INVESTING TO IMPROVE LIVES™

MARTIN CURRIE
A Franklin Templeton Company

Through Active Ownership

Martin Currie Australia

From the identification of material and relevant issues, engagement with investee companies, to voting client's proxies; Active Ownership forms an important and integrated part of all investment decisions made for Martin Currie Australia (MCA) equity strategies.

AUGUST 2024

For institutional, professional and wholesale investors only.

www.martincurrie.com

Investing to Improve Lives

Through partnership with clients >

Through active ownership >

Through our business practices >

Through employee diversity and inclusion >

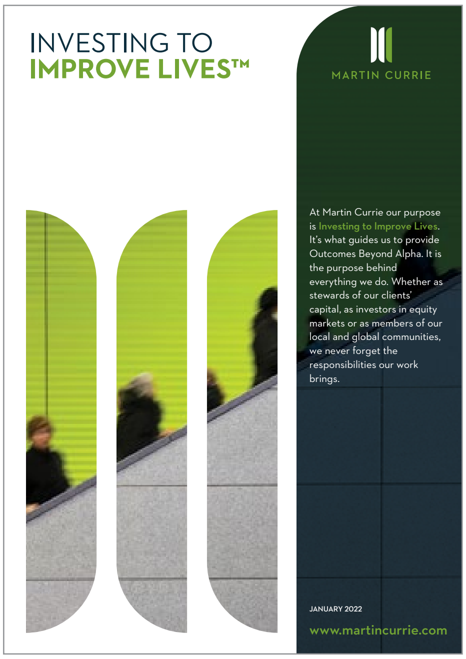
Through partnership with the community >

At Martin Currie, our purpose, Investing to Improve Lives, is more than just providing world class investment solutions and better financial outcomes for our clients.

By understanding our symbiotic place in the value chain, we can make a greater impact.

We not only help fulfil our clients' ambitions, but also align with companies that, over the long term, we believe will contribute to a more sustainable economy, society and environment.

Find out more about our purpose of Investing to Improve Lives by visiting our *website*.



INVESTING TO
IMPROVE LIVES™

MARTIN CURRIE

At Martin Currie our purpose is Investing to Improve Lives. It's what guides us to provide Outcomes Beyond Alpha. It is the purpose behind everything we do. Whether as stewards of our clients' capital, as investors in equity markets or as members of our local and global communities, we never forget the responsibilities our work brings.

JANUARY 2022

www.martincurrie.com

ESG matters

Through our actions as investors, we believe that we can help work towards positive change for the many stakeholders in the world around us while aiming to deliver positive financial outcome for our clients.

To us, financial returns and Environmental, Social & Governance (ESG) impacts are fundamentally intertwined over the long term, and stewardship is a critical element of our investment philosophy. Sustainability inputs and assessments have been embedded directly into our investment process since 2009, the year we became signatories to the PRI.

We integrate ESG factors into our investment process first and foremost to protect and grow our clients' capital. However, we also recognise the impact that both corporates and investors can have to build a healthier and more sustainable economic and financial system that benefits us all.

Within the Martin Currie Australia (MCA) investment team, our wider purpose of **Investing to Improve Lives** is embedded deeply into our analysis and decision making, and it truly guides our actions as active owners.

Our extensive expertise and long tenure in this space means that we can offer our clients both differentiated ESG-integrated products and work closely with them to create tailored and targeted solutions to meet their specific ESG goals.

Recent Australian ESG Awards[1]

riaa Responsible Investment Leader 2023

2023 FINALIST HEDGE FUNDS Rock BEST SPECIALIST ESG FUND

Martin Currie has a distinct and recognised competitive edge in this area having been a signatory of the UN-supported Principles for Responsible Investment (PRI) since 2009 and we have been consistently rated highly by the PRI.

Signatory of:

PRI Principles for Responsible Investment

Since 2009

Latest PRI Rating[2]

★★★★★ Policy governance and strategy

★★★★★ Confidence building measures

★★★★★ Direct – Listed equity – Active fundamental

Top quartile Ranking vs peers across all three pillars[3]

[1]Responsible Investment Leaders have achieved a score of 15 out of 20 or above on RIAA's annual Responsible Investment Scorecard in September 2023. Martin Currie Sustainable Equity Fund was a finalist for Australia's "Best Specialist ESG Fund" by the Hedge Funds Rock + Australian Alternative Investment Awards in September 2023.

[2]Source: Martin Currie and PRI 2022. Ratings relate to the period 1 January 2022 – 31 December 2022. AUM as of 31 December 2023. Martin Currie has been awarded the highest possible rating from the Principles of Responsible Investment (PRI), with a five-star rating across all categories relevant to its investment activities. A copy of the PRI's assessment and transparency report are available at on our website.

[3]Policy governance and strategy: 95%; Direct – Listed equity – Active fundamental: 100%; Confidence building measures: 100%

Investing in Active Ownership resourcing

We are very strong believers that Active Ownership – i.e., ESG analysis, engagement, and voting - should be done directly by those making investment decisions rather than being outsourced.

To us, investors are best positioned to develop an informed view of the ESG risks, opportunities and impacts that companies face or create. Therefore, at MCA this responsibility lies directly with our experienced team of research analysts and portfolio managers.

Embedded in the MCA investment team are resources that help provide our stock pickers with complementary insights and oversight on stewardship and ESG:

Megan Scott, COO, is responsible for ensuring the MCA investment team have the right access and availability to ESG research, developing frameworks and questions for our engagements with companies, and for overseeing corporate actions. Megan also oversees the investment operations 'Hub', which is embedded in the MCA investment team. The Hub is responsible for managing the operational elements of the proxy voting process.

Will Baylis, Portfolio Manager, is responsible for ethical values research and implementation of client screens.

Chris Schade, Research Analyst, is the analyst champion for ESG integration and development, including mapping MCA Sustainability Ratings to the UN Sustainable Development Goals

Naomi Bant has responsibility for developing and maintaining quantitative ESG inputs.

The MCA team also work closely with our Edinburgh-based **David Sheasby**, Head of Stewardship, Sustainability & Impact, **John Gilmore**, Stewardship, Sustainability & Impact Specialist/Portfolio Manager, and **Eoghan McGrath**, Investment Analyst, Stewardship, Sustainability/Impact Analyst, who are responsible for overseeing firmwide Stewardship and ESG efforts for the company, and for coordinating firmwide in-house industry frameworks and common risk factor frameworks that help us identify material ESG factors to understand the potential impact on returns.

As investors, we hold ourselves to the same exacting standards that we expect of the companies we invest in. All MCA investment professionals have adopted the CFA Institute Code of Ethics and Professional Conduct Standards[4], which we see as the strictest code of ethics and highest standards of professional conduct in the industry.

Reece Birtles, CIO

[4]Martin Currie Australia claims compliance with the CFA Institute Asset Manager Code of Professional Conduct and the CFA Institute Asset Manager Code. This claim has not been verified by CFA Institute.

Our 'Active Ownership toolkit'

The MCA investment process starts with bottom-up fundamental and quantitative research by our specialised industry analysts across our four proprietary investment lenses, Valuation, Quality, Direction and Sustainable Dividend.

To assist with this process, we have built a deep 'Active Ownership toolkit', that includes ESG-specific tools that the team uses to uncover material ESG risks and opportunities within their bottom-up fundamental research.

Importantly, all parts of our Active Ownership activities work to form a feedback loop, allowing us to identify key areas to focus on further, but also helps us to identify opportunities for our engagement activities with companies.

The Sustainability requirements from clients have grown exponentially in the last few years due to events such as the Royal Commission. Clients want us to test, pursue companies and interrogate companies while partnering with them on issues to help make positive changes.

We often find the Board members of companies quite enjoy the challenge we set them in our engagements, and it is a progressive conversation as Boards have such a vital role in terms of Sustainability for their companies.

Megan Scott, COO

Engagement

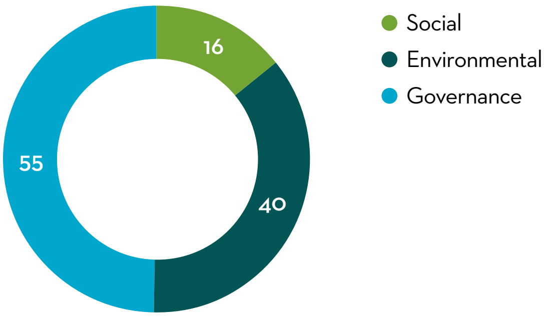
First and foremost, engagement is an important source of fundamental information that helps us improve our understanding and conviction in investee companies and their governance structures. It enables us to understand to what extent companies have identified material ESG risks and how they are managing these and provides us with an opportunity to share best practice and seek change to improve corporate practice.

Our practice is to engage not only with the management of companies, but also with a range of other stakeholders for each business such as competitors, customers, suppliers, and applicable government agencies.

Active Ownership through engagement

The MCA team conducts a significant number of company meetings each year, and in the 12 months to 31 December 2023, more than 100 of these were engagements on ESG matters[5].

Number of engagements by theme



Importantly, a key objective of our engagement activities is to achieve positive ESG outcomes. We aim to develop strong ongoing relationships with investee companies but also challenge companies to change. By doing this we can encourage greater transparency, ask more insightful questions, gain greater insight into the company's management of key ESG issues, and ultimately, nudge companies towards real change, more sustainable business practices and long-term value for our clients.

To us, Active Ownership is an integral part of being an investor and a long-term owner. To facilitate real change, we believe that it's important to have a seat at the table as investors and proxy voters. Excluding companies based on specified activities removes an opportunity to work with companies to move them towards more sustainable practices, and benefit financially from that shift as companies move forward.

We recognise that engagement is an iterative process which requires patience and persistence. Our investment team's long-term experience with management engagements bolsters our ability to effectively affect company level changes. We have cultivated strong relationships and established open dialogues giving us the opportunity to express any areas of concern and encourage greater transparency on their management of these risks.

[5]Source: Martin Currie Australia; as of 31 December 2023.
Data shows engagement activity by the MCA investment team, irrespective of strategy.

*For clients who request it, and by default for our low-carbon focussed MCA Sustainable Equity, Sustainable Income and MCA Green Value strategies (discussed in more detail below), we can also use the **carbon-adjusted Green Valuation** in our portfolio construction process. This enables us to purposefully tilt away from those companies with high carbon risk and favour those with lower carbon risk, while providing targeted client outcomes and style characteristics.*

Reece Birtles, CIO

In-house industry frameworks

We utilise proprietary frameworks that identify the ESG factors that we consider are likely to be material in each industry, with reference to information from third party data providers where relevant. These frameworks reflect the wide variation in what may be material and relevant across different industries.

These industry frameworks may consider:

- What ESG risks/opportunities may exist;
- How these risks or opportunities impact on revenues/costs/capital expenditure, etc;
- What metrics should be examined; and
- What are the key questions to ask management.

In total, we have established industry frameworks for 34 industries across the following sectors:

- Consumer
- Energy & materials
- Financials
- Industrials & utilities
- Communications
- Healthcare

These factors considered vary by industry but include:

- Environmental – climate change, energy efficiency, pollution, water usage.
- Social – human capital management, equality and diversity, data protection and privacy, community relations, human rights.
- Governance – Board leadership, diversity and independence, remuneration, shareholder rights, and accounting standards, auditing.

We utilise proprietary frameworks that identify the ESG factors that we consider are likely to be material in each industry.

Proprietary ratings

The proprietary MCA ratings framework allows us to capture our analysis and creates a common language for expressing our views on Management, Governance, and **Sustainability** risks. These assessments are key components of our **Quality** research lens.

Our ratings are consistent and systematic, with securities ranked 1 (best quality/low risk) to 5 (lowest quality/high risk) across each metric. Ratings are monitored on an ongoing basis and will be updated if our fundamental research or engagement activities uncover material issues.

MCA Management and Governance ratings

Management and Governance ratings help us identify good management teams, understand their motivation, and determine whether their strategies and interests are aligned with minority investors.

For Management ratings, areas considered include the competency of key personnel, the company's strategic plan, their culture and the quality of financial disclosures.

For Governance Ratings, areas considered include the Board & CEO's performance, Board composition, Shareholder protections, social licence to operate (the level of community and stakeholder acceptance), CEO relationship with the Board and alignment of interests with shareholders.

MCA Sustainability ratings

Our **Sustainability** ratings for each company are broken into three key assessments: **Net Sustainability Benefit**, **Sustainability Risk** and **Sustainability Pathway**.

Sustainability risk

- Common Sustainability risk factors and their mitigation
- Material issue identification

Net Sustainability Benefit:

- Net benefits and harms to society
- UN SDG target contribution

SUSTAINABLE DEVELOPMENT GOALS

Sustainability Pathway:

- Momentum of positive change
- Responsiveness to engagement
- Assessment of business integration

- **Sustainability Risk** is our assessment of common Sustainability risk factors we believe are faced by a company and its industry.

  We use proprietary industry frameworks to help determine whether those risk factors may materially impact the sustainability of a company.

  We also look at how a company chooses to disclose these material factors, how they manage and mitigate them or embrace the opportunities, and the extent they are incorporated into the business's strategy.

  MCA's Biodiversity, Modern Slavery and Worker Safety assessments form part of the overall Sustainability Risk assessment. An example of our additional work on understanding risk factors such as Modern Slavery risk and Biodiversity within the Australian market is outlined below:

We place particular emphasis on corporate governance, which stems from the belief that this is a fundamental determinant of long-term performance. Problems here are often reflected in a company's environmental and social track record, making it a reliable proxy for broader sustainability.

Will Baylis, Portfolio Manager

- **Net Sustainability Benefit** is our assessment of a company's overall impact on society. We seek to assess all material benefits and harms, to determine if there is an overarching net benefit. We consider the balance between positive benefits and negative harm generated by a company's products and services and commercial activities.

  MCA's UN Sustainable Development Goals (SDGs) assessment forms part of the overall Net Sustainability benefit assessment.

  An example of how we consider of the degree of contribution of a company's products and services to SDGs is outlined below.

- **Sustainability Pathway** is our assessment as to whether material ESG factors are likely to improve for a company's operations, products and services. Factors considered include company sustainability strategies, board and management attention to feedback given by the MCA investment team on identified ESG factors, as well as expected trends and momentum of change in material factors affecting our **Net Sustainability Benefit** and **Sustainability Risk** assessments.

  Considerations include factors such as gender representation on boards and First Nations outcomes.

Modern slavery assessments

MCA have long recognised the risks presented by Modern Slavery and human rights breaches and that the approach companies take here is a good indication of a company's overarching culture and policies around other Social and Governance issues.

MCA have been working closely on the topic of Modern Slavery risk mitigation with companies in our Australian investment universe. We initiated an ongoing project in 2021 to identify risk factors and behaviours that may indicate a material risk towards Modern Slavery and rate each company in terms of that risk.

MCA have also created a 'best practice framework' for addressing Modern Slavery risk and are engaging with company management to push for positive change where policy and action is deficient versus best practice.

The results of our Modern Slavery assessments form an important part of our view of overall company Sustainability Risk. Read more about our project ***here***.

Biodiversity assessment

During 2022, we initiated a research project to embed biodiversity, and the Sustainability Risk and Net Sustainability opportunities it brings into our investment process.

This included surveying the management of the top 200 ASX companies, asking a set of detailed questions regarding the management of biodiversity risks across their day-to-day operations and strategic planning.

As a result, we have created a 'best practice framework' and have begun to rate companies on their impact on nature. The investment team are also using engagements with company management to push for positive change in this area. We also held our inaugural ***Pathway to 2030 Forum*** where we brought together investors, listed companies, and sustainability experts to explore the real investment implications from action, and inaction, on critical sustainability issues such as biodiversity and climate change.

Read more about our project ***here***.

Focus on First Nations outcomes

We are committed to working with investee companies to bring a solid awareness and understanding of the perspectives of First Nations, and to help build respectful and constructive relationships.

In 2023, we kickstarted work to record and assess the status and effectiveness of the Reconciliation Action Plans (RAPs) of the companies we invest in.

We use engagements to monitor and learn from companies that have adopted a Reconciliation Action Plans (RAPs) and seek evidence as to how this is being put into action.

UN SDG target contribution

The UN SDGs provide a useful lens through which we can analyse the sustainability of companies that we invest in. As long-term owners, we can leverage our extensive knowledge of the companies we invest in as well as the meaningful engagement we have with them to assess materiality.

The MCA team have mapped all our holdings and investment universe to the most 'investable' SDG Targets – 32 out of a total of 169. We have focussed our efforts at the target level, rather than the 17 overarching Goals, as this has allowed us to assess contributions and exposures to a more meaningful level.

Our overarching view is that companies that can generate healthier outcomes for all stakeholders – such as employees, communities, customers, and broader society, should also prove to be more successful financially over time. The mapping process is based on our analyst's fundamental insights and a peer review process. Mappings are ranked as being either a notable "contribution "or a material "high contribution". The results of our SDG mapping feed directly into metrics that impact the investability of a company as part of our proprietary Net Sustainability Benefit assessment.

An example stock assessment is outlined below:

Mapping to the SDGs: Worley[7]

	3 GOOD HEALTH AND WELL-BEING	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION
SDG aim	Ensure healthy lives and promote well-being for all at all ages	Ensure access to water and sanitation for all	Ensure access to affordable, reliable, sustainable and modern energy	Promote inclusive and sustainable economic growth, employment and decent work for all	Build resilient infrastructure, promote sustainable industrialization, foster innovation	Ensure sustainable consumption and production patterns	Ensure sustainable consumption and production patterns
Relevant target	**3.9:** Reduce the number of deaths and illnesses from hazardous chemicals, pollution and contamination.	**6.4:** Increase water-use efficiency and ensure sustainable withdrawals and supply of freshwater	**7.1:** Universal access to energy **7.2:** Increase renewables **7.3:** Improve efficiency **7b:** Expand sustainable energy	**8.2:** Achieve higher levels of economic productivity	**9.4:** Increased resource-use efficiency, adoption of clean tech & processes	**12.5:** Reduce waste	**13.1:** Strengthen resilience to climate-related hazards and natural disasters
Level of Contribution	High Contribution	High Contribution	High Contribution	High Contribution	High Contribution	Contribution	Contribution
Rationale	Re-engineering design and processes to improve safety and reduce emissions and pollution across industrial infrastructure.	Re-engineering design and processes to improve water efficiency	Engineering for modern energy transition, critical to delivering affordable green energy and productivity related outcomes.	Engineering firm with a key role to play in upgrading and innovating industrial infrastructure.	Playing an important role in the shift to renewable energy through its engineering & design services	Emissions control design / engineering services	Engineering design to enhance the resilience to climate risks of key industrial assets

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

[7]Source: Martin Currie Australia, United Nations; as of 31 December 2023. The trademarks shown are those of the respective owner and is used for descriptive and illustrative purposes only. The company trademark shown is not in any way associated, or to be deemed to be associated, with Martin Currie or its group companies.

For our Sustainability ratings we are looking deeply at the activities and mitigation externalities for each company and the direction they are moving in. For example, are they using recyclable materials? Are they mitigating the effects of carbon emissions? Are they working closely with Indigenous stakeholders? Have they got strong modern slavery elimination strategies? If not, are they working on plans on how to tackle these issues going forward?

Chris Schade, Research Analyst

Shadow carbon cost assessment

- Based on Scope 1, 2 and 3 carbon emissions
- Carbon cost of A$80/t CO2-e
- Evaluation of transition path towards a low carbon world
- Ability of a company to pass carbon costs through to customers

We have also developed a proprietary **Carbon Value at Risk (VaR)** tool to assess the sensitivity of each stock and the portfolio to climate transition risk.

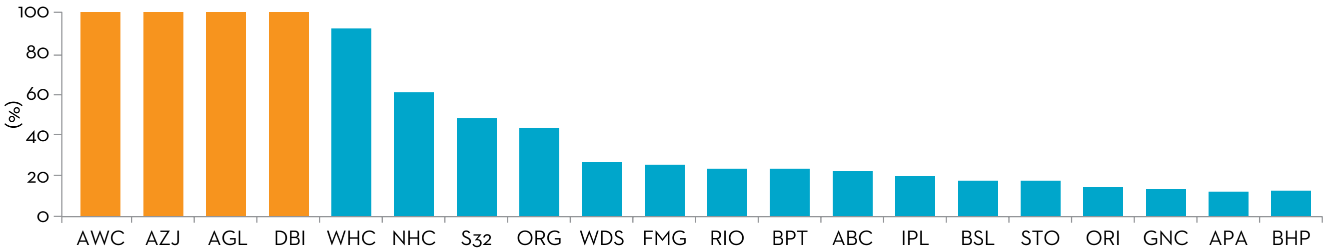
Our tool looks at how a company's valuation could be impacted by applying a **Shadow Carbon Cost**, and this helps us to identify stocks that will either benefit or have a minimal impact on their earnings from the energy transition.

We base our assessments on a carbon cost assumption of A$80. The rationale is that this price is where there would be an economic incentive for energy companies to switch from coal to gas, and it is also similar to the European carbon price (i.e., the most liquid market).

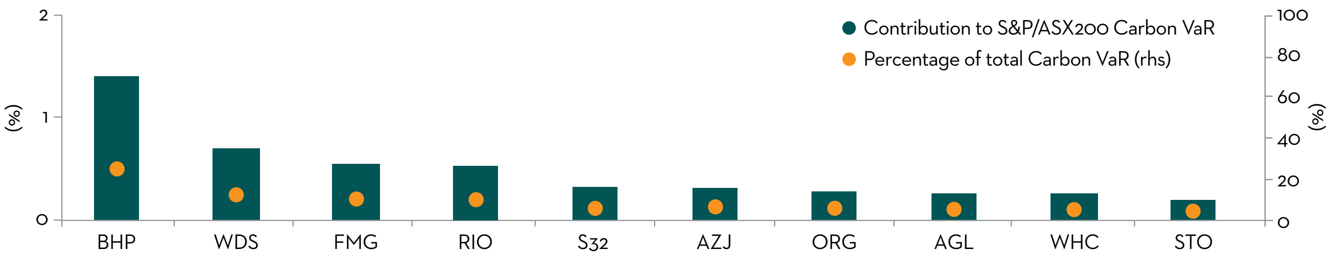
Importantly, our analysis takes Scope 1, 2 and 3 carbon emissions into consideration. Scope 1 and 2 emissions can be mitigated by investment in new technologies to replace and reduce existing assets that contain high carbon emissions, but it is Scope 3 emissions, which capture downstream value-chain activities, which we believe better reflect a company's strategic risk with regards to carbon. Our model supports the purchase of carbon offsets to reduce the net emissions where no viable alternatives exist.

Sample Shadow Carbon Cost assessment for stocks and portfolios

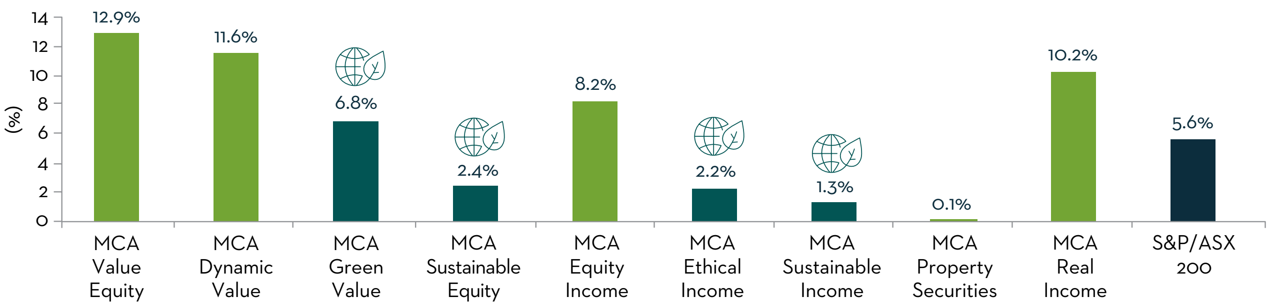
S&P/ASX 200 index stocks with highest MCA Carbon VaR[8]



Highest index contributors to MCA Carbon VaR[8]



MCA Carbon VaR for MCA equity solutions[9]



Past performance is not a guide to future returns.

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[8] Source: Martin Currie Australia; as of 31 December 2023. Data shown for illustrative purposes only. The information provided should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the security transactions discussed here were, or will prove to be, profitable. Carbon VaR shows the level of negative impact on market cap.

[9] Source: Source: Martin Currie Australia, as of 31 December 2023. Based on representative Martin Currie Australia portfolios. As negative impact on market cap.

Proxy Voting

Proxy voting at Annual General Meetings (AGMs) is a core element of our approach to Active Ownership. We believe it is our job as fiduciaries to take a stand where we see an issue as critical to a stock's performance in the long term. AGM season (typically October to December in Australia) is a critical time for us as investors to re-emphasise our stance regarding a Board's progress on ESG matters and we engage with companies on contentious proposals.

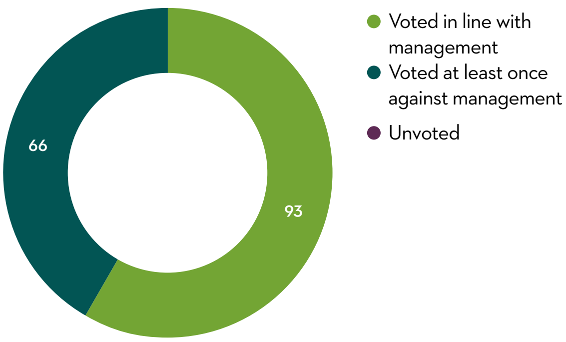
Our Proxy Voting Policy is designed to enhance shareholders' (i.e., our client's) long-term economic interests, and all our voting decisions are made in-house by the member of the investment team with responsibility for the stock. Our voting decisions are made using our internal work, our proxy advisor (Institutional shareholder Services (ISS)) and where available our specialist governance advisor (Ownership Matters). We assess voting matters on a case-by-case basis, considering a company's circumstances whilst being guided by our overarching principles and frameworks on good corporate governance.

For us, the poorer our view of a Board's overall Governance quality, as assessed by our MCA **Management & Governance ratings**, the dimmer our view will be of each AGM resolution – be it director election, remuneration report or share grants.

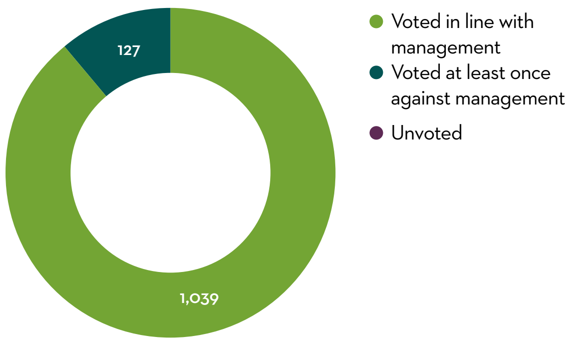
Active voting to enact positive change

In the 159 meetings and 1,166 resolutions for stock holdings in our portfolios in the 12 months to 31 December 2023, we have voted against management in ~10% of resolutions[10].

Total meetings



Total resolutions



Our proxy voting policy and records are available on our website:
https://www.martincurrie.com/australia/about-us/stewardship

[10]Source: Martin Currie Australia; as of 31 December 2023. Data shows engagement and proxy voting activity by the full Martin Currie Australia investment, irrespective of strategy.

Capturing a wide array of third-party insights

In addition to our engagement and proxy voting activities, and in-house resources, the MCA team have access to a wide array of best-in-class external resources to uncover potential ESG issues and provide a holistic view of Sustainability.

These include:

- Company disclosures and reporting
- Ownership Matters (OM) research
- Participation in collaborative engagements and industry initiatives
- MSCI ESG Controversy, Business Involvement and ESG Ratings research
- Institutional Shareholder Services (ISS) research
- Selected broker research and data feeds

Importantly, we believe in holding ourselves to the same standards that we expect of others and live our values through the management of our own business. This includes participating in industry initiatives and working with external stakeholder groups such as the PRI, CA100+, TCFD, CDP and the ICGN. The aim is to drive better outcomes through stewardship, to share ideas about best practice, provide insights and education on emerging and pertinent issues and to raise the profile of ESG issues with the industry more broadly.

David Sheasby, Head of Stewardship, Sustainability & Impact

Integrating ESG into the investment process

ESG research is integrated deeply into MCA's multi-lensed research process and portfolio construction. Our investment process has incorporated Sustainability inputs and assessments directly into the Quality and Valuation lenses since 2009.

By incorporating material and relevant ESG factors that we have uncovered through our fundamental research and engagement activities, the investment process specifically reflects how ESG factors can increase or reduce the risk of companies delivering our forecasted expected returns.

All MCA portfolios use **Quality** and Valuation, among other factors, to build conviction in securities and to set target position sizes. As a result, the combination of **Quality** and Valuation adjustments can tilt our assessment of fair value on these stocks, and ESG factors can directly impact the size of an individual security position in a portfolio, or our decision to invest in, or divest from these stocks.

Quality lens

Quality for us is a key measure of risk. It is based on a combination of our analysts' fundamental and quantitative assessment of business strength, management quality, ESG issues, balance-sheet strength, returns and earnings quality.

We deeply understand that ESG factors can lead to an increased or reduced risk of companies delivering the normalised earnings that our analysts have forecast. These factors are reflected by the way our **MCA Management**, **Governance** and **Sustainability** ratings (described above) feed our overall assessment of the **Quality** lens.

Valuation lens

ESG factors underlie the growing pressures faced by all companies from their key stakeholders. Regulators, customers, suppliers, investors, local communities, employees and environmental groups all present companies with challenges and opportunities that ultimately have to be addressed by management. Companies that fail to address the needs of key stakeholders, by managing these challenges effectively, may face substantial reputational and financial damage in the future.

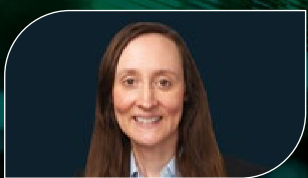
We see that these types of ESG factors can impact the normalised earnings that our analysts forecast in our Valuation lens, and therefore their long-term intrinsic value and potential long-term performance. Where material to a company's ability to generate long-term returns, they factor the cost/benefits of ESG inaction or action directly into their normalised earnings (five years of earnings per share forecasts).

*For example, we factor the market's transition to cleaner energy directly into utility assets and forward capex plans for **AGL Energy**. For **Aurizon Holdings**, we have assumed the cessation of thermal coal exports into haulage estimates*[ii].

Andrew Chambers, Portfolio Manager – Real Assets

Combination of Quality and Valuation

The overall **Quality** rating, which is heavily influenced by our **Sustainability**, **Management** and **Governance** ratings, is also used as a component in the stock-specific discount rates used in our Valuation model.



The higher the Quality, the lower the 'risk'. High Quality results in a lower discount rate which improves relative Valuation, and thus its attractiveness to invest. The lower the Quality, the higher the hurdle to invest.

Naomi Bant, Portfolio Manager

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

Combining financial objectives & client ESG goals: a flexible approach

We understand that our clients have diverse financial objectives and a growing interest in incorporating responsible investment considerations into their investment portfolios.

Whether we are providing a sufficient retirement income stream, wealth accumulating portfolios with differing risk profiles, portfolios with client-specific exclusions or low carbon, we believe that flexibility is necessary to help our clients pursue their financial goals.

The multi-lensed, building-block approach of the MCA investment process lends itself to customisation, where we can dial up or down factors relevant to an investment need.

The table below highlights how each of our strategies use differing responsible investment approaches to reflect these targeted outcomes. Our Active Ownership approach, which includes ESG factor integration, engagement and voting, is embedded directly into our investment process for all strategies. On the following page we discuss our more targeted strategies in further detail.

		Traditional	Responsible investment approaches reflect targeted outcomes				
	Approach	Financial returns	Negative screening	Ethical screening	ESG integration	Engagement & action	Positive screening
	Expected outcome	Financial returns	Avoids values misalignment (e.g. tobacco, weapons)	Considers specific investor preferences	Considers ESG risks and opportunities to financial returns	Engaging with companies to achieve change	Aligned to a sustainable future[12]
	MCA strategy exposure to approach						
Accumulation	Value Equity	✓	✓		✓	✓	
	Dynamic Value	✓	✓		✓	✓	
	Green Value	✓	✓		✓	✓	✓
	Active Insights	✓	✓		✓	✓	
	Sustainable Equity	✓	✓		✓	✓	✓
	Property Securities	✓	✓		✓	✓	
Income	Equity Income	✓	✓		✓	✓	
	Ethical Income	✓	✓	✓	✓	✓	
	Sustainable Income	✓	✓	✓	✓	✓	✓
	Real Income	✓	✓		✓	✓	
	Global Real Income	✓	✓		✓	✓	

Avoiding harm ← Benefit stakeholders → Contribute to solutions

Source: Martin Currie Australia, Responsible Investment Association Australasia (RIAAO), as of 30 June 2024. Modified from RIAA's *'Responsible and Ethical Investment Spectrum'*
[12]Targeting companies or industries assessed to have better ESG performance relative to benchmarks or peers" as per RIAA.

Visit our *website* to learn more about the MCA platform, and how Active Ownership is an integral element of our investment process for all MCA equity strategies.

Partnering with clients on Sustainability

Over the past few years, we have worked directly with clients to develop our series of targeted sustainability-focussed strategies, which have evolved from our existing products based on specific client needs.

Ethical Income

Investors don't want to have to choose between income and their values – and we believe they shouldn't have to.

Introduced in December 2015, the MCA Ethical Income Strategy was specifically developed to cater to investors, such as charities, foundations, and not-for-profit organizations, who sought an ethically screened version of our Australian Equity Income investment option.

Our income approach is premised on the philosophy that high-quality companies that have solid earnings can sustain dividends, match rises in the cost of living and are likely to be less volatile than the wider equity market. These are key attributes of what we like to call a 'sufficient income for life'. Our approach also aims to extract the full benefit of franking credits and maximise after tax income for 0% tax payers.

Through our experience, we have found that the inclusion of a client's own ethical and sustainability values has been complementary to our focus on high-quality companies, and thus has not compromised the objective of aiming to provide a high, stable and growing income stream. Find out more *here*.

Sustainable Equity

We believe that financial performance and ESG factors are fundamentally intertwined, and that it is possible to generate both healthier outcomes for stakeholders and long-term investment returns.

The development of the Sustainable Equity strategy in May 2020 was a natural extension of MCA's investment philosophy. Sustainability inputs and assessments have been embedded directly into our investment process since 2009, the year we became signatories to the PRI.

The MCA Sustainable Equity strategy invests in companies that have been assessed using MCA's proprietary Active Ownership approach and ratings framework to have more favourable **Sustainability** assessments for **Sustainability Risk**, **Net Sustainability Benefits** and **Sustainability Pathway** and **Shadow Carbon Cost**. This approach is premised on our philosophy that companies with these characteristics should prove to be more successful financially over time.

Our strategy is deliberately designed to focus on a company's overarching net benefit based on our assessment of the material benefits and risks that may exist, rather than applying a wide array of negative screens. This is because we believe in the importance of being active investors. Find out more *here*.

Sustainable Income

We have combined the investment philosophies of Ethical Income and Sustainable Equity to reflect sustainability and client ethical values, without compromising on client income objectives.

As a direct result of discussions and engagement with clients, we evolved our Ethical Income strategy in May 2023. The MCA Sustainable Income strategy invests in a diversified benchmark-unaware portfolio of high-quality companies that we have screened for client- driven ethical values, and which have also been assessed using our proprietary approach for understanding sustainability and financial attributes.

Portfolio construction for the MCA Sustainable Income strategy combines:

- our unique **Valuation**, **Quality**, **Direction** and **Sustainable Dividend** multi-lensed proprietary research,
- a tilt towards companies that have more favourable proprietary **Sustainability** assessments;
- proprietary **Shadow Carbon Cost** assessments;
- negative screens based on client-specific ethical values; and
- bottom-up methodologies to maximise a **Sufficient Income for Life**.

This has resulted in a benchmark-unaware income portfolio that is constructed in a very different way to traditional equities, Sustainability-focussed strategies and other income-focussed approaches. We have also specifically designed the strategy to aim to extract the full benefit of franking credits and maximise after tax income for 0% tax payers.

Find out more *here*.

Green Value

Australian Value style strategies often rate poorly on carbon and environmental credentials due to sector biases and industry skew of the S&P/ASX 200. As a result, Value style strategies typically have higher carbon exposure than Quality/Growth style strategies.

Traditional 'sustainability' funds are often highly focussed on tech stocks as they have low/no carbon emissions. On the other hand, they shun energy companies, manufacturers, and utilities, which are typically seen as Value-style stocks. Many of these funds may have what looks like good sustainability scores due to low carbon emissions, but the questions for us are, *"what are they doing to contribute to a more Sustainable future, and are they overvalued based on this low future contribution?"*.

In November 2019, we worked directly with accumulation investor clients to build the MCA Green Value strategy, to with the aim to maintain the long-term capital growth potential of the Value style but with a reduced carbon exposure.

To do this, the strategy provides investors with a diversified and contrarian exposure to our highest conviction Australian equity ideas with strong **Green Valuation** potential, while balancing risks through our focus on **Quality** and **Direction**.

We use our proprietary **Carbon Value at Risk (VaR)** tool within our **Green Valuation** process to clearly distinguish between Value stocks that are attractive, even after incorporating a carbon externality cost, and those that are unlikely to survive in a low carbon future. The Carbon VaR tool also helps identify Value-style stocks that will either benefit or have a minimal impact on earnings from the transition.

Based on this insight, we are able to favour the most attractively valued companies with lower carbon emissions while providing a true value exposure commensurate with our flagship Value Equity strategy. Find out more *here*.

We have also worked closely with clients to build out our ESG reporting tools and templates to ensure that they are meaningful for their ESG requirements.

These include regular updates on:

- *engagements and ESG related coverage updates;*
- *proxy voting;*
- *carbon emissions, at both the traditional and Shadow Carbon levels;*
- *UN SDGs; and*
- *performance versus custom ESG benchmarks.*

Carly Bode, Head of Marketing and Client Services, Australia

Communicating outcomes

We are continually evolving our Active Ownership approach to make better informed decisions in our client's portfolios and to help clients navigate the future landscape for ESG issues.

We understand that asset owners today want a relationship that goes beyond alpha generation. We aim to become an extension of our clients' investment teams and staff, as the expertise and insights from our investment floor can add real value.

We focus on sharing our knowledge through a range of avenues, including data, risk analytics, thought leadership, client round tables, and bespoke client training and reporting.

Reporting on progress

We are constantly evolving our client reporting, with the aim to provide more relevant insight into our insightful stewardship approach, through an increased focus on quantitative metrics alongside qualitative disclosures.

Enhancements over time reflect the work that we have done to understand what is important to our clients and their end beneficiaries. This signifies our desire to give clients greater transparency on the stewardship work that we undertake and considers areas of feedback where they want greater detail in relation to ESG for portfolios and insight into our stewardship activities at a portfolio rather than firm level.

In addition to financial reporting, we offer our clients portfolio specific information on key ESG metrics such as:

- Governance, Management & Sustainability risks;
- UN SDG contribution;
- Modern Slavery risk;
- Climate Transition risk (Carbon VaR);
- Net zero alignment;
- Reconciliation alignment;
- Engagement activity; and
- Voting activity.

As the extent of our engagement evolves, and clients seek more detail on the stewardship activity of their investment managers, we continue to adapt our client reporting.

Transformational Stewardship and ESG approach

We have long believed that financial returns and ESG impacts are fundamentally intertwined over the long we are continually evolving our Active Ownership approach to make better informed decisions in our client's portfolios and to help clients navigate the future landscape for ESG issues.

We welcome an open dialogue with clients on how we can work together to address the ESG issues that are most important to them, alongside their equally important investment needs.

Thought leadership

Thought leadership written by MCA and the broader Martin Currie investment teams on Sustainability themes are published regularly on our *website*.

Key publications include:

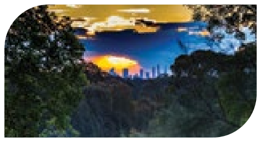
Stewardship Matters, our firmwide quarterly update on the Stewardship and ESG activities that we are undertaking on clients' behalf.

2023 Stewardship Annual Report, a detailed report that provides further insight into our business, the importance of stewardship, and examples of how this has been incorporated in our investment process and stewardship activities over the past 12 months.

Leading the stewardship & ESG evolution, a webcast series where Martin Currie's panel of Stewardship & ESG experts is joined by representatives from Australian companies that are leading on the Sustainability front.

Martin Currie's Pathway to 2030 Forum, which brought together investors, leading ASX-listed companies, and sustainability experts to explore the real investment implications from action, and inaction, on critical sustainability issues such as biodiversity and climate change.

Mitigating the risk of Modern Slavery in Australian companies, our deep dive into how the reporting requirements under the Australian Modern Slavery Act are helping to focus attention on the risks of exploitation, and how to mitigate them.



Biodiversity: the next frontier for companies and investors, our project to better understand the role companies and investors have to play in protecting biodiversity, and the challenges and opportunities it brings.

Find out more

Contact us, or visit *www.martincurrie.com/australia* for more information on Martin Currie, our investment strategies and how our investment solutions can be tailored to suit your investment needs.

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

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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.

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

Risk warnings – Investors should also be aware of the following risk factors which may be applicable to the strategy shown in this document.

Investing in foreign markets introduces a risk where adverse movements in currency exchange rates could result in a decrease in the value of your investment.

This strategy may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the strategy's value than if it held a larger number of investments.

Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.

Income strategy charges are deducted from capital. Because of this, the level of income may be higher but the growth potential of the capital value of the investment may be reduced.

Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. Accordingly, investment in emerging markets is generally characterised by higher levels of risk than investment in fully developed markets.

The strategies may invest in derivatives (index futures) to obtain, increase or reduce exposure to underlying assets. The use of derivatives may result in greater fluctuations of returns due to the value of the derivative not moving in line with the underlying asset. Certain types of derivatives can be difficult to purchase or sell in certain market conditions.

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