



EQUITY TEAM ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE POLICY

February 2020

INTRODUCTION

As a fiduciary to our clients, Eastspring Investments seeks to act in clients' best interests and treat each client fairly at all times. This is interpreted as the best financial interest of the client, and this principle underlies all aspects of our investment process.

Our equity team adopts a value approach to investment where all portfolios are managed consistently around a single investment philosophy and a common research platform.

We focus solely on exploiting significant price episodes, where changes to the market's risk perceptions and expectations have caused a meaningful dislocation between the price and value of a company.

Our approach is to gain a deep understanding of the medium to longer term sustainable earnings potential of a company by applying detailed fundamental analysis with a long term perspective.

Our equity team takes Environmental, Social, and Corporate Governance ("ESG") issues into consideration when assessing material risks to sustainable earnings of a company. We utilize internal and external resources in assessing any material risks that arise from ESG issues; we engage with companies in which we invest; and we vote proxies on all resolutions, except where it is not in our client's best interests.

OVERVIEW

We apply a holistic approach to identifying all material risks, including ESG issues, to sustainable earnings for a company. An assessment of ESG issues is important in understanding sustainable earnings, and may incorporate risks associated with a company's "social agency" and ongoing franchise.

In acknowledging the importance of ESG issues, and given they may not have been a central focus in financial markets historically, we have made the assessment of ESG factors explicit for the benefit of our investment process. The robust nature of our approach is central to our investment edge and the durability of our performance promise to our clients.

The Environmental, Social, and Corporate Governance Policy ("the Policy") formalizes our approach to ESG issues, which are explicitly integrated into our investment process.

Eastspring Investments is committed to an ongoing and long term process of improving our approach to integrating ESG into our investment processes. As a result, the Policy reflects our current approach.

We expect that the Policy will evolve over time to reflect changes in business practices, structures, technology, and the law.

Eastspring Investments has an internal group that is responsible for oversight and implementation of the Policy. The internal group helps to frame the Policy and serve as conduits to our wider group of investment professionals.

All investment professionals are responsible for incorporating all factors deemed to impact the investment decision making process. As part of this, equity teams are responsible for the integration of ESG issues into the investment process, rather than outsourcing this responsibility to dedicated ESG or stewardship specialists.

GUIDELINES

ESG issues are incorporated into our fundamental analysis and decision-making process when we believe they could have a material impact on a company's valuation and financial performance.

We rely on the robustness of our proprietary fundamental research process and apply our best judgment in assessing all material factors that impact the sustainable earnings for a company. We engage with companies in which we invest and we vote their proxies on all resolutions, except where it is not in our client's best interests.

PROPRIETARY RESEARCH

We look to identify all material risks to sustainable earnings for a company. We apply judgment around the likely impact of material risks to the longer term trend valuation of a company. This assessment incorporates the governance of a company, its social behaviour, and its environmental impact in our assessment of the drivers of longer term returns.

We invest significant effort into conducting a thorough due diligence on both financial and non-financial aspects of a company.

As part of this due diligence we test aspects such as a company's ability to fund its longer term operations; changes in its level of capital efficiency; its ability focus on parts of the business that are core to the future drivers of profitability; the ability and willingness of management to respond in a competitive market environment; the likely impacts from potential environmental, social risks and the

quality of corporate governance, with an emphasis on the interests of shareholders.

Our assessment and ongoing monitoring of ESG factors incorporates information obtained from direct dialogues with investee companies, as well as from access to other external information sources.

Implicit in our approach, we do not screen out companies solely on the basis of perceived ESG issues. Whilst the approach is not prohibited from purchasing or holding a position due to an ESG issue, consideration of these issues is made part of the investment decision.

Having identified potential risks to sustainable earnings, we may consider an investment where there is sufficient conviction in our fundamental assumptions and where we are more than compensated by valuation support.

As part of our proprietary research, we engage companies, including one-on-one meetings with management of companies, and look to influence company management around a range of issues including all matters concerning improving sustainable shareholder returns.

While this analysis and research has been a part of our investment processes for some time, the Policy reflects our efforts to make this a more explicit part of this process.

ESG TOOLS AND RESOURCES

We utilise internal and external resources to assist in the analysis of material ESG issues which are incorporated into decision making and engagement activities.

As part of the ongoing evolution of the Policy, we continue to assess external sources of information to ensure our approach has the appropriate tools to aid in applying our best judgment. Currently, we utilise the following external service providers:

- ▶ **MSCI ESG Research**
- ▶ **Institutional Shareholder Services**

ENGAGEMENT

We conduct meetings with company management in order to understand how companies are using their capital and conducting their business. We may engage with company management on a variety of issues, including ESG matters that present a potential material risk to a company's financial performance.

Our decision to engage is primarily based on what we believe will maximize shareholder value as long term investors.

From time to time, companies may seek our input on a range of issues, and where appropriate, we may play an active role in seeking to effect changes that maximize shareholder value.

We believe investment professionals are in the best position to evaluate all material risks to sustainable earnings of a company and issues that may have on long-term shareholder value. Engagement activities are integral to the investment process and therefore the responsibility of the equity team, rather than being delegated to ESG or stewardship specialists.

We are active members of collaborative organizations. From time to time, we may participate in collaborative engagement initiatives where we believe it to be in our client's best interests to do so.

PROXY VOTING

We aim to generate long-term capital growth on the assets investors entrust to us by pursuing an active investment policy through portfolio management decisions, through voting on resolutions at general meetings and by maintaining a continuing dialogue with company management.

As a general policy we are supportive of the management of the companies in which we invest.

However, when companies consistently fail to achieve our reasonable expectations we will actively promote changes.

These changes might range from the formulation of a new strategy to the appointment of new management or non-executive directors.

An active and informed voting policy is an integral part of our investment philosophy. Voting should never be divorced from the underlying investment activity. By exercising our votes we seek both to add value and to protect our interests as shareholders. We consider the issues, meet the management if necessary and vote accordingly.

We would always seek to discuss any contentious resolutions before casting our votes in order to ensure that our objectives are understood and our votes will be cast in the best interests of our clients. To aid the process of making proxy voting decisions we use a proxy advisor.

We review, from time to time, the policies and guidelines of the proxy advisor to understand the nature of their recommendations and test their compatibility with our requirements.

However, specific policies and advice from the proxy advisor are not applied mechanically. We always apply our judgment and decide how to vote each resolution on its merits in the context of principles of our proxy policy.

CONFLICTS

Eastspring Investments has established appropriate risk management and compliance frameworks to ensure that the interests of clients and beneficiaries are the highest priority and if conflicts of interest arise they are appropriately managed.

For example, proxy voting proposals may raise conflicts between the interests of our clients and the interests of Eastspring Investments and its employees. We will take certain steps to ensure a decision to vote the proxies that are in the clients' best interest and are not the product of a conflict.

CONCLUSION

We believe our ESG Policy is consistent with our fiduciary duty to our clients. As long term investors, we aim to recognize all material risks to sustainable longer term earnings of a company, which include ESG issues.

The Policy informs our approach to ESG issues which are explicitly integrated into our investment process. Our ESG Policy is a continuous and long-term process that will evolve over time to reflect further enhancements.

APPENDIX

Collaborative Organisations and Initiatives

- ▶ United Nations-supported Principles for Responsible Investment (“PRI”)
- ▶ Asia Corporate Governance Association (“ACGA”)
- ▶ Asia Investor Group on Climate Change (“AIGCC”)
- ▶ International Corporate Governance Network (“ICGN”)
- ▶ Japan Stewardship Code
- ▶ Singapore Stewardship Principles
- ▶ Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance
- ▶ Climate Action 100+