Environmental Risk Management Disclosures

June 2022

Introduction

Fullerton Fund Management Company Ltd. (“Fullerton” or “we”) recognises the significance of integrating environmental risks as part of our risk management framework amid the growing demand and increasing stakeholders’ expectations in environmental, social, and corporate governance (“ESG”) matters. We have put in place robust environmental risk management policies and procedures to address climate risks in line with the MAS Environmental Risk Management (“ENRM”) Guidelines for Asset Managers. Fullerton is committed to progressively enhance our environmental risk management practices to ensure the resilience of our clients’ assets against the impact of other environmental risk types, beyond climate change.

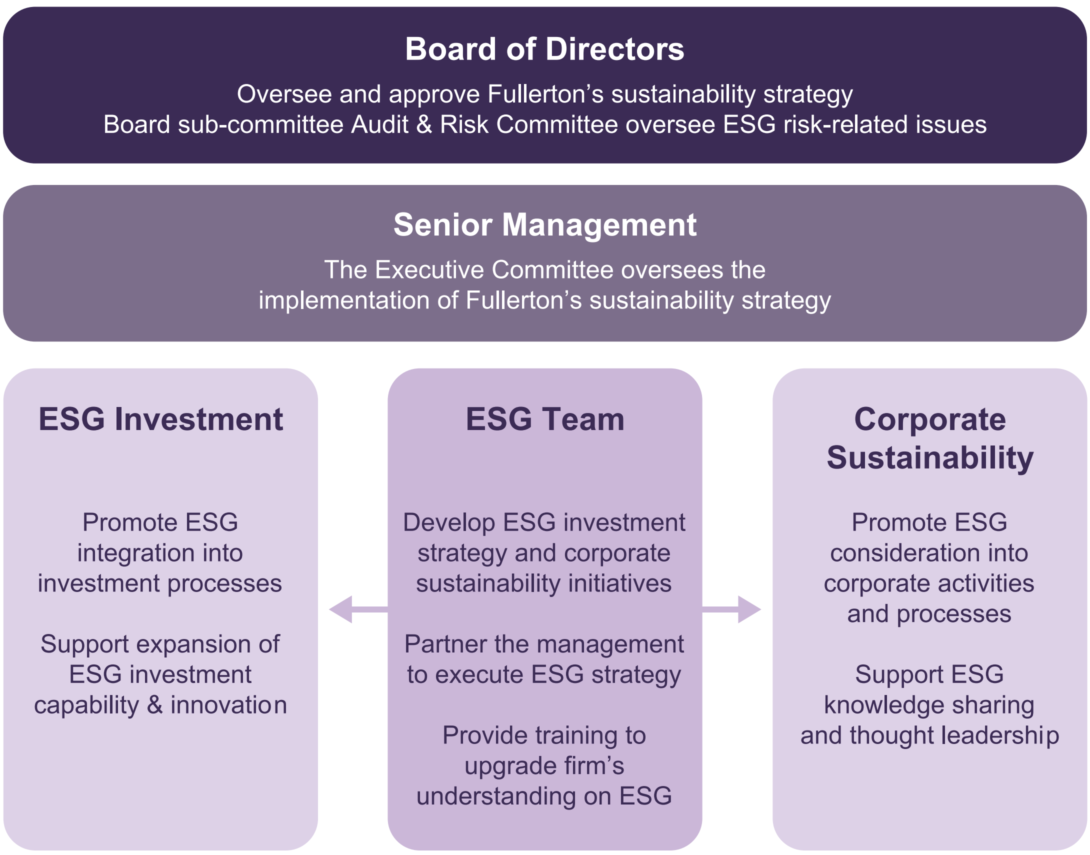
Here we have summarised the key policies and procedures that we have in place to ensure our environmental risk management practices are aligned with the MAS ENRM Guidelines:

Governance and strategy

- Fullerton’s current Enterprise Risk Management framework and related policies incorporates ESG and related environmental risks.
- Environmental risks and opportunities are considered across different time periods (short, medium, and long term) along with its impact on our business, strategy, and financial planning.
- Adequate governance structure is in place to maintain effective oversight of environmental risks with defined roles and responsibilities coupled with regular reporting during Board meetings (please refer to Exhibit 1).
- Based on our analysis, ESG strategies and plans, we use several metrics to measure our progress in the management of climate change risks such as climate neutral progress, as well as carbon emission and carbon intensity. To step further in our journey regarding climate change, we will set annual targets for the metrics. From 2022, we plan to evaluate feasibility of setting carbon neutral or Net Zero targets in the long term, based on the results of our climate scenario analysis and the carbon footprint analysis.
- Fullerton has established a clear allocation of responsibilities for risk management in accordance with the three lines of defence model.

- We are aligned to various internationally recognised sustainability standards and frameworks and actively participate in industry ESG initiatives as detailed below:
    - UN Principles for Responsible Investment ("UN PRI") signatory (2020) and commitment towards UN PRI's Six Principles.
    - UN Sustainable Development Goals ("SDGs"), which forms the foundation of our sustainability strategy both at corporate and investment levels.
    - Supporter of Task Force on Climate-related Financial Disclosures ("TCFD").
    - Founding member of the Singapore Green Finance Centre ("SGFC").
    - Member of the Asia Investor Group on Climate Change ("AIGCC").
    - Signatory to the Climate Action 100+.
    - Supporter of the Singapore Stewardship Principles ("SSP") for Responsible Investors.

Exhibit 1: ESG governance structure of Fullerton



Research and portfolio construction

- We apply the above ESG integration method across our investment universe (listed companies and sovereign instruments such as sovereign bonds and treasuries) by leveraging on ESG research, analysis and ratings from third-party vendors, alongside our in-house ESG framework.

1. Investment team assesses companies' exposure to material ESG issues as part of fundamental research process
2. An ESG rating is assigned to each investee company that reflects the degree to which ESG issues are managed by investee company
3. Portfolio is constructed based on the ESG ratings of companies to manage the exposure to companies with high level of ESG risk. ESG ratings assigned by analysts are independently validated by our ESG team and differences in assessment would be subject to further discussion

- We have started to progressively integrate ESG considerations, especially climate change impact, in our valuation models based on our in-depth assessment and engagement with companies.

Example: A refining and marketing company

The company has a carbon intensive downstream business and faces high climate related risks, especially transition risks. We assessed its energy transition plan, especially for green technology investment and replacement of fossil fuel-based energy. We found that the company is amongst the few energy companies who have committed to a full energy transition and the company expects that over the next 30 years it will stop selling fossil fuels and will replace them with other forms of energy like solar and hydrogen. We believe the capital expenditure on green energy over the next 10 years is expected to create a great value in new businesses for the company. Therefore, we expect higher capital expenditure and assigned lower multiple to its refining business.

- To set an effective strategy that carefully takes climate change into consideration, we analyse both transition and physical risks on an investment level. We identify sectors in which our portfolios are part of and apply the Carbon Value at Risk metric to identify those with the highest environmental risk.

- Fullerton calculates the portfolio level carbon footprints and monitors the trends regularly to obtain a more holistic understanding of the climate impact and environmental risk factors of our portfolio.

- Client preferences are also taken into consideration during our portfolio construction phase.

Risk management

Ongoing Monitoring

- Portfolio limits are applied on securities with low rated ESG scores. These rules are designed to limit the exposure of the fund to companies with a high level of ESG risk and to exclude companies with severe ESG risk. The Risk Management team monitors these exposures on a regular basis and provides reports to the Risk & Compliance Committee and Board Audit and Risk Committee periodically.

- Aside from ESG scoring, reports on Weighted Average Carbon Intensity (WACI) are also provided to the relevant Committees to oversee carbon risks of our portfolios.

Scenario Analysis

- Fullerton conducted its first climate risk scenario analysis in 2021 to understand the risks and impacts on our business.

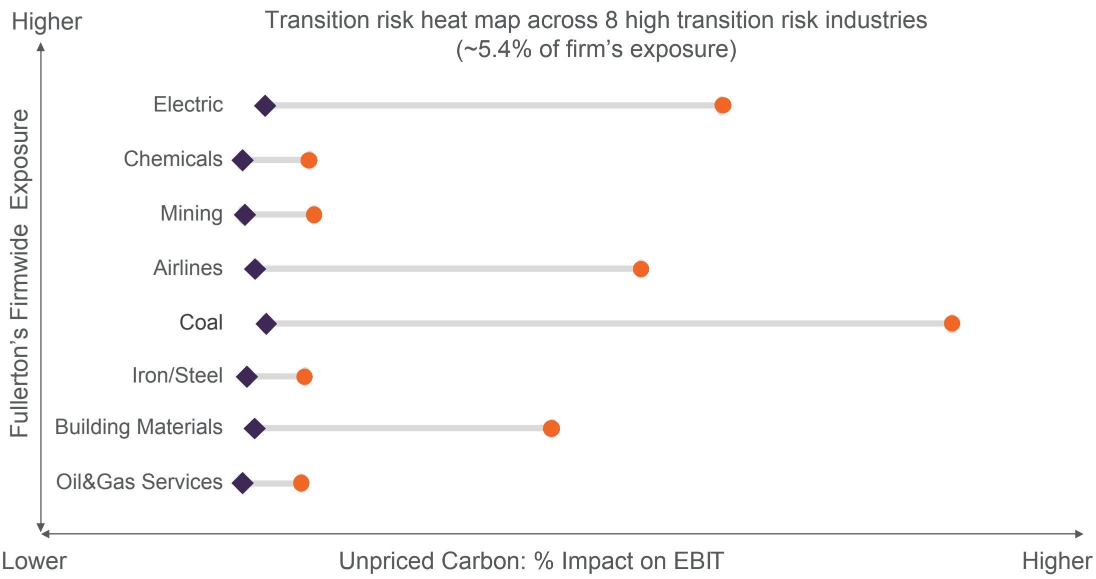
- We found that though physical risks are important in the long run, transition risks are more likely to have a significant impact on our portfolio companies and therefore more likely to affect Fullerton in the short to medium term. Among the categories of transition risk, we focused on policy risk as we believe it is the most quantifiable and will be reflected in carbon pricing.

- In our first climate change scenario analysis, we chose to use Carbon Value at Risk. Our data vendor uses patented data to derive company-level analysis and models the effects of climate costs passed through to consumers on equity value impact.

- We utilised two scenarios for our impact analysis – (1) Scenario of full implementation of only country nationally determined contributions ("NDCs"), based on research by the Organisation for Economic Co-operation and Development ("OECD") and the International Energy Agency ("IEA"), and (2) Expectation of achievement of the Paris Agreement target, but with action delayed in the short term.

- We chose a representative universe for our portfolios and identified eight industries with the highest transition risks (please refer to Exhibit 2).

Exhibit 2: Transition risk heat map across eight high risk industries



◆ **Short term risk with Low Scenario (2025):** Full implementation of country NDCs (but won't meet Paris Agreement).

● **Long term risk with Medium Scenario (2050):** Policies are implemented to reduce emissions in line with the 2 degree by 2100 target (the Paris Agreement)

* 4 of the other industries also have unpriced carbon cost > 4% of EBIT in 2025 but are relatively insignificant in terms of portfolio weight (<0.1%)

Capacity Building

To ensure that environmental risks are managed in a rigorous and efficient manner, both in-house and external trainings are provided to the Board, Senior Management, Investment team and other staff in a systematic way, with supplement of on-demand trainings.

Stewardship

- We aim to help to shape positive corporate behaviour and investment outcomes through engagement and proxy voting.

- Prioritisation of engagement is based on the materiality of the issue; utilising our own ESG research and our understanding of the funds' exposure to the portfolio company. We seek to understand the portfolio company's current/planned course of action with regards to an identified material issue and proactively arrange meetings with senior management to seek change if necessary.

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

- As a UN PRI signatory and a supporter of the Singapore Stewardship Principles for Responsible Investors, we are committed to shape our stewardship initiatives as outlined by the Principles. Our active involvement in industry initiatives such as Climate Action 100+ and Asia Investor Group on Climate Change also allows us to participate in global discussions on climate change with other asset owners and financial institutions.

Disclosures

- As part of our ESG integration and risk management process, we discuss and introduce findings related to environmental risk with different teams on an ongoing basis.
- We disclose our ESG reports with relevant environmental metrics for specific funds to our clients upon request.
- Fullerton has a Sustainability Policy which is reviewed annually.
- Fullerton will be publishing its inaugural UN PRI Transparency report in the next reporting cycle.
- We are a supporter of TCFD disclosure recommendations, and we are targeting to publish our TCFD report on an annual basis starting from 2022. Detailed disclosures on governance, strategy, risk management and our metrics and targets on both investment and corporate level will be reflected in our inaugural TCFD report.