STEWARDSHIP MATTERS

MARTIN CURRIE

STEWARDSHIP & ESG

OCTOBER 2021

EDITION 4: INVESTING TO IMPROVE LIVES™

INTRODUCTION

Welcome to Edition 4 of STEWARDSHIP MATTERS, our regular review of Martin Currie's work in the stewardship and ESG space, and our insight into future trends.

For each edition, we ask our investment teams in Edinburgh, Singapore and Melbourne to share their sector and regional insights, their ongoing development of ESG tools, and the outcomes of engagement activities that they are undertaking on our clients' behalf.

In this edition, we have specifically focused on the many facets of our corporate purpose – **Investing to Improve Lives™**.

Mel Bucher
Co-Head of Global Distribution

Kimon Kouryialas
Co-Head of Global Distribution

David Sheasby
Head of Stewardship and ESG

CONTENTS

A+ A+ A+

Highest possible ratings by PRI: 2016, 2017, 2018, 2019

Top 9% Worldwide for Active Ownership*

Source: Martin Currie and PRI 2020. Latest PRI A+ ratings relate to Strategy & Governance, Incorporation and Active Ownership activity for the period 1 January 2019 – 31 December 2019. A copy of the PRI's assessment of Martin Currie and methodology is available on request.

*Listed Equity - Investment manager peer group.

FOREWORD

Julian Ide
Chief Executive Officer

At Martin Currie, our purpose of Investing to Improve Lives is more than just providing world class investment solutions and better financial outcomes for our clients. It is about us providing Outcomes Beyond Alpha.

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

Previous issues of STEWARDSHIP MATTERS have rightly focused on key issues that face us as a society, such as the climate crisis and the importance of the achievement of the UN Sustainable Development Goals. We wanted to use this edition as an opportunity to hold a mirror to our own activities and prove that as a firm, we strive for the same exacting standards that we expect of the companies we invest in.

I am proud to share with you some of Martin Currie's recent, tangible actions which aim to deliver results on these key topics as a business:

- We have examined our own diversity and inclusion performance and have made public disclosures around recruitment and the make-up of senior leadership.

  We have set a target of gender parity of 50:50 by 2030 across the whole business. While this remains an ongoing journey, we have made real progress, with almost 70% of hires since March 2018 being female and increased female representation on the Executive and Investment Committees. Jennifer Mair, COO, discusses this more in the *following article*.
- We have set ambitious targets in relation to our own Carbon Footprint. We have made a commitment to reduce our Carbon Intensity by 50% before 2030, and to offset 200% of any remaining emissions to become a net zero business starting this fiscal year.
- We have recently become a signatory to the Net Zero Asset Managers Initiative with the aim of aligning portfolios with net zero emissions by 2050.

It is important we deliver on our purpose of Investing to Improve Lives across our business. When we generate market beating returns for our clients, profits for our financial stakeholders and good compensation for our employees, we can also do more to benefit the communities in which we operate.

We are extremely proud of what we are doing to respond to the climate crisis, to foster a diverse and inclusive business, and how our investment teams work to deliver Outcomes Beyond Alpha through our active ownership agenda.

Read more about Martin Currie's corporate purpose of Investing to Improve Lives *here*.

STEWARDSHIP AND ESG FIRMWIDE HIGHLIGHTS: YTD 2021

ENGAGEMENTS

30	MARKETS COVERED
198	COMPANIES ENGAGED
513	TOTAL ENGAGEMENTS

TOP ENGAGEMENT TOPIC:
GOVERNANCE

PROXY VOTING

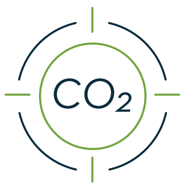
39	MARKETS COVERED
367	TOTAL SHAREHOLDER MEETINGS
374	MEETINGS WHERE WE VOTED AGAINST MANAGEMENT

TOP VOTING TOPIC AGAINST MANAGEMENT:
DIRECTOR RELATED

Our carbon targets

↓50% *Carbon Intensity before 2030*

200% *Remaining emissions offset*



Become a net zero business starting this fiscal year

Our gender parity targets

50:50 *50:50 by 2030 across the whole business*

≥40% *At least 40% female investment professionals by 2030*

DIVERSITY & INCLUSION

Jennifer Mair
Chief Operating Officer,
Head of Diversity & Inclusion

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. Specific improvements have been made over the past year, particularly in gender balance across the business. We have also taken the opportunity to partner with our parent, Franklin Templeton, on a range of initiatives focused on supporting and celebrating the contribution of our ethnic minorities, those impacted by disabilities, women and LGBT+ colleagues and allies.

We are passionate about creating a supportive and inclusive working environment for our colleagues and we are taking positive steps through training and ongoing engagement to support mental health and wellness.

In 2019 we undertook a grass roots diversity and inclusion review, driven by in-depth engagement with colleagues across the company. The review concluded that there were several key areas where we wanted to create better outcomes for the business and ensure an inclusive environment now and in the future. Our actions in 2020 and 2021 are an extension this review:

1. **Recruitment:** We aim to create a more diverse business by enabling a more inclusive assessment of talent at the recruitment stage.

   We have committed to publishing diversity outcomes around recruitment and gender representation annually, as can be seen in the following charts.

2. **Early and Mid-Career Progression:** We recognise the value of a diverse workforce.

   We are engaging with key partners, including Investment 20:20, to identify and encourage broader talent development within the business through inclusive processes and career strategies to foster development.

3. **Flexible Working:** We recognise and support flexible working.

   We have empowered individuals to take responsibility for their schedule while continuing to meet business needs, and have found that we are rewarded with high levels of productivity by loyal, motivated staff.

4. **Inclusion for All:** We recognise that diversity in all forms is beneficial for our business and we are committed to creating a supportive and inclusive environment for everyone.

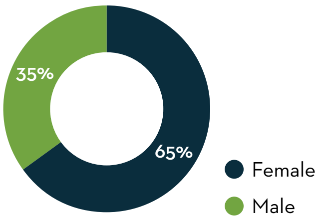
   We have set a target of gender parity of 50:50 by 2030 across the whole business. Our processes are designed to tap into deep and broad pools of talent, and as such we have set a target of at least 40% female investment professionals by 2030. These targets are set by our Executive, and we are committed to measuring our progress against these targets annually by way of a direct link to Executive remuneration.

We recognise improving diversity is a journey and we remain focused on sustaining a culture centred around equality and opportunity for all.

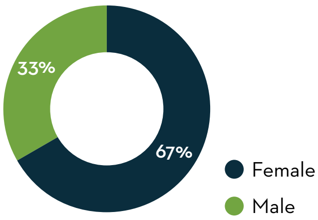
DIVERSITY & INCLUSION (CONT)

Split of recruitment by gender

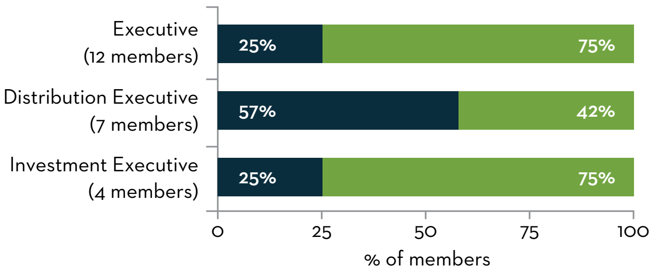
FY20 – year to 31 March 2020 hires



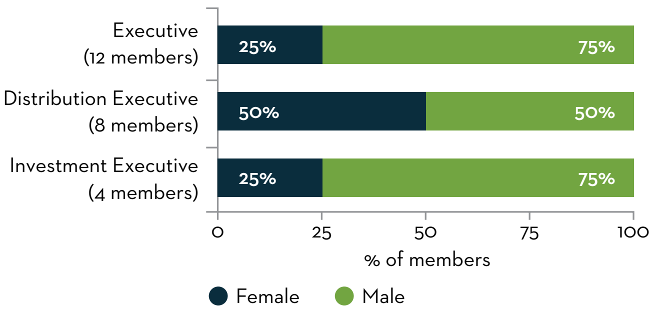
FY21 – year to 31 March 2021 hires



FY20 – split by gender of representation on key forums within the organisation

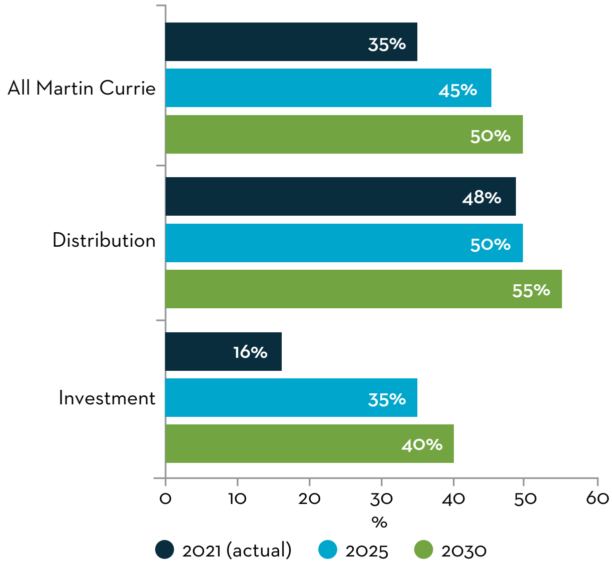


FY21 – split by gender of representation on key forums within the organisation



Gender parity targets

(% female)



WE RECOGNISE IMPROVING DIVERSITY IS A JOURNEY AND WE REMAIN FOCUSED ON SUSTAINING A CULTURE CENTRED AROUND EQUALITY AND OPPORTUNITY FOR ALL.

ACTIVE OWNERSHIP PROVIDING OUTCOMES BEYOND ALPHA

David Sheasby
Head of Stewardship & ESG

Through our actions as investors, we can influence positive change for the many stakeholders in the world around us, and deliver Outcomes Beyond Alpha.

To us, Outcomes Beyond Alpha means that while we integrate ESG into our investment process first and foremost to protect and grow our clients' capital, we also recognise the importance of positive or negative impacts that corporates and investors can have on the economy, society and environment. We seek to reflect this dual materiality by using the influence we have as active owners and to promote positive change which ultimately creates value for our clients and their beneficiaries.

The good way to understand this is to consider, for example, whether an investment in an iron ore miner can be considered sustainable:

- It can produce benefits as its role in steel production drives global development, including enabling the transition to renewable energy and a circular economy.
- The company could have best-in-class operational standards and be a strong people developer, providing meaningful and safe employment and development opportunities.
- However, at the same time, those activities can create several potential negative impacts such as tailings waste, biodiversity loss or pollution if there are substandard operational or environmental practices.
- Corporate practices and oversight could also be insufficient and allow a disaster such as the recent Juukan Gorge disaster to occur under Australia's **Rio Tinto's** watch.

As active owners we aim to identify potential challenges, identify sustainable business practices and work with companies to address any shortcomings. Across all our investment teams at Martin Currie, our wider purpose of Investing to Improve Lives is embedded deeply into our analysis and decision making, and it guides our actions as active owners investing in sustainable companies, and companies who are transforming their business to achieve more sustainable outcomes.

Sustainable companies manage and mitigate any significant negative impacts that are or could be associated with their activities and practices. They interact with suppliers, staff, customers and the wider society in a way that does not leave them exposed to material risk.

To achieve the greatest impact, we are strong believers that ESG analysis, engagement and voting should be done by those making investment decisions as investors are best positioned to take in a fully informed view of the ESG risks, opportunities and impacts that companies may face or create.

In our experience, there is also a clear appetite for engagement and learning by many companies who value informed and thoughtful shareowners. As you will read in the examples included in each edition of STEWARDSHIP MATTERS, *including this one*, we regularly leverage our extensive experience and understanding of ESG matters to help companies deliver improved outcomes from engagement. Our contribution is increasingly recognised by companies and we are often approached to provide input and support to improvement initiatives.

We are also increasingly using proxy voting as an 'escalation' tool to vote against management recommendations on significant matters where we are looking to facilitate change that benefits society. John Gilmore discusses this topic further in the *final article* of this edition.

Finally, part of our role in providing Outcomes Beyond Alpha is the one we play in actively driving higher ESG standards across the industry, be that through our involvement in the PRI, NZAMI, Climate Action 100+ or other influential industry bodies.

As investors, we are honoured that we are in a position to influence positive change through our stewardship activities and deliver on our purpose of Investing to Improve Lives.

Read more about how Martin Currie is Investing to Improve Lives Through Active Ownership *here*.

THE INVESTMENT THEMATIC OF INVESTING TO IMPROVE LIVES

Our investment teams have been looking at the topic of sustainability and social impact, as both a risk and an opportunity, to financial returns.

MARTIN CURRIE AUSTRALIA

Chris Schade
Research Analyst

Modern Slavery remains unacceptably pervasive – including in developed and lower risk countries.

With the Australian Modern Slavery Act 2018 coming into force in March 2021, a key area of focus for the Australian market has been the new obligations associated with the Act.

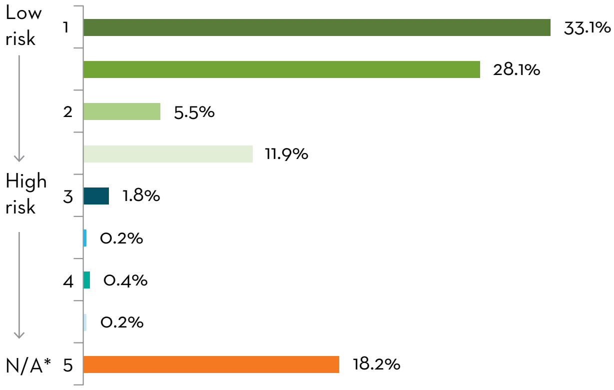
In advance of those obligations becoming effective, we wrote to the bulk of the ASX 200 companies, including all our holdings, to identify risk factors and behaviours that may indicate if a company has a material risk of aspects of Modern Slavery.

Our research found that most large Australian companies do have policies and procedures to deal with the risk of Modern Slavery and that the Australian banks and REITs have on average the best risk ratings.

However, we also found that there are still too many Australian companies that do not have the appropriate policies, procedures, and disclosures in place to mitigate Modern Slavery risk or have not made this a priority. In fact, while some do fall outside of the Act's requirements to comply due to size or dual listing status, more than 18% of the market did not respond to our original request for information.

Many of these companies are in the information technology, healthcare, consumer discretionary and non-bank financials space, which do have high-risk supply chain exposures. To us, these deficiencies are both a social risk and a financial risk and need to be considered when assessing the investment case for a company.

S&P/ASX 200 Modern Slavery risk rating distribution (%)[1]



*These stocks generally fall outside of the Australian Modern Slavery Act 2018 (Cth) requirements to produce a modern slavery statement.

We have provided all companies in our investment universe with a summary of the findings of our research effort, as well as our view of best practice. This will help allow those companies to self-assess their efforts against our assessment of best practice and work to reduce their risk.

Our project to influence Modern Slavery practices will remain a key topic for future engagements with companies in our investment universe and portfolios, and we will be pushing boards and management teams for positive change.

Read more about our project *here*.

OUR PROJECT TO INFLUENCE MODERN SLAVERY PRACTICES WILL REMAIN A KEY TOPIC FOR FUTURE ENGAGEMENTS WITH COMPANIES IN OUR INVESTMENT UNIVERSE AND PORTFOLIO

[1]Source: Martin Currie Australia, FactSet; as of 15 August 2021. Data calculated for the S&P/ASX 200 Index.

THE INVESTMENT THEMATIC OF INVESTING TO IMPROVE LIVES (CONT)

ASIA LONG-TERM UNCONSTRAINED (ALTU)

Paul Danes
Portfolio Manager, ALTU

Social impact is a burgeoning investment opportunity in Asia.

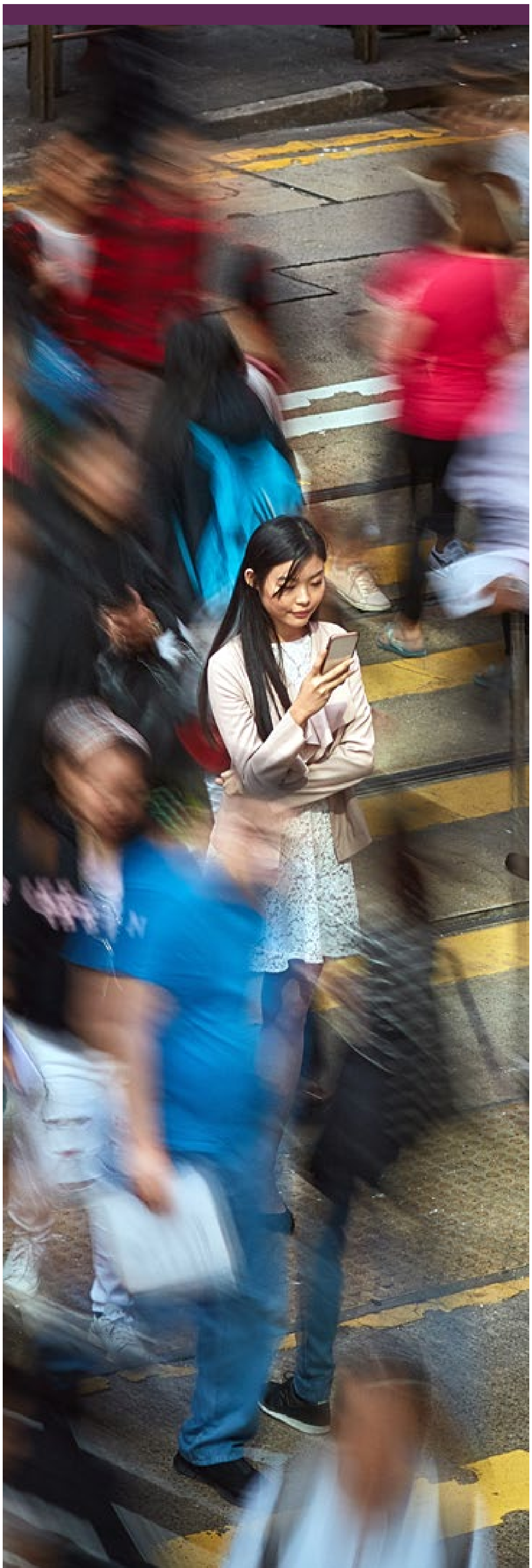
In many ways, it is the ability for companies to significantly contribute to positive change that makes Asia such an exciting place to invest in today.

The most direct and long-running of these is the process of improving people's quality of life. For all its rapid development, it is important to remember that there are hundreds of millions living at subsistence levels and even those defined as middle class, in many countries, have standards of living well below the more developed world.

Whilst many of the consumer companies in Asia are direct beneficiaries of this decades-long trend, some companies are actively helping in the wealth creation.

- Examples within the portfolio would include the platform companies, such as **Alibaba**, which has enabled millions of individuals to start small businesses with a reach otherwise unimaginable.
- Others provide products which directly help to increase incomes. In India, **Hero Motocorp** is the dominant provider of motorbikes, a very important purchase for many individuals starting out on their first business ventures to move beyond subsistence.
- Technology is another area where the positive impact on society is clear, and the hardware driving those changes, including accessibility through cheape smartphones, is largely dominated by Asia-based semiconductor and handset companies such as **Samsung Electronics** and **TSMC**.

> WHILST MANY OF THE CONSUMER COMPANIES IN ASIA ARE DIRECT BENEFICIARIES OF THIS DECADES-LONG TREND, SOME COMPANIES ARE ACTIVELY HELPING IN THE WEALTH CREATION.



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THE INVESTMENT THEMATIC OF INVESTING TO IMPROVE LIVES (CONT)

GLOBAL LONG-TERM UNCONSTRAINED (GLTU)

Zehrid Osmani
Head of GLTU,
Portfolio Manager

Throughout the COVID-19 pandemic, many companies that we had assessed as having lower 'social risk' have also been more likely to undertake actions that positively impact broader society and their social environment.

We have seen many companies divert production lines towards helping the sanitation efforts, with the production of hand sanitisers, face masks, or any such protective gears that were required during the height of the crisis by healthcare professionals, and so-called front-line workers throughout the world.

L'Oreal, the French global beauty firm, responded by using its cosmetic factories to produce hand sanitiser to supply both hospitals and care homes, whilst its foundation was supplying hygiene kits to social workers and volunteers. Beverage firms such as **Pernod Ricard** and **AB InBev** also turned to producing hand sanitizers. In the luxury and clothing space, companies such as **LVMH**, **Kering** and **Inditex** mobilised their workforces in 'ready to wear' factories toward producing face masks.

Some companies, with more technical production facilities and operating within specific sectors of the economy, have even been able to divert more of their efforts towards technical healthcare equipment, notably in the field of medical technology or indeed industrial gases contributing to the production of oxygen bottles for hospitals. **Linde**, the industrial gases producer prioritised the supply of oxygen and other essential medical gases, increasing the production at air separation facilities and working closely with local healthcare authorities.

Many more companies throughout the world, that we don't mention here, diverted their production towards helping during the pandemic crisis, which showcases the strong sense of duty that many of these corporates felt, and for which we, as investors, are grateful that they were able to take actions to do the right things in period of humanitarian crisis.

With activity levels slumping considerably during the height of the pandemic in certain sectors, many corporates affected have also stepped in and provided the right amount of social protection and social care for their employees, despite the harsh economic impact their businesses were experiencing. **Hexagon** leveraged its computational fluid dynamics software to assist healthcare and governmental bodies in simulating and managing the effects of transmissions and social distancing to everyday scenarios.

Whilst these are short-term impacts, actions during these periods of crisis have generated a sizeable amount of goodwill. However, it can also lead to a deterioration of goodwill and weak public perception for companies taking the wrong steps. As such, assessing how companies acted during COVID-19 adds an important facet to our overall assessment of the long-term sustainability of a business.

WE HAVE SEEN MANY COMPANIES DIVERT PRODUCTION LINES TOWARDS HELPING THE SANITATION EFFORTS, WITH THE PRODUCTION OF HAND SANITISERS, FACE MASKS, OR ANY SUCH PROTECTIVE GEARS THAT WERE REQUIRED DURING THE HEIGHT OF THE CRISIS

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THE INVESTMENT THEMATIC OF INVESTING TO IMPROVE LIVES (CONT)

GLOBAL EMERGING MARKETS

Paul Desoisa
Portfolio Manager,
Global Emerging Markets

China's recent step-up in regulation is backed by the promotion of social fairness and common prosperity.

Regulation of 'new economy' companies is the Chinese Communist Party's (CCP) latest focus to continue to propel China's economic growth and lift more people out of poverty. The population's evolving expectations are reflected in the party's promotion of social fairness in Chinese society and common prosperity.

The new economy companies that are attracting regulatory attention today have on the whole, been of great service to Chinese society.

With online businesses playing a significant role in the lives of almost all Chinese citizens, there is clearly a need for an effective framework to govern business practice.

Based on the volume of regulations being drafted in China and frequent references in state media outlets to the challenges presented by online business models, we believe that the CCP has increased the priority of business regulation as a mechanism to:

- reduce inequality and boost social security;
- eradicate abuses of monopoly power; and
- protect individuals from exploitation by business.

Ultimately the onus would shift to businesses to prove that their activities do not harm society.

Naturally this has caused some concern for investors and uncertainty about the future investment landscape. However, in the long run, we believe that a step-up in regulation should foster more sustainable business practice at an industry level.

For the most responsible operators in an industry, regulation is likely to improve their competitive advantage and hasten the exit of unscrupulous players.

Read more about the recent step-up in Chinese regulations *here*.

REGULATION OF 'NEW ECONOMY' COMPANIES IS THE CHINESE COMMUNIST PARTY'S (CCP) LATEST FOCUS TO CONTINUE TO PROPEL CHINA'S ECONOMIC GROWTH AND LIFT MORE PEOPLE OUT OF POVERTY.

IMPACTFUL ENGAGEMENTS

No company is perfect, and we engage on areas we believe can be improved upon and share what we consider to be best practice. In the following pages, our investment teams discuss some of the engagements that have helped influence companies to make positive change.

MARTIN CURRIE AUSTRALIA

Will Baylis
Portfolio Manager

Our multi-year work with Coca-Cola Amatil (CCL) on obesity and the related health implications changed their view on sugary drinks in developing markets.

CCL is a bottler of non-alcoholic ready-to-drink beverages for the Asia-Pacific region, operating also in New Zealand, Indonesia, Papua New Guinea, Fiji, and Samoa. CCL had taken an industry leading position in 2018 and made a public commitment to a 10% reduction in sugar content by 2020 and a 20% reduction by 2025 for the Australian market, to take advantage of growing demand for healthier beverages. However, when it came to the developing markets, they had not set explicit targets due to a “lack of demand”.

Prior to being taken private in early 2021, we engaged extensively with CCL regarding their stance on developing markets, as set out below:

While the privatisation of the business has removed the opportunity to engage further with CCL, we are pleased to see that in their latest disclosures that they are making good progress in measuring portfolio-wide sugar content, implementing reformulation road maps, and planning further new low- or no-kilojoule product launches across all countries of operation, not just the developed markets.

Without our push from 2018, this change may not have happened; at the time we understand that we were the only major shareholder engaging with the company on this important consumer wellbeing topic.

2018

We first initiated a discussion with the CCL Board in early 2018, voicing our concern about the lack of an equivalent strategy for reducing sugar in regions that made up almost 50% of their volumes.

May 2018

We followed this up with a letter to management in May 2018 which set out our request for action on this issue. The CCL management acknowledged our letter at a meeting in August 2018, but we were concerned the justification for a lack of reduction strategy was based on a belief that the local communities had a ‘need’ to supplement their daily calorific intake with full-sugar beverages. We pushed them to do more research.

February 2019

Discussing this matter at a meeting in February 2019, CCL confirmed that the CEO had met with representative of the Fiji and PNG Governments. She directly discussed with them the issue of sugar and obesity and obtained a clearer understanding of the community’s true calorific needs. The prospect of participating in health education was also raised.

April 2019

We met with the CCL chair in April 2019, and she shared their plans to look at how to measure calorific content for developing markets, as this has been a hurdle for them in developing a strategy to reduce the sugar intake. By August of the same year, CCL confirmed they were now working on specific targets for developing markets.

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IMPACTFUL ENGAGEMENTS (CONT)

ASIA LONG-TERM UNCONSTRAINED (ALTU)

Andrew Graham
Head of Asia &
Portfolio Manager, ALTU

Over the course of recent years, we have been engaging with AIA Group, the Hong Kong listed insurer, on the shape of the Board of Directors and the case for enhancing its gender diversity.

AIA have acknowledged in these conversations that this has been an area of focus for the company and that they have been considering this alongside other needs identified by the Board, such as in injecting technology expertise (particularly internet industry expertise).

Earlier this year, AIA announced the appointment of a new Independent Non- Executive Director (INED) Ms Jie Sun (aka "Jane Sun") to the Board. Ms Jie Sun brings extensive experience in operating and managing online travel businesses, M&A, and financial reporting and operations.

AIA had said one of the key attributes the Board wished to add with a new INED appointment was expertise in operating an online business, and her appointment certainly does bring this, both in her capacity as CEO of China's largest online travel agency but also as board member of the other online businesses.

This appointment has achieved both gender and skill objectives with a most impressive individual.

> EARLIER THIS YEAR, AIA ANNOUNCED THE APPOINTMENT OF A NEW INDEPENDENT NON-EXECUTIVE DIRECTOR (INED) MS JIE SUN (AKA "JANE SUN") TO THE BOARD. MS JIE SUN BRINGS EXTENSIVE EXPERIENCE IN OPERATING AND MANAGING ONLINE TRAVEL BUSINESSES

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IMPACTFUL ENGAGEMENTS (CONT)

Tom Wills, CFA
Portfolio Manager, Asia

In June 2020, the CEO of Indian consumer goods company, **Godrej Consumer Products**, resigned and was replaced by the Chairperson who was a founding family member.

Whilst we were sympathetic to the rationale presented by the company – that this ensured continuity in the midst of the COVID crisis – we generally prefer to see a separation of these roles.

Through discussion with the CFO during our annual accounting diagnostic analysis and later through engagement with the Chair/CEO herself, we were able to express our concerns directly – emphasising the benefits of separation of responsibility, particularly in instances such as this where the individual concerned also represents the interests of the majority shareholder.

The company has a good record on broader governance matters and had been receptive to our previous engagements – with the Chair acknowledging our concerns on this matter.

Following our engagement, we were pleased to note the Chair and CEO roles being split off again following the appointment of a new, high calibre CEO in 2021 – within a year of the issue arising.

THE COMPANY HAS A GOOD RECORD ON BROADER GOVERNANCE MATTERS AND HAD BEEN RECEPTIVE TO OUR PREVIOUS ENGAGEMENTS – WITH THE CHAIR ACKNOWLEDGING OUR CONCERNS ON THIS MATTER.

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IMPACTFUL ENGAGEMENTS (CONT)

GLOBAL LONG-TERM UNCONSTRAINED (GLTU)

Amanda Whitecross
Portfolio Manager, GLTU

Nike, being a very significant global brand, has had to make significant progress, at times in the glare of the publicity associated with having so many engaged stakeholders.

As long-term holders of **Nike**, we have engaged on a broad range of issues, from supply chain audit and accountability through opportunities for waste elimination and recycling and specifically in several focused interactions targeting the company's policies and accepted culture on inclusion.

This long history of engaging on such a broad range of topics has brought a closer interaction with the company, and this has given us an ability to voice our views on how the company should evolve and improve on the various topics we discussed. This has pleasingly led to them moving to significantly improve policies, processes, and behaviours.

One important topic of interaction for us has been discussions on gender inclusion, which first arose due to a very public exodus of senior executives from the company in early 2018.

- At that time, we made the trip to Nike Headquarters in Portland to engage on the implications of these issues, to understand fully what changes would be made and how the leadership team, empowered by the Board of Directors, would re-establish trust and create a strong and progressive culture through inclusion for all.

  Many changes were made by the CEO at that stage, including the establishment of a standalone women's business within Nike, a new HR Director and new and significantly more robust processes and policies for recruitment, promotion, and reporting of behaviour, as well as an immediate drive for more diverse representation at senior levels for women. All these changes were needed in our view, and very much welcome by both us and other like-minded investors.

- More recently, we continued the discussions on gender inclusion with enquiries around the treatment of female professional athletes during and post pregnancy. We wanted to ensure the company's athlete sponsorship approach had changed after the high-profile issue that arose around female athletes, including Allyson Felix in 2019, and that going forward, the company's approach does not discriminate against athletes that choose to start a family whilst maintaining their sporting ambitions.

While the financial targets of the group and strategic investments have been sound, it is this cultural evolution which has, in our view culminated in a new CEO with very different leadership approach driving new cultural touchpoints in the business and creating more separation from the previous regime and its mistakes.

We believe that these cultural changes have been a major step in improving the longevity of the Nike brand opportunity and the sustainability of its underlying business model.

> IT IS THIS CULTURAL EVOLUTION WHICH HAS, IN OUR VIEW CULMINATED IN A NEW CEO WITH VERY DIFFERENT LEADERSHIP APPROACH DRIVING NEW CULTURAL TOUCHPOINTS

IMPACTFUL ENGAGEMENTS (CONT)

GLOBAL EMERGING MARKETS

Divya Mathur
Portfolio Manager,
Global Emerging Markets

Employee attrition, and the policies that are implemented around this, are some of the most material sustainability risks for the software services industry.

Since investing in the stock in 2016, our primary engagement focus for **EPAM** has been on employee attrition metrics, compensation, staff policies, attracting and retaining talent and employee engagement.

Through our ongoing engagement with EPAM's management, we identified the need for clear benchmarking/targeting for attrition numbers and policies including compensation.

Since our initial engagement, the company has taken numerous steps to improve their attrition numbers including:

- implementing employee satisfaction surveys;
- appointing a Chief People Officer and country leadership;
- increasing the variable pay element for workers to allow for job rotations; and
- benchmarking attrition levels against other IT service companies.

The company have highlighted improvements in attracting and retaining talent in 2018 and 2019 following the implementation of some of these measures.

We believe that the positive impact on the employees from these measures influences not only the sustainability of the company's performance but also increases the welfare of the employees themselves.

SINCE OUR INITIAL ENGAGEMENT, THE COMPANY HAS TAKEN NUMEROUS STEPS TO IMPROVE THEIR ATTRITION NUMBERS

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USING PROXY VOTING TO FACILITATE CHANGE

John Gilmore
Stewardship & ESG Specialist

Proxy voting can support an approach to facilitate change that benefits society, but there are challenges to overcome.

In David's section on *'Active Ownership Providing Outcomes Beyond Alpha'* we highlighted that we are increasingly using proxy voting as an 'escalation' tool as part of our engagement strategy to vote against management recommendations on matters where we are looking to facilitate change.

There are however, challenges in aligning the objectives of an engagement with the ability to vote on a particular sustainability topic, and this can create a barrier to holding a company to account or bringing about a targeted positive change.

Where there is no direct route through voting, there are other ways that votes can be used to send a strong signal to a company.

Through shareholder resolutions

Shareholder resolutions are one way that this can be addressed. With sustainability issues increasingly in focus, it is no surprise that diversity, equity and inclusion, climate, and human rights and labour practices focused shareholder proposals have seen record levels of support during the 2021 proxy season.

This is not, however a route that is permitted in all markets, and is most commonly seen in the US, Europe and Australia. The mechanics of these votes and the nature of them, whether they are advisory, as is the case in the US or the UK, or binding as in Australia, can present additional challenges.

Advisory shareholder proposals do not necessarily bring about change directly, but when the majority of shareholders support a proposal it sends a very clear signal to the board of directors that change is expected.

In the US, for meetings up to 30 June 2021, 20% of shareholder proposals received majority support which compares to just 3% achieving the same level of support 5 years ago[2].

In Australia, we have also seen an increasing number of shareholder resolutions. Unfortunately, both the binding nature of the resolutions and the high threshold for success (75% for) do not lend themselves to being an effective tool to address these types of issues.

Through director election

In many cases, we turn to the election of the directors who are ultimately accountable for the strategy and oversight of the company.

Where the change we seek focuses on diversity, this may mean voting against the chair of the nomination committee or voting against candidates where the approach to diversity is being entrenched.

On climate change, we may focus on the chair of the board or a relevant committee within the board. In these cases, it is important that we clearly explain to the company why we are approaching the director elections in this way.

Looking forward

We expect to see an increasing number of shareholder proposals put forward on sustainability issues.

Climate change will feature prominently as attention on this issue continues to grow and the 'Say on Climate' campaign starts to gain traction.

Human rights will likely become more of a focus, with the PRI for example establishing a new major collaborative engagement on the topic.

Diversity and inclusion, which has been a focus for us, will also continue to feature.

Topics that we expect to emerge include biodiversity, and we will be featuring this in an edition of STEWARDSHIP MATTERS soon.

[2]Source: EY, as of 3 Aug 2021; What boards should know about ESG developments in the 2021 proxy season, available from https://www.ey.com/en_us/board-matters/esg-developments-in-the-2021-proxy-season

SUMMARY OF OUR PURPOSEFUL ENGAGEMENT ACTIVITY

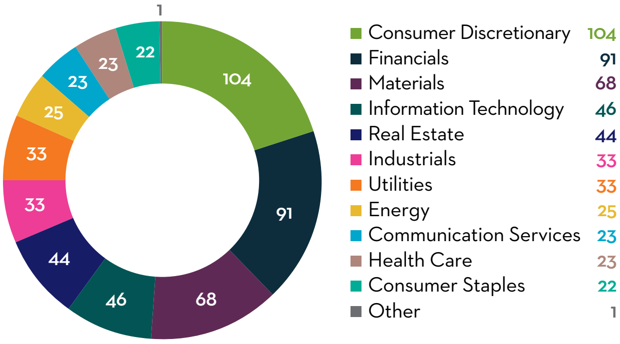
We believe monitoring and engagement is an essential part of being a shareholder in a company. It allows us to improve our understanding of investee companies and their governance structures, so that our voting decisions may be better informed. In addition, it enables us to understand to what extent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

OVERVIEW: YTD 2021

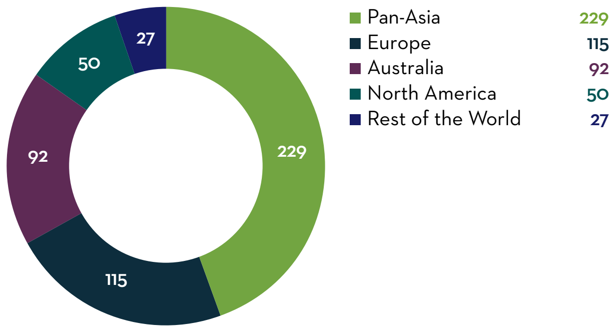
FIRM-WIDE ENGAGEMENTS

30	MARKETS COVERED
198	COMPANIES ENGAGED
513	**TOTAL ENGAGEMENTS**

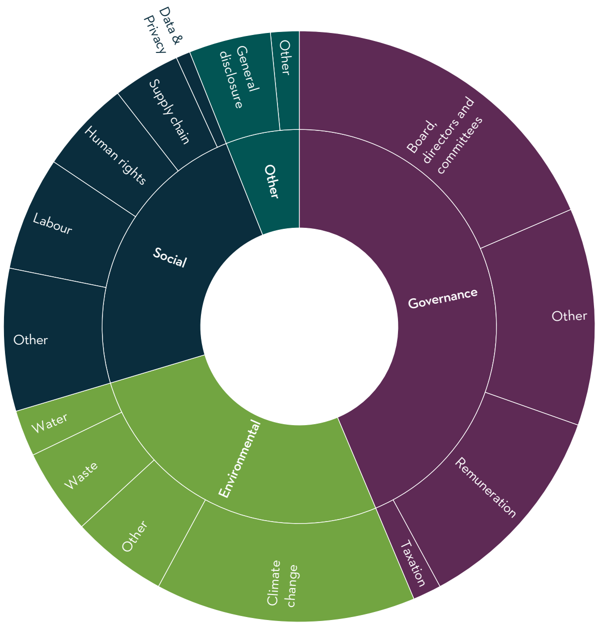
ENGAGEMENTS BY SECTOR



ENGAGEMENTS BY REGION

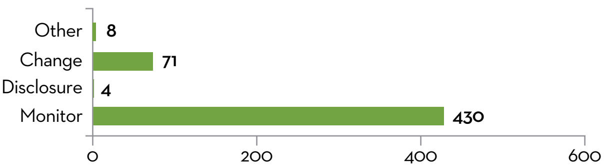


ENGAGEMENTS BY TOPIC

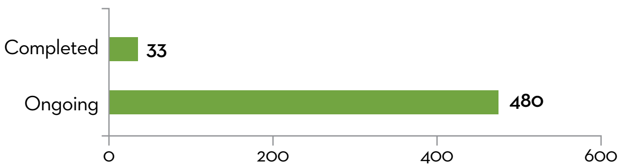


WE BELIEVE MONITORING AND ENGAGEMENT IS AN ESSENTIAL PART OF BEING A SHAREHOLDER IN A COMPANY. IT ALLOWS US TO IMPROVE OUR UNDERSTANDING OF INVESTEE COMPANIES AND THEIR GOVERNANCE STRUCTURES.

PURPOSE OF ENGAGEMENT



OUTCOME OF ENGAGEMENT



Source: Martin Currie. Engagement activity is for the period 1 January 2021 – 30 September 2021.

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.

ADVOCACY THROUGH PROXY VOTING ACTIVITY

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

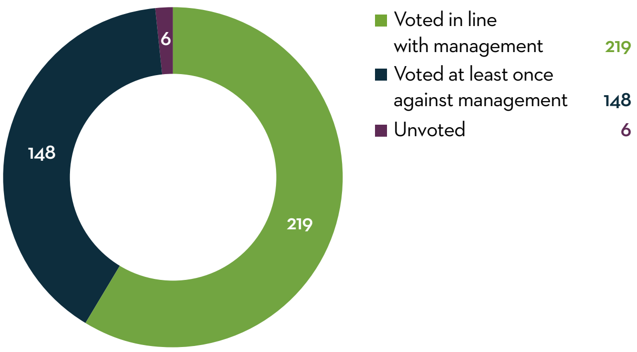
When voting on behalf of our clients, we will always seek to do so in their best interests considering the long-term impact of these voting decisions.

OVERVIEW: YTD 2021

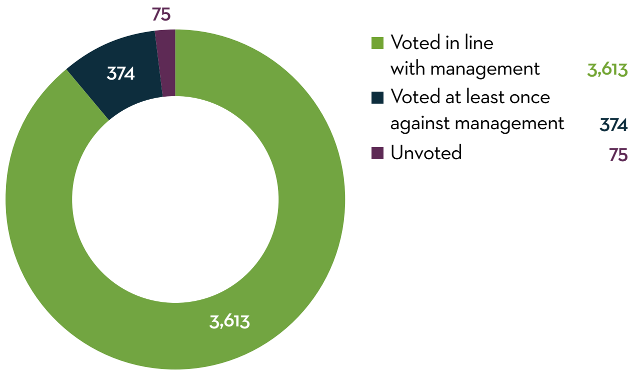
FIRM-WIDE PROXY VOTING

39	MARKETS COVERED
367	**TOTAL SHAREHOLDER MEETINGS**
148	MEETINGS WHERE WE VOTED AGAINST MANAGEMENT
3,987	**TOTAL RESOLUTIONS:**
374	RESOLUTIONS VOTED AGAINST MANAGEMENT

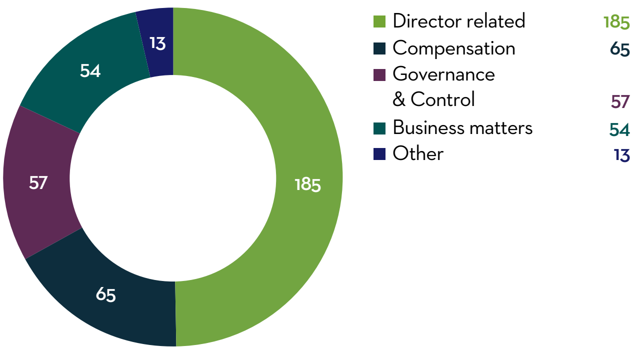
TOTAL MEETINGS



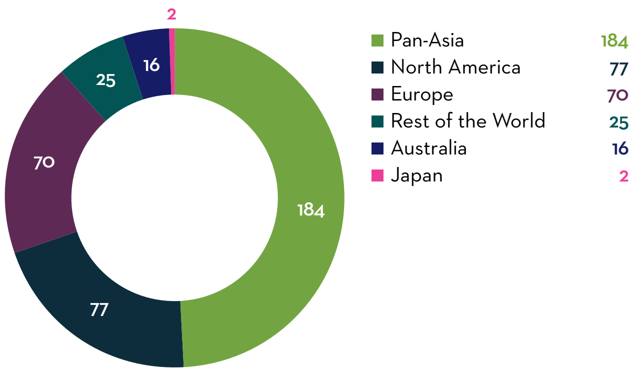
TOTAL RESOLUTIONS



RESOLUTIONS VOTED *AGAINST* BY PROPOSAL TYPE



RESOLUTIONS VOTED *AGAINST* BY REGION



Source: Martin Currie. Proxy activity is for the period 1 January 2021 – 30 September 2021.

OUR RECENT STEWARDSHIP AND ESG INSIGHTS

Thought leadership written by the investment team is published regularly on our website.

- **Stewardship Matters – Edition 3**

  Our regular update of Martin Currie's work in the stewardship and ESG space and our insights into future ESG trends. Edition 3 focuses on quantifying the impact and opportunities of decarbonisation.

  13 July 2021

- **Mitigating the Risk of Modern Slavery in Australian Companies**

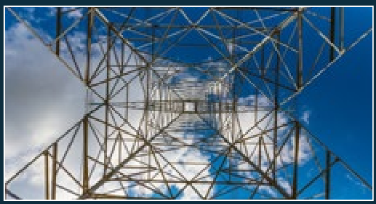
  The reporting requirements under the new Modern Slavery Act are helping to focus attention on the risks of exploitation. Martin Currie Australia has looked deeply at how to mitigate them.

  25 August 2021

- **The Asia Pacific Clean Energy and Electrification Revolution**

  Demand driven income growth opportunities from 'behind the scenes' Asia Pacific utilities.

  30 August 2021



- **Global Emerging Markets - Through the ESG Lens**

  Emerging markets have made great strides when it comes to ESG over the years, and there is now a constellation of companies which can go head to head with their developed-market peers

  8 September 2021

STEWARDSHIP INSTITUTE INSIGHTS

Professional Investors can access original insights and thought leadership papers here.

- **COP26 and the importance of 'net zero'**
  2021 could prove to be a pivotal year in the fight against climate change and the race towards Net Zero emissions.
  17 February 2021

- **Net zero: from policy to action**
  David Sheasby, Head of Stewardship & ESG and John Gilmore, Portfolio Manager / Stewardship & ESG Specialist identify the key challenges ahead in the journey to net zero.
  19 March 2021

- **Net zero: the role of capital markets**
  Martin Currie's Stewardship and ESG leadership team, David Sheasby and John Gilmore, look at the ways that markets and investors can help realise the goal of net zero.
  30 August 2021

- **Net zero: managing the wider impact of economic and capital displacement**
  David Sheasby, Head of Stewardship & ESG and John Gilmore, Stewardship & ESG Specialist highlight that while focusing on climate action, it is important not to lose sight of other societal and developmental priorities that may occur as the economy is reprofiled.
  15 June 2021

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MARTIN CURRIE

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