Fullerton Fund Management Company Ltd. (‘Fullerton’)

- Active Ownership Policy

December 2022

Fullerton's Active Ownership Policy

A. Introduction

Fullerton Fund Management ("Fullerton") is a signatory to the United Nations Principles for Responsible Investment ("UN PRI"), and we are committed to the UN PRI's Six Principles.

B. Objective

Fullerton believes active ownership is one of the most effective mechanisms to minimise risks, maximise returns and create positive impact on society and environment. Therefore, Fullerton actively engages with the companies as stewards and votes shares in the best interest of clients and make it integral components of the investment process and commitment to serving clients. To add on, Fullerton acts in accordance with the Singapore Stewardship Principles ("SSP") which aims to enable investors to be active and responsible shareholders.

This Active Ownership policy comprises of three main components: our engagement, proxy voting and exclusion approaches. Fullerton's stewardship activities are executed within the organization and not outsourced.

C. Definitions

Engagement is a constructive dialogue between investors and investee companies to discuss how they manage ESG risks and seize business opportunities associated with sustainability challenges.

Proxy Voting refers to the delegation of the voting or consent rights by investors in companies' equity or bond securities to the investment manager who manages their assets.

D. Guiding Principles

1. <u>Engagement Approach</u>

1.1 Monitoring of investee companies

Active monitoring of investee companies is an integral part of Fullerton's ESG approach and strategy. Investment teams, Sustainability team and Risk team within Fullerton are monitoring these investee companies. ESG is considered a value driver in the investment process and ESG integration are essential elements of the investment analysis, decision making and risk management processes.

As a result of our integrated monitoring, on a periodic basis, portfolio managers and analysts select instruments for which engagement may improve the investment case or can mitigate investment risk related to governance and / or sustainability issues. Monitoring by investment teams identifies situations where there is risk of a loss of value or an opportunity to add significant long-term value through active ownership. Additionally, the Sustainability team screens certain data sources on company news controversies and those that breach UN Global Compact (UNGC) principles. Based on the nature and severity of such cases, we would reach out to companies for clarification and decide on which cases controversies engagement needs to happen. Engagement priority may be decided by size of holdings in the portfolio, internal ESG research and ratings, key themes, material risk issues and credit quality of issuers.

1.2 Engagement process

Fullerton carries out two types of corporate engagement: (1) value creation engagement and (2) controversies engagement. As active managers, we believe that an open dialogue with management allows us to develop a more informed view on the companies and the way they operate. Our engagement with companies also aims at communicating our concerns and expectations as well as promoting positive long-term performance of the company and quality of investments for our clients.

Value creation engagement is a proactive approach focusing on long-term, financially material ESG opportunities and risks that can affect companies' valuation and ability to create value. The primary objective is to create value for investors by improving management of sustainability issues. We identify potential areas for engagement using our knowledge of trends in the sustainability space and also analysts' knowledge of the company specific issues. The final selection of engagement areas focuses on financial materiality and engagement impact and is made following consultation with portfolio managers and investment analysts.

Controversies engagement focuses on companies that severely and structurally breach minimum behavioural norms in areas such as UN Global Compact principles namely human rights, labour, environment and anti-corruption. The primary objective of controversies engagement is to address reported shortfalls against internationally accepted codes of conduct for corporate governance, social responsibility, the environment and transparency.

Fullerton takes a variety of forms to engage with companies, including but not limited to meetings, conference calls, written communications and industry forums as applicable and appropriate, and have constructive and supportive dialogue with the companies. We also seek to meet and engage with appropriate representatives of the companies who have sufficient understanding and knowledge about the ESG management and process and have authority to speak on behalf of the companies. This includes the board, senior management, investor relationship personal, ESG specialists and other related operational specialists, amongst others.

1.3 Results from engagement

We use the right to vote and to engage for stewardship purposes and believe a constructive dialogue with companies is more effective than excluding companies from our investment universe. Controversies engagement follows a breach of minimal norms of behaviour based on UNGC. If controversies engagement does not lead to the desired change, Fullerton or its clients can decide to exclude a company from its investment universe. Fullerton considers exclusions from the investment universe to be an action of last resort, applicable only after engagement has been undertaken.

For severe ESG controversies, engagement is automatically triggered through ongoing monitoring. Once controversies are identified, analysts shall contact relevant companies and initiate a dialogue in a timely manner in close collaboration with portfolio managers and Sustainability team. The reasons, responding or remediation plan and follow-up measures shall be fully discussed. Based on the analysis of the impact, it may trigger the change in our ESG rating and limits on the investment.

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. A lack of responsiveness by the company in engagements can be addressed by seeking collective engagement and lead to adverse proxy voting instructions on related agenda items at a shareholder meeting. We use the learnings from all engagements to re-analyse ESG rating and investment thesis of the companies if applicable.

1.4 Thematic engagement

Engagement themes will be selected in cooperation with the investment analysts and portfolio managers based on an analysis of financial materiality. We will select a few relevant and material themes every few years and for any given engagement theme, a number of companies are selected that have most exposure to the engagement topic. Sectors and client holdings are also important inputs at this stage. For each theme, engagement objectives are defined and shared with investee companies.

We screen news flows using a dataset for breaches of United National Global Compact principles and these cover a broad variety of basic corporate behaviour norms around ESG topics. Our portfolio holdings are screened on 1) validation of breach of UN Global Compact principles 2) severity of breach and 3) the company's responsibility for and management of the issue.

1.5 Collaboration with other institutional investors

Fullerton carries out individual engagements as well as collaborative engagements with other investors when it is likely to enhance engagement outcomes. Fullerton is an active participant of many investor associations and collaborations such as United Nations Principles for Responsible Investment (UNPRI), Asia Investor Group for Climate Change (AIGCC) and Asia Corporate Governance Association (ACGA). We identify and prioritize our collaborative engagement activities within these memberships.

1.6 What we expect from investee companies

Fullerton views sustainability as a long-term driver of change in markets, countries and companies. Both the management and board of listed companies are responsible for the company's long-term strategy and management of ESG issues. We believe that companies that have strong sustainability and governance policies in place are more likely to act in the best interest of their stakeholders.

We expect companies to have a sustainability strategy aligned with their corporate strategy, presenting the companies' commitment to a more sustainable future. The sustainability strategy includes stress testing ESG impact on companies' operating performance and ability to create long-term shareholder value. Material ESG issues can vary between geographic regions, sector dynamics, political and regulatory environment and company-level materiality assessment. This sustainability strategy should address material ESG issues to the business and also have measurable qualitative and quantitative goals and targets. In accordance with that, we encourage companies to have a sustainability report to publish their progress towards addressing these material ESG issues. Engagement topics and expectations will be guided by our ESG materiality framework and issue-specific research.

2. Proxy Voting Approach

2.1 Transparent proxy voting policy

As minority shareholders practising active ownership, we will exercise our right to vote in shareholder meetings to influence company governance and other relevant investment related decisions in the best interest of our clients. ESG related impact are considered as part of corporate actions assessment.

2.2 Fullerton's proxy voting principles

Board Independence
Boards should be capable of exercising independent judgements and avoid conflicts of interest

Board Composition
Boards should contain an appropriate balance of competences and backgrounds

Board Accountability
Boards should be held accountable for the outcomes of their decision

Auditor Independence
The external audit process should be independent and free from conflicts of interest

Information Rights
Company disclosures should be sufficient and timely to inform stakeholder decision-making

Fair and Equitable shareholder treatment
Shareholders should be consulted on fundamental changes and be empowered for active ownership

Environmental & Social (E&S) Issues
Companies must understand the risks arising from their E&S footprints, and conversely, how exogenous E&S phenomena can affect the company materially

3. Exclusion Approach

On the firm-wide basis Fullerton currently does not have any values-based exclusions for companies based on business revenues, with the exception of ESG funds or client specific exclusions. However, we do exclude companies that engage in controversial behaviour by severely breaching the UN Global Compact, subject to local laws and regulations. If a breach is detected and we believe the company is able to remediate the given breach, we initiate a controversies engagement. If engagement does not lead to the desired change within a stipulated timeline, the engagement will be escalated and potentially lead to the exclusion of the company.

If through our own due diligence and conversations with portfolio companies' management, we find that there is concrete evidence that the company has taken action to remedy the controversial activity that caused the severe breach and / or has not partaken in such activities, we can document the evidence and the rationale to seek exception approval in accordance with Fullerton's internal policy.

4. Conflicts of Interest

Fullerton has comprehensive policy, guidelines and instructions to identify, record, manage and, where required, disclose actual or potential conflicts of interests. Conflicts are identified through awareness training, internal reviews and other means if applicable. Several conflicts of interest could arise related to Fullerton's active ownership activities. If conflicts of interest occur, Fullerton shall execute its voting and engagement policy, as per normal on behalf of our ultimate investors following our standard voting policy and engagement guidelines. In case the conflicts threaten the objectivity, or the nature of active ownership activities, Fullerton's risk and compliance departments are consulted.

E. Execution and management

To make sure active ownership activities are integrated and aligned throughout the investment process, Sustainability team has set up an industry specific ESG materiality framework and defined responsibilities for various teams.

The responsibility for implementing active ownership is allocated to the most senior level within the investment teams. The CIO is a member of the Executive Committee and is ultimately responsible for Sustainable Investing. Fullerton's portfolio managers and investment analysts are responsible for ESG integration into the investment process, with guidance and support from the Sustainability team.

A dedicated Sustainability Committee comprising members from various departments allows Fullerton to coordinate sustainability matters from a company-wide perspective and set practical guidelines for the implementation of Fullerton's Sustainability strategy.

Through the fundamental research teams, Fullerton has an in-depth knowledge of our investee companies and business environment, and we use this to engage appropriately with companies and make proper judgements in fulfilling our active ownership activities.

This Policy may be subject to change from time to time and may be updated without prior notice. Please check back regularly for any updated information to the Policy.