First Sentier Investors

Global Responsible Investment and Stewardship Principles

1.0 Introduction

1.1 This document sets out:

a. the responsible investment (RI) and investment stewardship principles that the First Sentier Investors group (FSI) believes will facilitate the delivery of sustainable investment success for the benefit of its clients, employees, society and our shareholder;

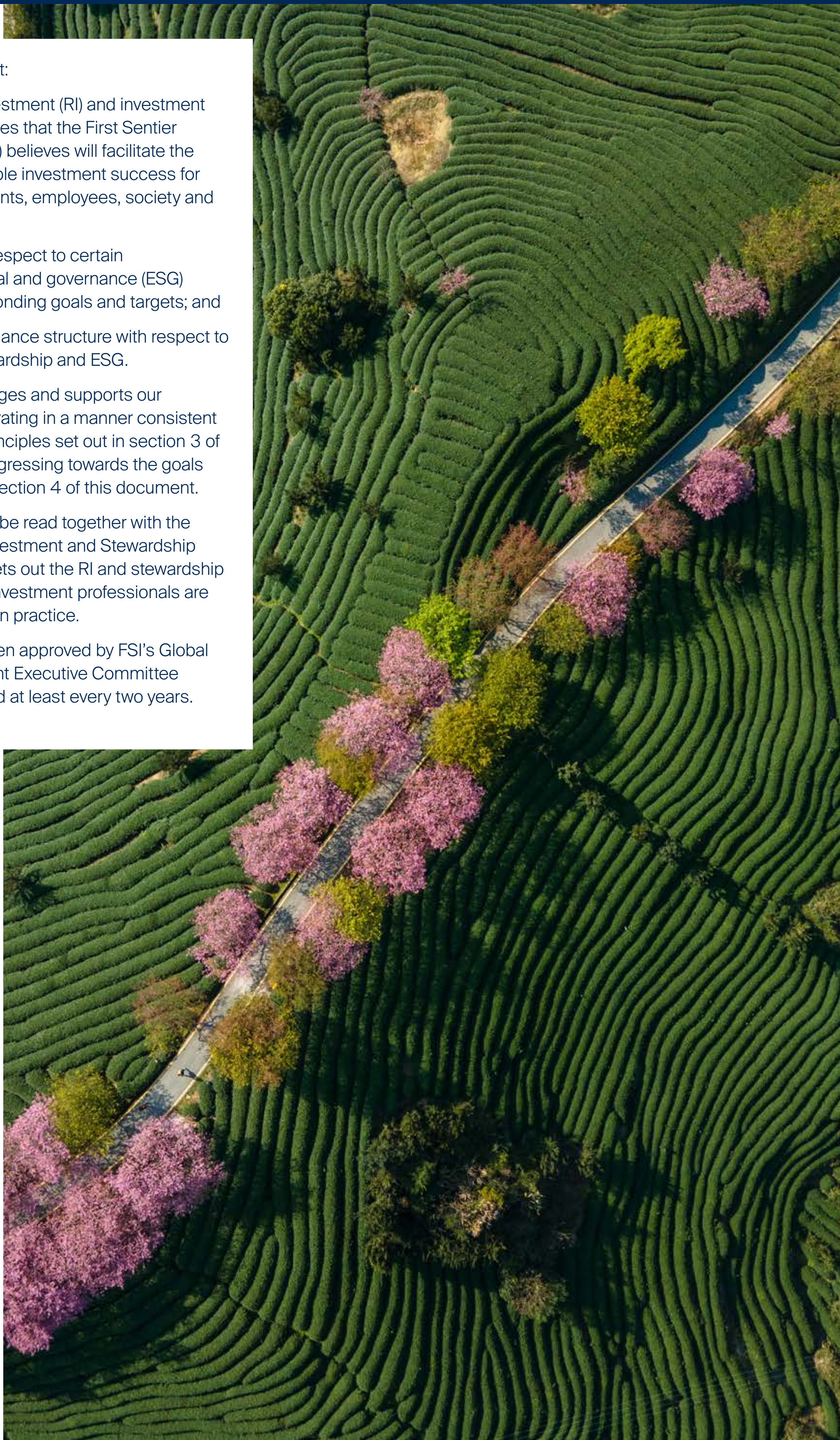
b. FSI's position with respect to certain environmental, social and governance (ESG) issues and corresponding goals and targets; and

c. FSI's internal governance structure with respect to RI, investment stewardship and ESG.

1.2 The FSI group encourages and supports our investment teams operating in a manner consistent with the beliefs and principles set out in section 3 of this document and progressing towards the goals and targets set out in section 4 of this document.

1.3 This document should be read together with the Global Responsible Investment and Stewardship Policy (Policy), which sets out the RI and stewardship standards that all FSI investment professionals are expected to adhere to in practice.

1.4 This document has been approved by FSI's Global Responsible Investment Executive Committee (GRIEC) and is reviewed at least every two years.



2.0 RI and stewardship at FSI

2.1 FSI is a global asset manager with experience and expertise across a broad range of asset classes and specialist investment sectors. We are stewards of assets managed on behalf of institutional investors, pension funds, wholesale distributors, investment platforms, financial advisers and their clients worldwide.

2.2 Our purpose is to deliver sustainable investment success for the benefit of our clients, employees, society and our shareholder. Our vision is to be a provider of world-leading investment expertise and client solutions, led by our responsible investment principles and based on a culture driven by our core values: Care, Openness, Collaboration and Dedication.

2.3 At FSI, RI principles and stewardship are implemented at both a group level and an investment team-level. The work at both levels is supported by our central RI team. Whilst each investment team has its own distinct investment process, they all share a commitment to RI and stewardship.

2.4 The group-level RI and investment stewardship approach includes:

a. setting the RI/ESG principles and standards for the FSI group;

b. implementing the firm-wide RI strategy;

c. RI governance within FSI;

d. participating in industry engagements on RI/ESG issues;

e. producing thought leadership and providing learning and development opportunities for professionals across the organisation; and

f. holding ourselves as a business to the same standards as those we expect of the companies we invest in through our Corporate Sustainability work.

2.5 The investment team-level RI and investment stewardship approach includes:

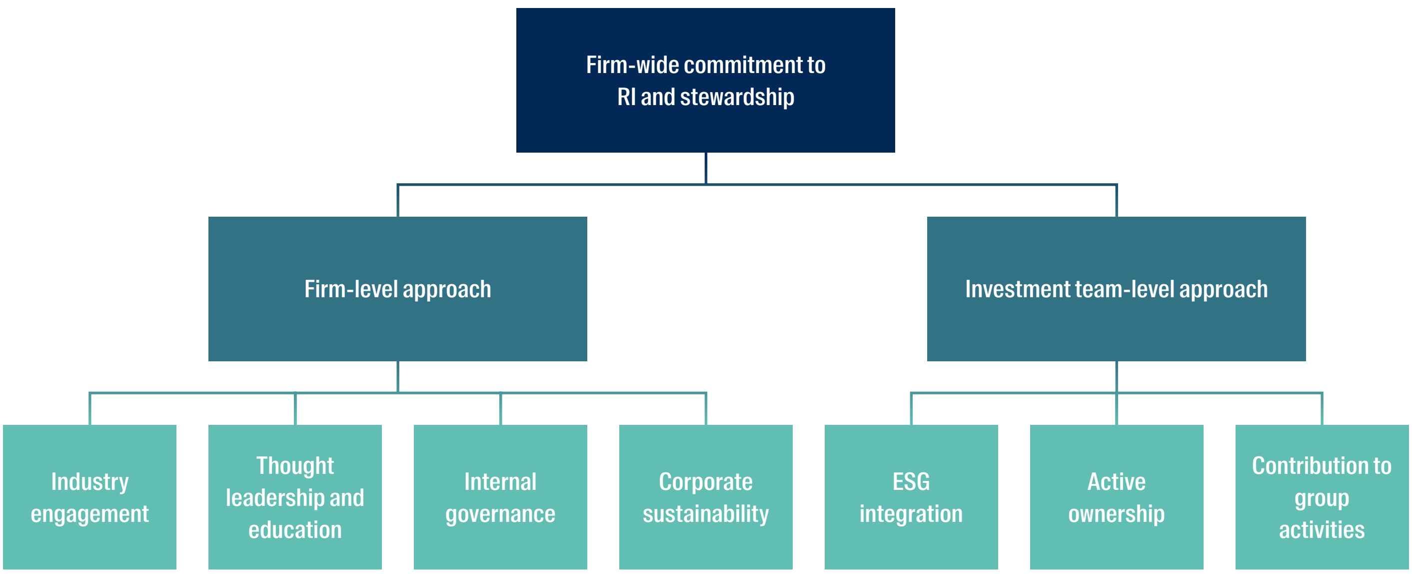
a. integrating ESG issues into the investment process in an appropriate manner for the asset class and investment philosophy and in compliance with the RI/ESG standards of the FSI group;

b. undertaking active ownership and stewardship;

c. seeking to achieve the targets and goals set out in this document and operating in a manner consistent with the RI and investment stewardship principles; and

d. contributing to FSI group RI/ESG initiatives and activities where appropriate.

2.6 FSI is made up of a number of investment teams across a broad range of asset classes that operate with discrete investment autonomy, according to their individual investment philosophies. Each investment team has its own distinct investment process. As a result, the method for appropriately incorporating RI/ESG issues into the various investment processes may differ from team to team.



3.0 Our beliefs and principles

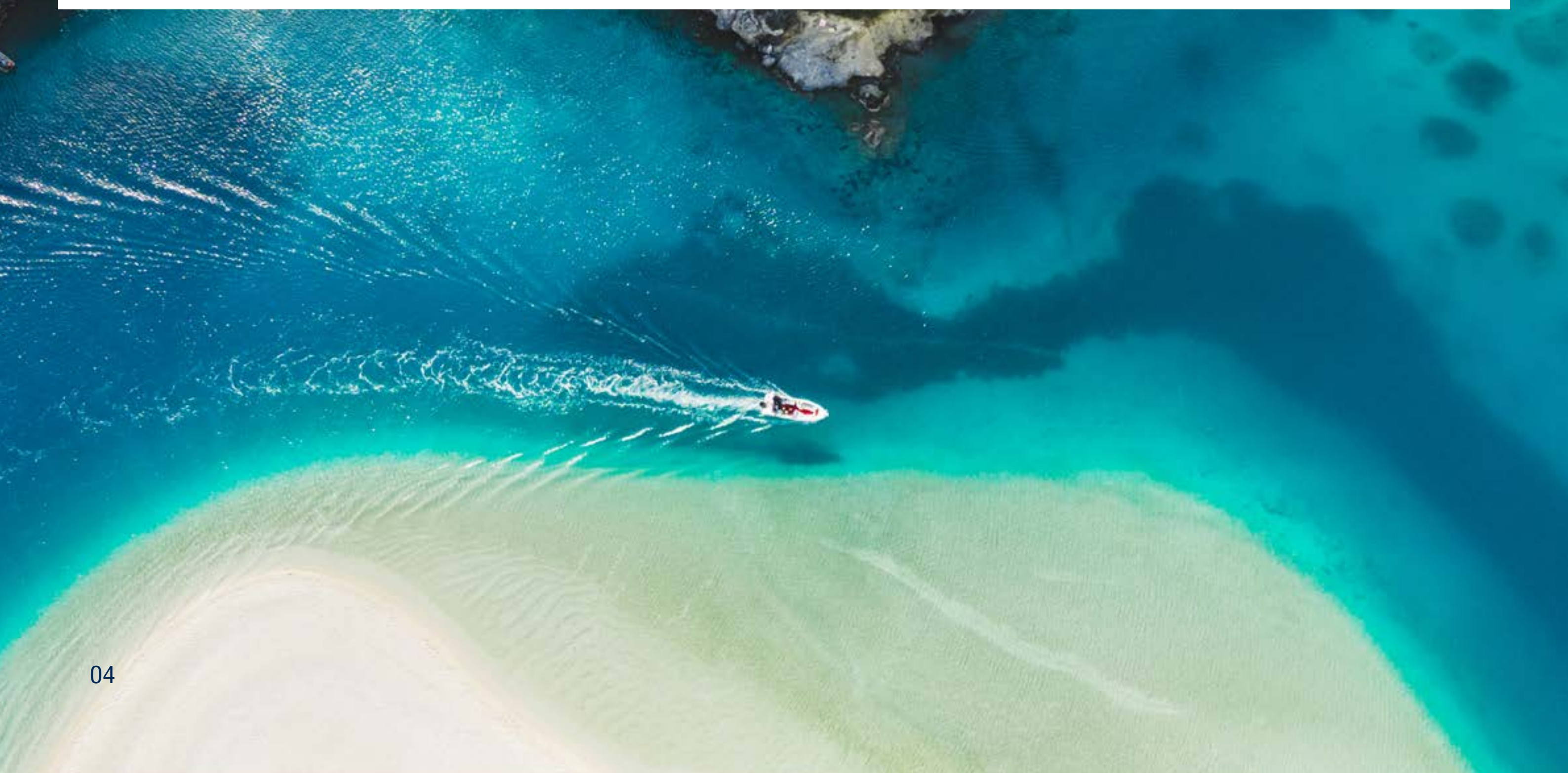
3.1 We recognise that the individual and collective decisions we make as investors have far-reaching implications. We also acknowledge that there are significant current and emerging systemic issues across the global economy and society that require a deliberate and long-term investment focus. Our business aims to protect and enhance the value of our clients' assets. We are aware that this requires us to acknowledge a wider set of responsibilities, such as upholding the quality and integrity of the financial markets we invest in and allocating capital to investments that contribute to a sustainable economy and society. We believe that an emphasis on stewardship underpins the quality of our investment process, is in our clients' best interests and is part of our broader social licence to operate.

3.2 As a firm, we believe that:

- as a global asset manager we have the opportunity and responsibility to allocate our clients' capital in a way that drives what we believe to be positive social and environmental outcomes within the context of our investment strategies;
- incorporating ESG considerations as sources of long-term risk and opportunity into our investment approach can help us make better decisions, which can lead to stronger long-term investment performance for our clients;
- as active owners, we can contribute to better outcomes on behalf of our clients and broader society.

3.3 The following principles guide all FSI investment professionals when confronted with issues not specifically covered in this document:

- We believe companies that recognise their responsibilities for environmental stewardship, positive societal engagement and strong corporate governance can reduce investment risk, take advantage of opportunities and add value over time.
- We believe that it is part of our fiduciary duty to proactively assess ESG factors throughout our investment process and to be active owners of our clients' assets.
- We believe that engaging with companies to achieve positive ESG outcomes will deliver better value with lower risk over the long-term.
- We should exercise ownership rights and vote where we have the ability and authority to do so.
- It is our responsibility to work in support of, and for the benefit of, our clients at all times, and to engage constructively with them, consultants, our peers, regulators and other stakeholders to:
  - » Encourage long-term investing and sustainable high quality financial markets;
  - » Encourage the allocation of capital to sustainable business activities;
  - » Contribute to the development of industry standards of responsible investment and stewardship practices; and
  - » Measure and report on the ESG outcomes of our investments as evidence of our approach to responsible asset management.



4.0 Systemic ESG issues of concern

4.1 Our commitment to RI research and analysis on systemic and material issues of importance to ourselves and our clients enables us to make more informed decisions that not only benefit our clients and over time the broader market, but also our environment and society. We support the UN Sustainable Development Goals (SDGs) as a framework for identifying these issues and believe that investors have an important role to play in allocating capital towards meeting these goals.

4.2 Whilst ESG focus issues will vary between investment teams and individual investments, at a group level we have identified four main investment stewardship priorities: climate change, human rights and modern slavery, nature and biodiversity, and diversity. These priorities address the ESG issues that pose significant long-term financial risks to our investments, while also presenting opportunities. We report on why these issues are important to us and the progress we are making in these areas in our annual Responsible Investment Report.

Our approach to climate change

4.3 We believe that society must drastically reduce emissions if we are to avoid the worst consequences of the climate crisis. For this reason we support the global transition to net zero emissions in line with the goals of the Paris Agreement. As allocators of capital, stewards of our clients' assets and as active shareholders in companies on their behalf, the individual and collective decisions we make as investors can influence the nature and speed of this transition.

4.4 We acknowledge that we have a wider responsibility to contribute to a sustainable economy and society through our investment activities and business operations. We understand that different assets will be affected by the transition in different ways, both in relation to their contribution to climate change in the form of greenhouse gas emissions, but also their exposure to changes occurring in the physical environment. In addition to managing climate risk, we are focused on the opportunities presented by the transition to a low carbon economy. Some companies are well positioned to provide or to contribute to the solutions needed to reduce greenhouse gas emissions and to adapt to a changing climate. We believe these companies can offer compelling, long term, risk-adjusted investment returns aided by changes in policy, technology and consumer demand.

4.5 Our net zero transition strategy is detailed in our Climate Change Action Plan, which was launched in 2022. We have summarised our approach as 'The 5 C's of Climate Change':

- **Company engagement:** we will seek to influence companies through engagement and exercising our proxy voting rights, and we will allocate capital to help accelerate the climate transition.
- **Clients:** we aim to be a trusted partner who can support clients in their transition to a low carbon economy.
- **Collaboration:** we will continue to support climate-related industry collaborations, climate policies, and regulation to drive systemic change.
- **Clarity:** we will be transparent about our progress on reaching net zero, and provide evidence for any climate-related claims we make.
- **Corporate sustainability:** we are decarbonising our business operations through a broad range of initiatives, and will report on progress.

Our targets and goals

4.6 In March 2022, we became a signatory to the Net Zero Asset Manager (NZAM) initiative and set a firm-wide ambition to reduce greenhouse gas emissions across our investment portfolios, in line with a target of progressing towards net zero emissions by 2050 (or sooner). Initial assets under management (AUM) covered by the net zero target is 44.5%[1] (as of 31 December 2021, which is our baseline year). The firm-wide reduction target covers Scope 1 & 2 emissions of our investee companies, with Scope 3 due to be integrated at a later date when more data becomes available.

4.7 We have built a framework allowing teams to set their own targets in line with this transition towards net zero. This enables investment teams to maintain their autonomy while ensuring integrity and accountability with a firm-wide net zero ambition. Each investment team has committed to a range of targets over the short, medium and long term at stock, portfolio and/or team levels. These include interim targets with a view to contributing to the 50% global reduction in carbon dioxide (CO_2) required to reach a net zero target by 2050.

4.8 For the majority of the AUM, we have based our target-setting methodology on the alignment maturity scale recommended by the Paris Aligned Investment Initiative Net Zero Investment Framework Implementation Guide, applying our own weights and scoring methodology to calculate and track progress against interim targets for 2025 and 2030.

1 The organisation's NZAM commitment is split up in two commitments, an FSI commitment and a Stewart Investors (SI) Commitment. FSI's commitment covers all investment teams and respective AUM exclusive of SI's commitment and AUM, which is covered separately.

4.9 Performance against these targets will be monitored by the firm's Global Investment Committee and disclosed in our annual Climate Change Action Plan, and additional detail on our targets at firm and investment team-level is available on our website.

4.10 We aim to increase the overall % AUM coverage in the coming years as additional methodologies become available. We will also continue to review our targets as policies and technologies to decarbonise economies continue to develop.

Our approach to biodiversity

4.11 Our economic and financial system depends on the ecosystem services provided by nature. Biodiversity loss and land degradation is financially material and addressing it is crucial to achieving a net zero and climate resilient future. Companies that fail to adequately identify and manage their impacts and dependencies in relation to nature and biodiversity could face financial, reputational, legal and other consequences. Understanding nature-related risks, opportunities, dependencies and impacts from investee companies, and engaging with them to halt nature loss and protect the ecosystems is in our own and our clients' best interests.

4.12 Our initial focus areas are water and deforestation issues given our investment exposure and the materiality of these issues. We recognise the importance of freshwater and forests as they provide vital natural resources and ecosystem services for production of goods, economic growth, health and wellbeing. The key elements of our approach to these issues are set out in our Nature and Biodiversity Toolkit, which includes a framework for sector- and company-level assessment as well as company engagement. We believe that mapping various data points to holding companies, assessing priority companies in depth, and engaging with them on material issues and gaps can provide new opportunities to understand our risks, dependencies and impacts on nature. In this context we encourage companies to improve their understanding of nature-related issues and strengthen transparency measures and disclosure.

4.13 Our water assessment and engagement framework focuses on water risk management including physical, regulatory and reputational risk, and water use management including water intensity, water reuse, and wastewater treatment. Our next steps will involve consideration of these metrics and indicators for direct operations and supply chain as far as relevant data is available. We acknowledge different uses of water in different sectors and how materiality of the issues can vary depending on locations. Based on this assessment we will engage with the aim to ensure that companies do not negatively impact water availability in water-scarce areas and water quality across their value chain.

4.14 Our deforestation assessment and engagement framework considers traceability and transparency, sourcing, monitoring, policies and pledges and disclosure, targeting companies that are involved in producing, processing, trading or procuring high forest-risk agricultural commodities that contribute to deforestation in our investment portfolios. Through engagement we expect companies to disclose more information on their involvement in deforestation and mitigation efforts to stop it by 2025.

Our targets and goals

4.15 Since signing the Finance for Biodiversity Pledge in 2021, we have been reporting on our progress for each action item in our annual RI Report, including our work on nature assessment, engaging with companies, collaboration and our plans for assessing impacts and setting targets. We take the commitments made in the Pledge seriously and will continue to work towards delivering the five actions by end of 2024.

4.16 We commit to engage with companies targeting greater transparency and better disclosure on supply chain and location data and to monitor their progress in setting clear policies and/or commitments on the nature-related issues material to their business, in particular those related to water or deforestation. Targeting investee companies in the food and beverage sector, the RI team will coordinate our priorities and approaches to deforestation internally with investment teams to formulate key asks for these companies to engage.

4.17 We aim to significantly reduce marine plastic pollution through our engagement with commercial and domestic washing machine manufacturers and policy makers alongside other investors on this issue. We are advocating for manufacturers to fit filtration technology to their products as a standard feature. In addition to this, we have engaged with a number of regulators as part of this initiative.

Our approach to human rights and modern slavery risks

4.18 In First Sentier Investors' view, human rights violations are unacceptable. Corporations have legal, moral and commercial responsibilities to respect human rights and manage the human rights impacts of their operations. They are not only expected to meet their human rights responsibilities, but may face reputational, legal or other consequences if they fail to do so. As an investor in these businesses, it is imperative that we fully understand these risks and seek to mitigate them on behalf of our clients.

4.19 Our approach to human rights risks is informed by the UN Guiding Principles on Business and Human Rights, the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the International Labour Organization's

labour standards. The key elements of our approach are set out in our Human Rights Toolkit and Modern Slavery Toolkit, summaries of which are available in the Reports and Policies section of our website. These resources provide the tools for identifying human rights and modern slavery risks within investment portfolios, assessing companies' approaches to those risks and addressing those risks through engagement and escalation measures.

4.20 On a quarterly basis, the RI team screens companies for compliance with UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights to support engagement prioritisation on this topic.

4.21 We believe that engaging with investee companies both proactively and reactively is the best method for advancing human rights in the first instance. We engage with individual companies on human rights issues and specifically modern slavery risks, and we also engage collaboratively through the initiative we convene, Investors Against Slavery and Trafficking APAC. We are active members of the Responsible Investment Association of Australasia's Human Rights Working Group.

Our approach to diversity

4.22 We believe that companies should have a diverse workforce and leadership because it is the right thing to do, and is important for long-term business success. Not only are there many business benefits that can accrue from including people with different skills, life experiences and outlooks, there are also business risks that arise from a lack of diversity. Those risks include a tendency towards 'groupthink', reduced opportunities for innovation, and a limited ability to understand and meet the needs of diverse stakeholders.

4.23 Many studies point to a strong link between diversity, inclusion and a more productive and profitable company. Investors who take these issues into account can potentially minimise risk and enhance returns.

4.24 We see best practice for diversity and inclusion requiring companies to:

a. Publish gender wage gap data and gender composition of board and management.

b. Conduct voluntary diversity surveys of their workforce, and make the results public.

c. Set targets on diversity beyond gender, as relevant and appropriate to the company.

d. Have in place dedicated diversity, equity and inclusion programs with KPIs, and report on their progress.

4.25 We will engage with companies directly to foster these practices, and also collaborate with other investors.

Our targets and goals

4.26 In order to ensure women's full and effective participation in company leadership, we advocate for company boards and management teams in developed markets to be comprised of at least 30% females, with a stretch target of at least 40%. For small company boards, we advocate for at least one non-executive director to be female. For Latin America, Asia and the Middle East, we aim for 20% female board members, cognisant of the fact that current levels of gender diversity are lower than developed markets.

4.27 We are members of the 30% Club, which targets at least 30% women on boards, and the 40:40 Initiative in Australia, which targets at least 40% women on management teams.

5.0 Stewardship

5.1 We seek to be active stewards of our clients' capital and, through our stewardship, address systemic issues that present long term risks for our investments. To ensure that we do this effectively, we focus on contributing to collective goals and delivering real world outcomes through our active ownership activities. We recognise that we can achieve far greater impact on systemic risks when we work together with other investors and service providers. This complements our strong belief in the value that can be added to future returns through direct company engagement activities.

Industry collaboration and policy advocacy

5.2 We believe that it is our responsibility to engage in public policy debates and industry initiatives on RI topics in line with our clients' interests where we have relevant experience. Issues we will seek to engage and collaborate on may include:

- development of best practice in sustainable finance
- quality of markets
- understanding of ESG factors as sources of risk and return
- enhancing our clients' interests and awareness of ESG issues
- policy and regulatory developments
- implementation of standards for company reporting on material ESG issues

5.3 We endeavour to take a leadership role on collaborative initiatives and working groups that meet these requirements and seek to align ourselves with organisations that share our values in relation to RI and being a responsible business. Our approach to policy advocacy is set out in our Policy Advocacy Principles. In addition to this, together with our shareholder, Mitsubishi UFJ Trust and Banking Corporation, we have launched the First Sentier MUFG Sustainable Investment Institute, which commissions thought leadership that aims to enhance industry awareness of sustainable investment, reports on market trends and best practice, and promotes a greater understanding of how such issues can impact long-term investment performance.

5.4 A full list of initiatives that we engage with and support is listed in our annual RI and stewardship reports.

Corporate engagement

5.5 Engaging in an active dialogue with the companies or entities that we invest in is an important activity as it provides a key opportunity to improve our understanding of their business. Our expectations in relation to engagement are set out in our Global Responsible Investment and Stewardship Policy.

5.6 The scope of engagement will vary significantly based on a variety of factors including the risks and opportunities faced by the company, the opportunity and willingness to engage by the company, and the size or nature of the investment. Given the varying nature of the asset classes we manage, the geographies in which they operate and the size of our holdings, each of our investment teams' engagement approaches are tailored to individual companies and the specific issues in question. All of these factors will be taken into account by investment teams when prioritising and determining the scope of engagement activities.

5.7 Methods of corporate engagement that FSI utilises include, but are not limited to, sending letters to or attending meetings with the management and boards of investee companies, exercising voting rights as a shareholder, supporting and/or co-filing shareholder resolutions and collaborating with other investors to amplify our concerns on particular issues.

Proxy voting in public markets

5.8 We believe proxy voting is an important investor right and responsibility and should be exercised wherever possible. In addition, the ability to vote strengthens our position when engaging with investee companies and supports the stewardship of our clients' investments. Voting rights (along with other rights attached to shares, for example pre-emption rights) are a valuable asset which should be managed with the same care and diligence as other assets on behalf of our clients. Eligible shares are voted through Viewpoint, Glass Lewis' electronic voting platform.

5.9 Our investment teams obtain recommendations from a selection of proxy voting advisers (currently Glass Lewis and Ownership Matters); however, our investment teams retain full control of their voting decisions (subject to specific client voting arrangements in the case of segregated accounts) and may not always follow the guidance issued by the providers. FSI will regularly monitor the performance of its proxy voting advisers. Like all FSI vendors, Glass Lewis is part of our supplier governance and oversight program, which includes regular vendor meetings and KPI tracking.

5.10 The ESG guidelines and principles contained in this document shall be used to assist decision-making and company engagement activities across all our various funds. However, given the independent manner in which FSI's various funds are governed and managed, it is possible for managers to vote differently on and have different perspectives about a company's ESG performance. See Appendix 1 for our voting principles. These are high level principles, and a number of teams have developed more detailed guidelines or policies for use at investment team-level, where votes cast may differ with some of these examples.

5.11 Proxy voting may give rise to potential conflicts of interest. In order to undertake our proxy voting practices in a manner consistent with the principles set out in this document we must manage any conflicts of interest that arise.

5.12 A Material Conflict for a portfolio manager/analyst shall be presumed:

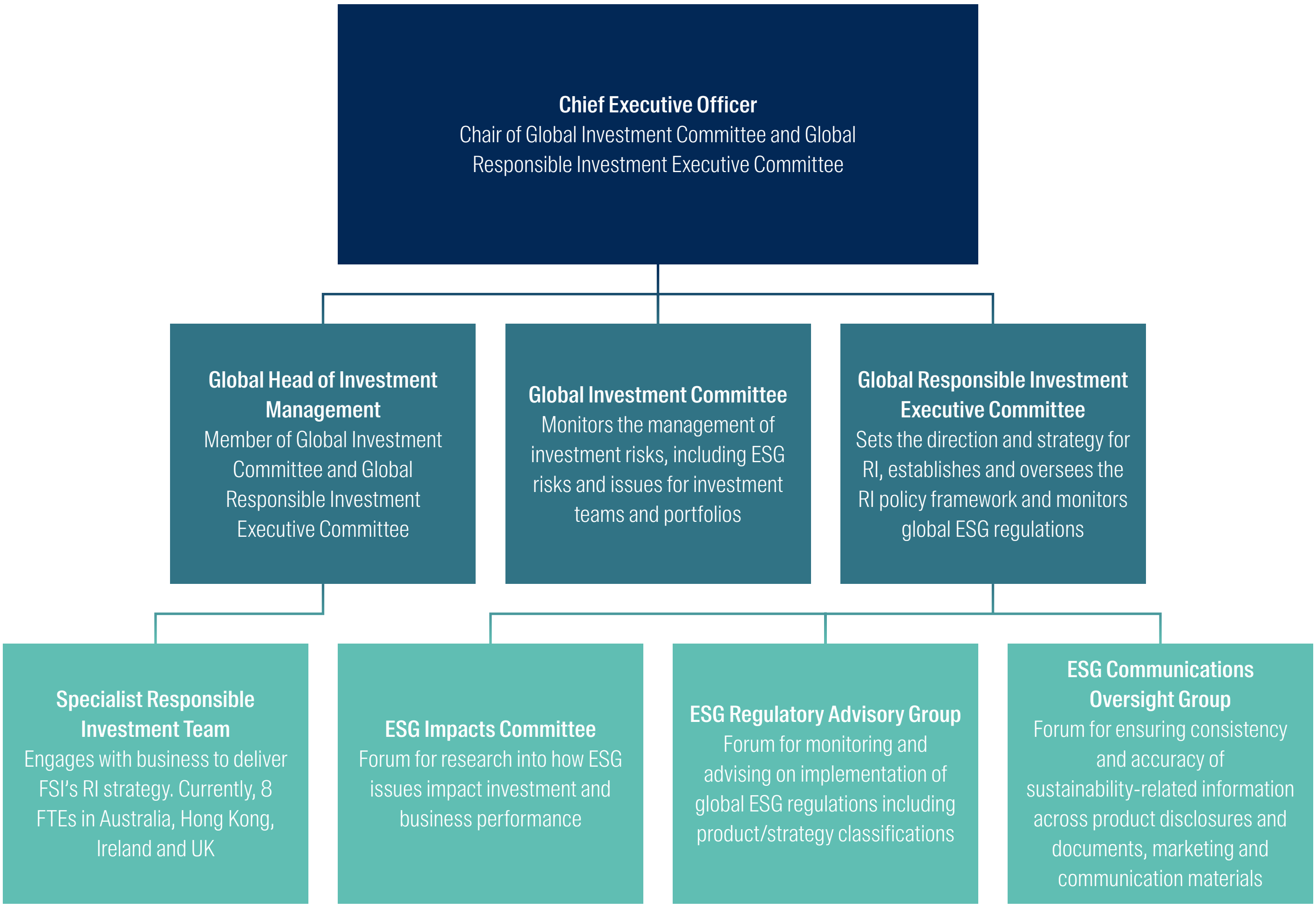
- when a voting event involves an issuer:
  - » on whose account the portfolio manager/analyst is responsible for managing or making investment recommendations;
  - » with respect to which the portfolio manager/analyst is involved in the marketing of a FSI investment product; or
  - » on whose board of directors the portfolio manager/analyst or another FSI employee sits as a member or on an advisory committee;
- when the relevant portfolio manager/analyst has a familial relationship with:
  - » a director or principal executive officer of the issuer; or
  - » a nominee proposed to be elected as a director of the issuer;
- if the proxy voting involves an issuer who is also a FSI advisory client.
- In the event a Material Conflict is identified, the Business Head/Managing Partner or his/her nominee shall determine how to vote the proxy in consultation with Compliance, and in such cases shall keep adequate records to demonstrate that the resulting vote was not the product of the Material Conflict(s).

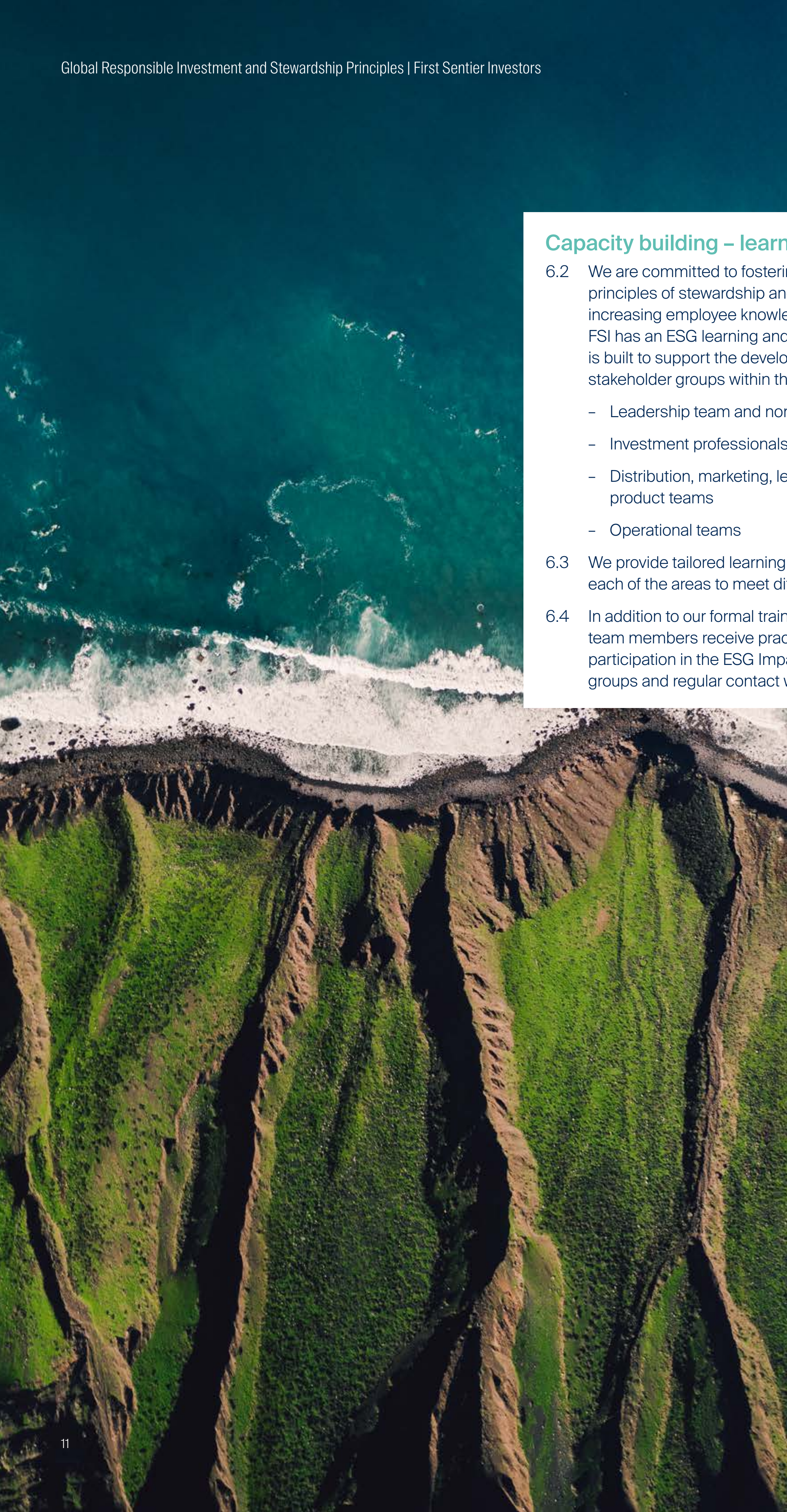
5.13 FSI maintains a Conflicts Register, which identifies actual and potential conflicts of interest that exist within the firm and the procedures and controls that have been designed to manage these conflicts. It is subject to annual review and approval by FSI's internal governance committees. It is the responsibility of each employee to identify and report potential conflicts as laid out in the firm's Global Conflicts of Interest Policy and Global Code of Conduct. Each employee must submit an annual declaration to confirm they have adhered to the firm's Global Code of Conduct. Training is provided on the Conflicts of Interest Policy during employee inductions and annually thereafter.

6.0 Internal governance

6.1 Our RI and stewardship governance structure includes the following:

- **Global Responsible Investment Executive Committee:** chaired by our CEO, this group meets quarterly and is responsible for setting the direction and strategy for RI, approval of the policy framework and oversight of FSI's adherence to global ESG regulations.
- **Specialist RI Team:** this team engages with and coordinates the entire business to deliver the RI strategy. The team currently consists of 8 staff located across our offices in Australia, Hong Kong, Ireland and the UK, and reports into the Global Head of Investment Management.
- **Global Investment Committee:** chaired by the CEO and including our Global Head of Investment Management, the committee meets quarterly and is responsible for monitoring the management of investment risks, including ESG risks and issues for investment teams and portfolios, with the exception of Igneo Infrastructure Partners, who maintains its own ESG governance structure to reflect the unique characteristics of this asset class.
- **ESG Impacts Committee:** comprising representatives from each investment team (RI Representatives), the ESG Impacts Committee is a forum for identifying research areas to deepen our understanding of how ESG issues impact investment and business performance. The focus is on crosscutting issues that affect multiple investment teams, such as climate change and human rights risks and creating working groups to consider and deepen our knowledge of these issues. The ESG Impacts Committee meets twice yearly. The RI Representatives are a key pillar of our governance strategy.
- **ESG Regulatory Advisory Group:** established in 2022 for the purpose of monitoring and advising on the implementation of global ESG regulations including product/strategy classifications and to make recommendations to the GRIEC.
- **ESG Communications Oversight Group:** established in 2022 comprising representatives from across the business functions globally, the ESG Communications Oversight Group monitors and advises on globally consistent ESG disclosures across regulatory and marketing materials where product/strategy articulation and classifications are expressed.





Capacity building – learning and development

6.2 We are committed to fostering a culture that supports principles of stewardship and responsibility and focuses on increasing employee knowledge and engagement with RI. FSI has an ESG learning and development strategy which is built to support the development of four key internal stakeholder groups within the business:

- Leadership team and non-executive directors
- Investment professionals
- Distribution, marketing, legal, regulatory compliance and product teams
- Operational teams

6.3 We provide tailored learning and development activities for each of the areas to meet different requirements.

6.4 In addition to our formal training programme, investment team members receive practical training through participation in the ESG Impacts Committee and working groups and regular contact with the specialised RI team.

Appendix 1. Proxy voting guidelines

At FSI we consider each resolution based on its merits. FSI applies the following principles together with issues we consider to be material when making voting decisions.

Section I: Governance Principles

When voting on both management and shareholder proposals, our voting decisions are guided by the following four corporate governance pillars: accountability, independence, transparency and stewardship. We believe a well-functioning board should demonstrate these characteristics and set their strategy with these principles in mind.

Accountability

1.1 FSI believes that the board of directors and CEO are accountable to shareholders and broader stakeholders such as employees, customers and regulators for their actions and their management style.

1.2 Our engagement and voting rights allow us to ensure that boards remain answerable to shareholders.

1.3 In voting on directors, we will consider holding the board of directors and management accountable for situations where a lack of risk oversight is perceived, or when the board is not responsive to shareholder concerns.

Independence

2.1 FSI believes that the board of directors plays a leadership role in shaping the governance structure of an organisation.

2.2 We look for independent, engaged and diverse boards whose composition reflects the company's stakeholders.

2.3 Boards should be sufficiently independent to ensure effective oversight of management's performance and remuneration.

2.4 Boards should be majority independent and have a separation of Chair/CEO roles. However, we recognise that in certain circumstances an executive chair may be considered to effectively combine both roles.

2.5 In voting on directors, we will consider whether the board provides a balance of independence, a diversity of skills and knowledge, experience, cultural background, perspective and gender. It is also important that the board has an effective size and composition, and that directors are sufficiently committed.

Transparency

3.1 FSI believes that companies should provide accurate, clear and timely information that enables shareholders to understand key issues, to make informed vote decisions, and to effectively engage with companies on matters that impact long-term value creation.

3.2 The board should have appropriate processes in place to verify the integrity of information.

3.3 Auditors provide a valuable protection to shareholders. In voting on auditor ratifications, we will consider the auditor's independence and ensure they are free from conflicts of interest. We will consider auditor tenure and rotation as well as 'audit' versus 'non-audit' fees paid by the company.

3.4 Timeliness of information: FSI believes that relevant information (notice of meeting, meeting agenda, directors up for election) should be released in a timely manner if shareholders are to make informed voting decisions.

Stewardship

4.1 Environmental, social and governance (ESG) considerations pose significant risks and opportunities for both companies and investors. The impacts of climate change, use of our natural resources, social inequality, poor stakeholder relations and lack of sound governance structures all have the potential to escalate rapidly into crises.

4.2 As businesses prepare for the potential adverse impact of future systemic risks, FSI expects boards to consider relevant ESG risks and opportunities.

4.3 A company should conduct its business with a regard for environmental, health, safety and other sustainability issues relevant to its operations.

4.4 Boards should be cognisant of developments relating to economic, social and environmental issues and should understand which issues are most important to the company's business and to its shareholders.

4.5 FSI expects boards to consider a range of ESG risks that affect their company, sector and value chain. Amongst environmental issues covered, climate change is generally the most prominent, followed by nature-related topics, such as deforestation and freshwater use.

4.6 When evaluating environmental and social shareholder proposals we will ensure that those proposals are assessed based on their merits and effectiveness, that they are well-framed and reasonable, assess what the company has already done in response to similar issues and how effective the proposals will be in reaching the objectives sought.

4.7 As part of FSI's net zero ambition, we believe that our investee companies have an important role to play. We will use our voting rights when we do not see any progress made, and in voting on directors, climate change related shareholder proposals and/or Say on Climate proposals, we will consider if companies have detailed disclosure in line with the Task Force on Climate-related Financial Disclosures principles, have set a net zero target broken down in short, medium and long-term targets for reducing their material carbon emissions and a developed credible transition plan that supports their transition to a low carbon world.

4.8 FSI believes social issues may have a material impact on a company's performance. Boards should give consideration to issues including diversity, equity, and inclusion; human rights and modern slavery; and fair work and labour rights. We will consider voting against directors and/or supporting relevant shareholder proposals where we feel these issues are not being managed effectively or fairly.

Section II: Remuneration

5.1 A key responsibility of the board is making executive remuneration decisions and set director fees.

5.2 An effective remuneration strategy is designed to assist the organisation in achieving its strategic goals and objectives.

5.3 When evaluating a remuneration plan we will consider whether the proposed plan:

- is reasonable and simple?
- is linked to long term performance?
- does it promote long term stewardship?
- is the structure likely to result in excessive pay rewards?

Effective date: September 2023

Glossary

Deforestation: The conversion of forest to other land use independently of whether human-induced or not.

Dependencies: Aspects of environmental assets and ecosystem services that a person or an organisation relies on to function.

Greenhouse Gas Emissions: Greenhouse gas (GHG) emissions refer to the release of gases into the Earth's atmosphere that can trap heat and contribute to the greenhouse effect, leading to global warming and climate change.

Impacts: Changes in the state of nature (quality or quantity), which may result in changes to the capacity of nature to provide social and economic functions.

International Labour Organization: The International Labour Organization (ILO) is a specialised agency of the United Nations that focuses on promoting decent work and social justice worldwide. The ILO brings together governments, employers, and workers from its member states to set labour standards, develop policies, and provide technical assistance and research in the field of labour and employment.

Net Zero: The state where greenhouse gas emissions have been reduced to as close to zero as possible and the residual emissions have been effectively offset through lasting carbon sequestration methods.

OECD Guidelines for Multinational Enterprises: The OECD Guidelines for Multinational Enterprises are a set of recommendations issued by the Organisation for Economic Cooperation and Development (OECD) to multinational enterprises (MNEs) operating in or from countries adhering to the guidelines. Companies that adhere to the OECD Guidelines for Multinational Enterprises commit to upholding the principles outlined in the guidelines and are expected to conduct due diligence to identify and address any adverse impacts their operations may have on society and the environment.

Paris Agreement: The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compares to pre-industrial levels.

Scope 1: Scope 1 emissions are direct emissions from owned or controlled sources.

Scope 2: Scope 2 emissions are indirect emissions from the generation of purchased energy.

Scope 3: Scope 3 covers a company's 'value chain' emissions and is divided across 15 categories for both upstream (supply chain) and downstream activities (lifecycle of products).

Supply chain: The linear sequence of processes, actors, and locations involved in the production, distribution, and sale of a commodity from start to finish.

UN Global Compact: The UN Global Compact is a voluntary initiative launched by the United Nations in 2000 to encourage businesses and organizations to adopt sustainable and socially responsible policies and practices. It is based on ten principles that cover four key areas: human rights, labour rights, environmental stewardship, and anti-corruption.

UN Guiding Principles on Business and Human Rights: The UN Guiding Principles on Business and Human Rights (UNGPs) are a set of internationally recognized guidelines that outline the responsibilities of states and businesses in relation to human rights. They were developed by the United Nations Human Rights Council and endorsed by the UN General Assembly in 2011.

UN Sustainable Development Goals: The United Nations Sustainable Development Goals (SDGs) are a set of 17 interconnected goals adopted by the United Nations in 2015 as part of the 2030 Agenda for Sustainable Development. The SDGs aim to address the world's most pressing social, environmental, and economic challenges and provide a blueprint for a more sustainable and inclusive future.

Water use: In company reporting, 'water use' could mean two different metrics: water withdrawal, referring to the taking of water from ground/surface water source, or water consumption, which refers to a portion of the withdrawn water, permanently used up.

Water: Water is a vital factor for production, economic growth, health and wellbeing. Of the impact drivers/pressures that contribute to nature loss, quantity and quality of freshwater is a key indicator of resource exploitation and pollution, and it is critically linked to the effects of climate change, so it is a highly material pressure.

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