



FULLERTON
FUND
MANAGEMENT

Sustainability Policy

March 2021



Introduction

This document outlines our approach to ESG integration across all our public market portfolios and our approach to corporate social responsibility. It is reviewed on an annual basis.

As a Principles for Responsible Investment (PRI) signatory, we believe that consideration of environmental, social, and governance (ESG) risks and opportunities is in line with our objectives of optimising our clients' investment outcomes and making a difference.

We are committed to integrating ESG information into our investment processes, and have a governance structure to oversee the construction and consistent implementation of these processes.

As an organization, we also strive to operate responsibly and to reduce our adverse impact on the environment.

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Our Mission

Fullerton Fund Management’s mission is to build relationships to deliver exceptional experience, inspire trust through stewardship and investment excellence and generate value through innovative and sustainable solutions.

Our Sustainability Principles and Beliefs

We believe sustainability risks are material

Sustainability risks are ESG events or conditions, that, if they occur, could potentially or actually cause a material impact on the value of a Fund’s investment. At Fullerton, we believe that sustainability risks may have an impact on long-term risk adjusted returns for investors.

As a PRI signatory, we strive to identify and assess systematically the ESG issues that are material to our investments. These ESG issues include, but are not limited to, climate change, biodiversity loss, human rights and labor rights, corruption, health and safety, community relations and corporate governance. We integrate these ESG factors into our investment decision process through the implementation of company-specific ESG ratings, engagements with portfolio companies on ESG issues, and the implementation of ESG-based portfolio construction rules.

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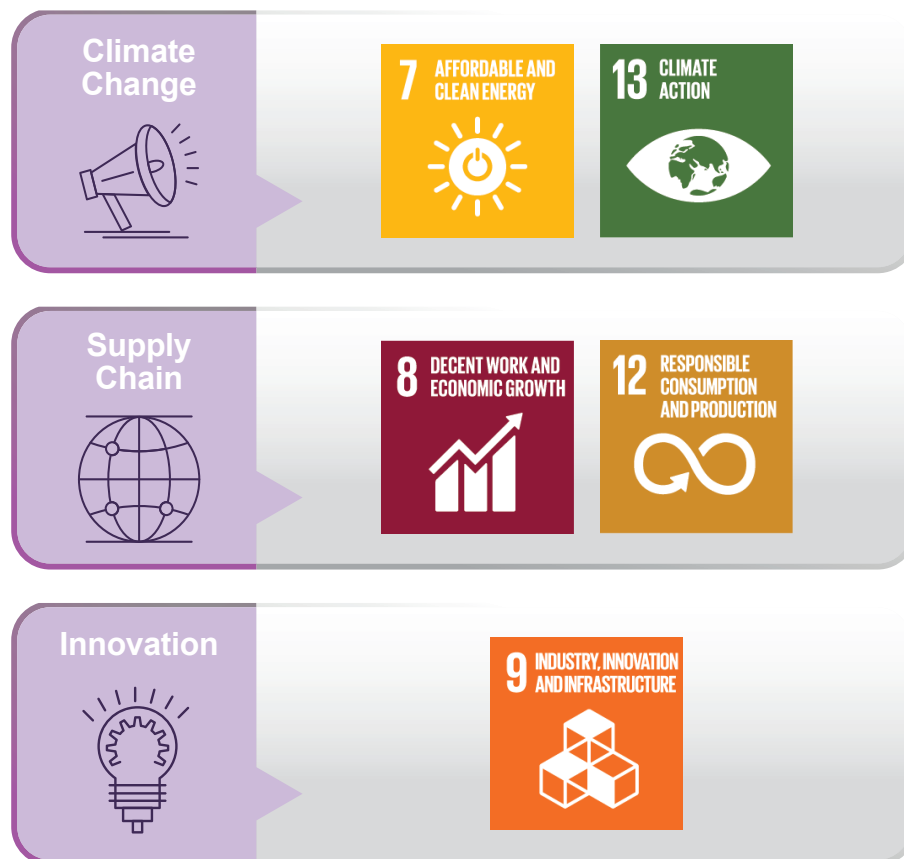
Our Investment Process

Our Corporate Process

We are committed to the UN Sustainable Development Goals

We have chosen the UN Sustainable Development Goals (SDG) as the foundation for our sustainability strategy, both at the corporate and investment levels. We are committed to report on our contribution to the SDG.

We believe that investing in companies that are leaders in the themes of climate (SDG #7 and #13), supply chain (SDGs #8 and #12) and innovation (SDG #9) will lead not only to higher risk adjusted returns but also greater positive impact on the world around us.



Philosophy and Principles

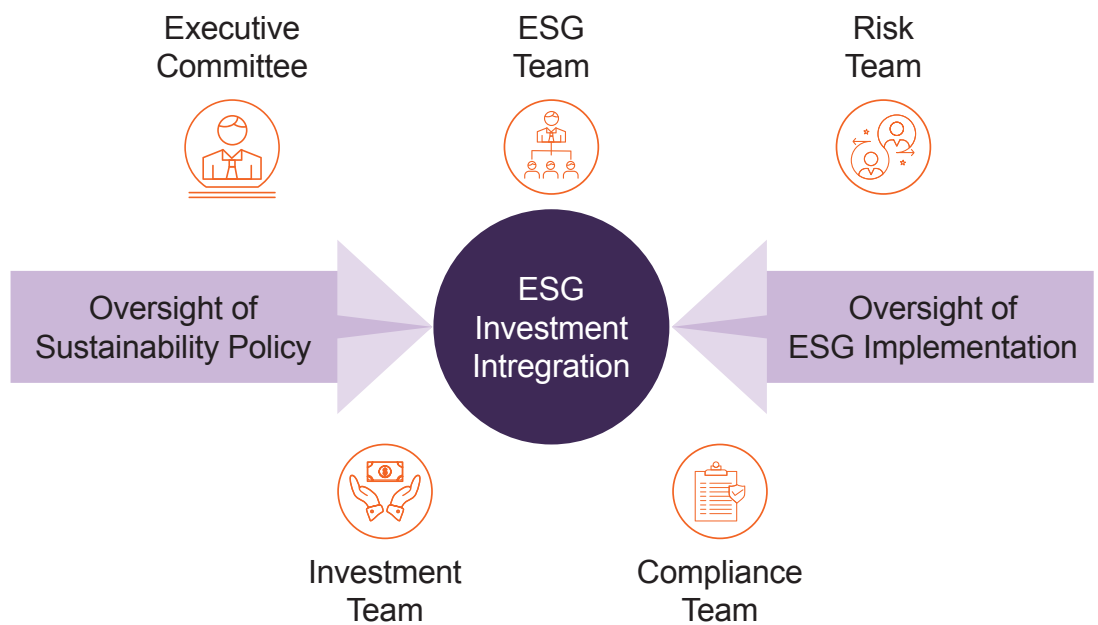
As a global citizen, we focus on our own firm's impact on climate change (SDG #13), procurement (SDG #12) and community (SDG #10). We aim to be carbon neutral at the office level, enforce sustainability standards for our vendors and work with charities to benefit the greater Singaporean community.



Governance and Processes

Governance

- At the investment level, the integration of ESG factors into our investment process is led by both the ESG and investment teams.



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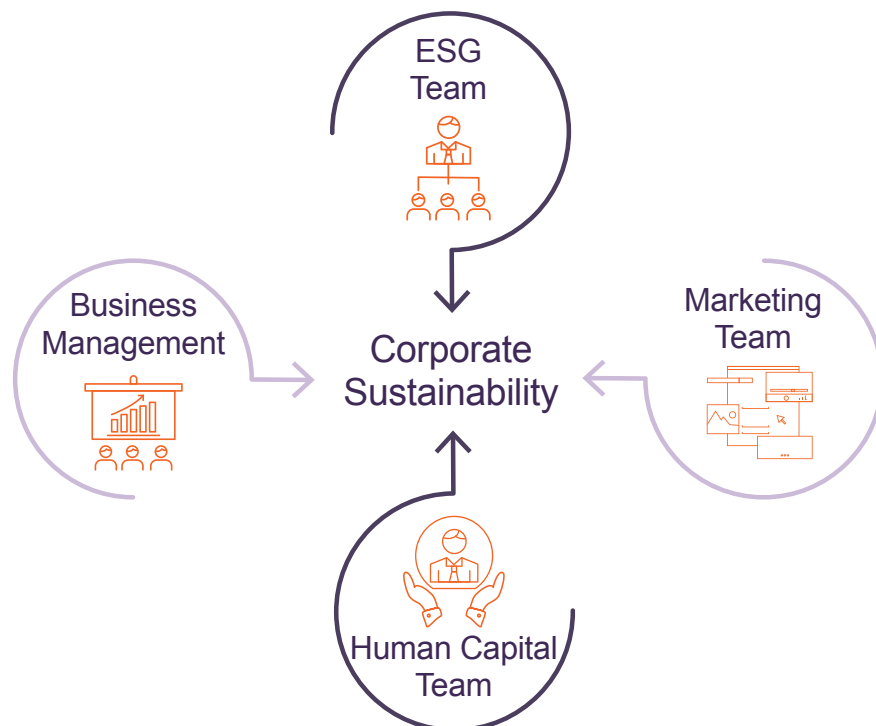
Our Corporate Process

The ESG Team develops a firm-wide plan to incorporate ESG into the investment processes and sets standards and procedures to drive a consistent approach across all its portfolios. The team is also responsible for building ESG-related capabilities across the organization and continuously trains the investment team on ESG-related issues and trends.

The ESG Team works closely with the investment team, who drives the company specific ESG research, engagement and integration into the investment portfolios.

The Risk management team monitors the portfolios' structure with reference to internal ESG portfolio construction guidelines and the Compliance team ensures compliance to external regulations and guidelines issued by regulators.

- At the corporate level, the ESG Team leads the sustainability initiatives with the Business Management, the Human Capital, the Corporate Strategy and the Marketing teams.



- The ESG Team engages and trains the Executive Committee, Team Heads and staff on ESG and sustainability issues regularly.
- The ESG Team reports to the Executive Committee regularly on both investment and corporate initiatives.

Our Investment Process

We integrate sustainability risks and ESG issues as part of our investment process:



ESG Research and Portfolio Construction

As part of the fundamental research process, the investment team assesses companies' exposure to material ESG issues. The investment team assigns each investee company an ESG rating that reflects the degree to which these ESG issues are managed by the investee company. To rate listed companies and sovereign instruments (such as sovereign bonds and treasuries) from an ESG perspective, we utilise ESG research, analysis and ratings from third-party vendors for our in-house ESG rating framework, which is continually being enhanced.

We use internal portfolio construction rules based on the ESG rating of companies provided by our investment analysts, to guide fund managers in structuring their portfolios to manage the exposure to companies with a high level of ESG risk. The ESG ratings assigned by our analyst are independently validated by our ESG Team and differences in assessment would be subject to further discussion.



Stewardship

We believe that well governed, transparent companies who are able to navigate the ESG trends will be able to generate better long-term shareholder value. We aim to help to shape positive corporate behaviour and investment outcomes through engagement and proxy voting. We vote on all proxy voting for actively managed portfolios. We subscribe to the analyses and vote recommendations of a third-party research provider. We take into consideration these recommendations and we exercise our independent judgement in making voting decisions, including for ESG-related shareholder proposals.

Prioritisation of engagement is based on the materiality of the issue based on our own ESG research and our portfolios' exposure to the company. We seek to understand the company's current/planned course of action with regards to the issue and proactively arrange meetings with senior management to seek change if necessary. In particular, we believe that climate change represents a systemic risk and we encourage companies to manage climate risk and to report under the Task Force on Climate-Related Financial Disclosures (TCFD) guidelines.

If a company responds constructively to our engagement request, and we believe that the measure implemented and disclosed by the company would lower its overall risk profile, we will adjust the ESG rating of the company accordingly. As a consequence, the company's position in the portfolio may be adjusted in accordance with our portfolio construction rules.

Our Corporate Process

We invest in our employees, reduce our firm's direct and indirect environmental footprint and give back to the community.



Climate and environmental impact

We are committed to manage our environmental impact by reducing our consumption of office stationery and by promoting recycling in our offices. We also aim to achieve carbon neutrality in our operations by 2021 by reducing and offsetting our carbon emissions. We also raise awareness among our employees on sustainability issues (e.g. climate, water conservation) and conduct sessions to promote sustainable consumption patterns.



Procurement

We are committed to promoting sustainable practices and standards among our vendors and suppliers and to source products and services from responsible partners.



Community

We are committed to reducing inequalities in the communities we operate. Every year, we identify local charities to sponsor and support through volunteering activities and donations.

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