises on how to carry out business sustainably and responsibly, and specifically in the context of human rights, respect the internationally recognised human rights of those affected by their activities. We expect companies to comply with the UNGPs and observe the OECD Guidelines for Multinational Enterprises. 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 negative human rights impacts.

Our investment approach

We recognise that businesses and their associated supply chains are complex and that there is a possibility that certain companies we invest in may cause, or contribute to, adverse human rights impacts. Our ability to identify these, and to have influence on mitigating them, is driven by our integrated sustainability analysis and our focus on active ownership – notably engagement and proxy voting. We also recognise that human rights issues and exposure will vary by company, industry, sector and geography and therefore encourage companies to disclose their approach where the potential risks are material.

Our assessment of the potential impact and relevance of human rights risks is incorporated into our proprietary sustainability risk assessment. This is supported by specific proprietary tools that help identify those companies in industries or operating in countries that present enhanced risks with regards to, for example, modern slavery, such as particular industry or geographic risks or the presence of human rights-related controversies. Where we identify potential risks, we may engage with the company concerned, setting out clear objectives for what we are looking to achieve and measuring progress against these objectives. Where we identify a high level of risk as part of our initial due diligence on a company, we may decide not to proceed with the investment.

Active ownership

As long-term investors, where we identify a potential human rights issue, we may engage with the company concerned and will do so in a constructive manner with the aim of supporting demonstrable change in the behaviours and activities of the company where necessary. We may engage on potential and actual negative impacts on human rights when they are material and relevant to the investment case.

Although most of our engagement is private, we have participated in a wide range of collaborative efforts to address specific systemic issues. With regards to human rights and labour engagement we participate in Advance, a stewardship initiative that was launched at the end of 2022 where institutional investors work together to take action on human rights and social issues as noted in the ***collaborative engagement*** section of this report.

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 presentation 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.

The document does not form the basis of, nor should it be relied upon in connection with, any subsequent contract or agreement.

Past performance is not a guide to future returns.

The distribution of specific products is restricted in certain jurisdictions, investors should be aware of these restrictions before requesting further specific information.

The views expressed are opinions of the portfolio managers as of the date of this document and are subject to change based on market and other conditions and may differ from other portfolio managers or of the firm as a whole. These opinions are not intended to be a forecast of future events, a guarantee of future results or investment advice.

Please note the information within this report has been produced internally using unaudited data and has not been independently verified. Whilst every effort has been made to ensure its accuracy, no guarantee can be given.

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

The analysis of Governance and Sustainability 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
A Franklin Templeton Company

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), 5 Morrison Street, Edinburgh EH3 8BH.

Tel: (44) 131 229 5252 Fax: (44) 131 222 2532 **www.martincurrie.com**