FULLERTON
FUND MANAGEMENT

Responsible Investment Policy

July 2024

1 INTRODUCTION

1.1 This document summarises Fullerton's approach to responsible investment across our assets under management. As a United Nations Principles for Responsible Investment (UNPRI) 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 aligning portfolios to broader interests of society.

1.2 Responsible investment involves considering ESG issues when making investment decisions and influence companies or assets. Fullerton is fully committed to responsible investment, which begins with a top-level commitment by the Executive Committee and further upheld by the Sustainability Committee and Sustainability Team. A governance structure has been established to oversee the construction and implementation of the responsible investment processes.

1.3 Fullerton believes that integrating ESG factors into our research and analysis provides a more thorough understanding of the risks and value drivers that may impact the companies we invest in, facilitating better informed investment decisions.

1.4 Investment analysis is also supported by guidelines on ESG-related topics such as climate change, biodiversity and labour rights which are integrated into our active ownership practices. For our Sustainability Products, we also invest based on impact material issues, taking reference from Sustainable Development Goals (SDGs) adopted by the United Nations.

2 OBJECTIVE / PURPOSE

2.1 This document provides an overview and describes how Fullerton integrates and manages ESG into its investments across the different asset classes and through the lens of the different key themes that have been identified.

3 DEFINITIONS

3.1 Sustainability refers to the ability to meet the needs of the present without compromising the ability of future generations to meet their own needs. In business and policy contexts, sustainability seeks to prevent the depletion of natural or physical resources, so that they will remain available for the long term.

3.2 ESG integration refers to the consideration of ESG factors in the investment decision process through the implementation of an ESG rating, ESG-based portfolio construction rules, engagements with portfolio companies on ESG issues, and an ESG-based screening method.

3.3 Materiality refers to the nature of an ESG-related information. An ESG information is considered material if its presence or absence in company reporting is likely to influence the investment decisions made by a reasonable investor. To be considered material, an ESG issue must have a potentially significant impact on the economic value of a company and, hence, on its financial risk- and return profile from an investment perspective.

3.4 Sustainability Products refer to products with "ESG", "sustainability", "decarbonisation" or other related names in the product name and are required to comply with applicable ESG Fund naming related regulatory requirements of relevant jurisdictions.

4 INTEGRATING ESG INTO INVESTMENT PROCESSES

Fullerton firmly believes that integrating ESG will lead to better-informed investment decisions. Financially material issues not only affect companies but can also serve as areas of opportunity for new markets. As such, Fullerton integrates ESG into investments through ESG risk management and ESG alpha generation.

We systematically integrate material ESG issues into our investment process. This applies to all investments of the fund, except for ETFs, futures, externally managed funds, commodities, cash and derivatives.

4.1 Summary of ESG Integration across Asset Classes

	Equity	Corporate Fixed Income	Sovereign Bond issuers	Alternatives- Private Equity	Alternatives - Fund of Funds
Research: ESG Assessment Framework	√	√	√	√	√
Research: Thematic	√	√		√	
Portfolio Management: ESG Portfolio-level Limits	√	√	√		√
Portfolio Management: Sustainability Products	√	√		√	
Portfolio Management: Screening and Exclusions	√	√			
Active Ownership	√	√		√	

4.2 ESG Assessment Framework

The proprietary ESG assessment framework applies to all assets under management by Fullerton, excluding ETFs, futures, externally managed funds, commodities, cash and derivatives. This framework encapsulates how Fullerton views and analyses ESG risk through the different asset classes. Research is first conducted by the investment analysts and the analysis is validated by the Sustainability Team.

For Equity and Corporate Fixed Income, under the ESG assessment framework, Fullerton can assess and identify the level of ESG-related risk from “Negligible Risk” to “Severe Risk” which a company is exposed to. Fullerton avoids investments in securities deemed to have “Severe Risk” unless stated as a request from a client. If a waiver is required from the clients or under certain circumstances, documentation is needed.

For Sovereigns, Fullerton has a separate framework that assesses country-level ESG indicators, internalises ESG sovereign data aligned with The World Bank and places additional focus on governance.

For Alternatives, Fullerton conducts a separate ESG due diligence (ESGDD) for fund of funds investment. The ESGDD is based on a standardised questionnaire to evaluate a Fund’s process for incorporating material ESG considerations into the investment practices. 1 of 4 levels of rating from “Novice” to “Mature” will be assigned to the Fund. The key ESGDD findings will be discussed at the Investment Committee.

For Multi-assets, the ESG risk is inherited from the relevant Equity and Fixed Income sleeves at the security level.

4.3 Sustainability and Thematic Research

Fullerton's key investment belief is that investment decisions should be research driven. We focus on fundamental and ESG research.

The ESG research and relevant implementation are supported by the Sustainability Team, Data Management Team, and Risk Team. The in-house proprietary research and scoring systems are made accessible to Fullerton's investment teams. ESG-related data is available to relevant teams across the firm.

Apart from the overarching ESG assessment framework, Fullerton also conducts thematic research on key themes that have been identified to be salient and material to different countries, sectors, and industries. Findings and conclusions from the application of thematic research will guide Fullerton's views on Equities, Credits and Private Equities.

Proprietary research methodologies and tools have also been developed to support the investment decision process for specific thematic fund mandates. An example is the sustainability management for climate investments under Alternatives (Private Equity).

Fullerton utilises external research for analysis. We deem to use the most appropriate external research to meet the designed purposes within our resources. The research is used in different ways by the different teams.

Please refer to Sections 8.2 to 8.4 for more information on key themes identified by Fullerton.

4.4 ESG Portfolio-level Limits

As public equities and corporate fixed income will be assigned ESG Risk ratings through Fullerton's proprietary ESG assessment framework, Fullerton is able to monitor the overall ESG risk that is undertaken by different investment portfolios under management. All securities bought under these asset classes will have a validated ESG risk rating via the ESG assessment framework.

In addition to investment team's coverage, the ESG risk ratings of the companies are also monitored monthly by the Sustainability Team and the ESG rating composition of portfolios are monitored daily by the Trading & Portfolio Management Team. The ESG risk is consolidated and monitored on a portfolio level. Portfolio Managers are responsible for meeting the ESG portfolio-level limits.

All portfolios in these asset classes will be assigned a relevant and appropriate ESG portfolio-level limits and will be monitored against these limits to ensure that the portfolio maintains an acceptable level of ESG risk.

The above monitoring and portfolio-level limits are applicable to Equities and Fixed Income.

For private equity, Funds that receive the lowest rating in ESGDD will have limits in the total portfolio by invested cost.

4.5 Sustainability Products

Fullerton has developed specific sustainability strategies for selected portfolios. Examples include quantitative integration based on ESG indicators, and thematic portfolios with specialised focus. Fullerton refers to sustainable finance taxonomies and the SDGs for formulation of ideas for the Fund's sustainable investment strategy.

4.6 Screening and Exclusions

Screening and exclusions are conducted for the equities and fixed income asset classes. Negative screenings are conducted on the equities and fixed income securities against United Nations Global Compact (UNGC) principles, as well as specific thresholds for revenues generated from business lines (e.g. Thermal coal) or involvement in controversial sectors (e.g. Controversial weapons). Whenever securities are flagged by these negative screens, Fullerton will reassess the companies and conduct controversies engagement. The result of follow up will serve as the basis for investment decisions. Please see section 6.2 for more details.

4.7 Active Ownership

For companies that Fullerton is invested in, a monthly screening is conducted for any material ESG controversies. Companies that are flagged through this screening process will have their issues escalated and discussed among key stakeholders within Fullerton in the Active Ownership Workgroup.

Fullerton also proactively conducts targeted engagements with companies guided by key engagement themes and through participating in proxy voting exercises. For more details of Fullerton's engagement approach, please refer to Sections 6.2 and 6.3.

5 ACTIVE OWNERSHIP

5.1 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. This is an integral part of the investment process and underlies our commitment to serving clients. Fullerton acts in accordance with the Singapore Stewardship Principles ("SSP") which aims to enable investors to be active and responsible shareholders.

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

5.2 <u>Engagement Approach</u>
Engagement is a constructive dialogue between investors and investee companies to discuss how they manage ESG risks and identify business opportunities associated with ESG challenges.

5.2.1 Monitoring of investee companies

Active monitoring of investee companies is an integral part of Fullerton's ESG approach and strategy. The Investment teams and Sustainability team within Fullerton are monitoring these investee companies. ESG is considered a value driver in the investment process and ESG integration forms an essential part 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 investee companies for which engagement may improve the investment case or can mitigate investment risk related to ESG 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.

5.2.2 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 serves to communicate our concerns and expectations such that we may influence 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 ESG issues. We identify potential areas for engagement using our knowledge of trends in the ESG space and 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 labour rights, 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 conducts engagement through a variety of avenues such as face-to-face meetings, conference calls, written communications, and industry forums. Engagement is conducted with representatives of the companies who have sufficient understanding and knowledge about the ESG management and process, and who have authority to speak on behalf of the companies. This includes the board, senior management, investor relations, ESG specialists and division-specific operation managers.

5.2.3 Outcomes from Engagement

We use the right to vote and to engage as we believe that constructive dialogues with companies are 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 will contact relevant companies and initiate a dialogue in a timely manner. This is done in collaboration with portfolio managers and the Sustainability team, and the response or any remediation plan will be fully discussed. Based on the analysis, it may trigger the change in the company's ESG rating, thereby resulting in limits placed on the investment.

If a company responds constructively to our engagement request, and we believe that the measures implemented and disclosed would lower its overall risk profile, we will adjust the ESG rating of the company accordingly. A lack of response by the company can be addressed by seeking collective engagement alongside other like-minded investors. We may also use proxy voting or participation at a shareholder's meeting to voice our concerns.

5.2.4 Thematic Engagement

Engagement themes are selected through discussion with the investment analysts and portfolio managers based on an analysis of financial materiality, with reference to Sustainability Accounting Standards Board (SASB) and International Sustainability Standards Boad (ISSB) standards. We identify the material themes and the relevant companies with the biggest exposure to the issues. Sectors and client holdings are also important considerations. As we initiate the engagement process, we share our objectives and concerns 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.

5.2.5 Collaboration with other institutional investors

Fullerton also carries out collaborative engagements with other investors as we believe that it will help to influence outcomes. Fullerton is an active participant of many investor associations and collaborations such as UNPRI, Asia Investor Group for Climate Change (AIGCC), Climate Action 100+ (CA100+) and Asia Research & Engagement (ARE). Where appropriate, we prioritise our collaborative engagement activities.

5.2.6 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 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.

Fullerton tracks and categorises the progress of engagement based on pre-defined milestones. Depending on the themes and status of the companies, we set different timeframe for each company. If the controversies engagement was not available, or the progress is continuously not satisfactory within the reasonable timeframe, escalation measures will be taken. Escalation measures include using alternative ways to communicate our concern, using voting rights, and changing investment decisions when necessary.

5.3 Proxy Voting Approach

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.

5.3.1 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.

5.3.2 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.

5.4 Exclusion Approach

On the firm-wide basis Fullerton currently does not have any values-based exclusions for companies identified based on business revenues, except for Sustainability Product (where they need to follow the exclusions based on the applicable regulatory requirement) 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 can remediate the given breach, we initiate a controversies engagement. If engagement does not lead to the desired change within a stipulated timeline, engagement efforts will be escalated, and it can potentially lead to the exclusion or divestment 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 from both CIO and Head of Sustainability.

5.5 Conflicts of Interest

Fullerton has comprehensive policies and procedures to identify, record, manage and, where required, disclose actual or potential conflicts of interests. Conflicts are identified through the different policies put in place. If conflicts of interest occur in relation to Fullerton's active ownership activities, In case the conflicts threaten the objectivity, or the nature of active ownership activities, Fullerton's risk and compliance departments are consulted.

5.6 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 approach and defined responsibilities for various teams.

The responsibility for implementing active ownership is allocated to the most senior level within the investment teams. The Chief Investment Office (CIO) is a member of the Executive Committee and is ultimately responsible for Responsible 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 oversees and coordinates the implementation of sustainability strategies across the Group.

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.

5.7 Sustainability Outcomes

Sustainability outcomes refer to both the positive and negative effects of investment activities on people and the planet, in the context of global sustainability goals and thresholds.

Fullerton strongly believes that through our approach to Active Ownership, Fullerton will be able to increase positive sustainability outcomes and decrease negative sustainability outcomes.

6 GUIDELINES ON SUSTAINABILITY TOPICS

Aside from varying material ESG topics investee companies are exposed to, Fullerton has specifically identified three key ESG themes. They are Climate Change, Biodiversity and Labour Rights. How these themes are viewed by Fullerton and subsequently integrated into the investment process is as described below.

6.1 Tiering Structure

Potential and existing investee companies will be assessed on whether the three key themes are relevant to respective industry or business operations. Depending on the industry or type of business operations, none or all the key themes could be relevant.

For relevant key themes, Fullerton will then assess and assign a Tier based on a proprietary tiering structure defined by the Sustainability Team. The Tiering structure is based on the publicly available disclosures, strategies, and alignment to relevant guidelines such as the recommendations and frameworks of TCFD (Climate Change) and TNFD (Biodiversity). Key areas in assessing the quality of company disclosures and actions to determine whether a company is assigned Tier A ("Best in Class") to Tier D ("Poor") include:

- Scope and Relevance
- Implementation
- Accountability
- Reliability of Data

Thematic tiering helps guide overall engagement focus, comparability, and facilitates identification of best practices.

6.2 Climate Change

Climate change presents both risks and opportunities for Fullerton's investment portfolios, as discussed under our TCFD disclosures separately. Fullerton analyses the positive and negative impacts of climate change through the lens of regulations, shifting market dynamics, technology, and physical climate risks.

Fullerton assesses the credibility of companies' transition plans and their ability to support the green transition, referencing financial disclosures such as revenues, costs and capital expenditure plans. For public assets, we leverage external ESG data providers to assess large number of companies to identify best-in-class companies and laggards. For direct private equity investments, our climate and ESG analysis is supplemented by proprietary toolkits to determine specific areas for value-add and due diligence, referencing industry net zero pathways.

The assessment of maturity of climate strategy produces a Climate thematic tiering, which are applied across asset classes.

6.3 Biodiversity

Fullerton recognises that nature-related risks are one of the top economic risks. Hence, Fullerton believes that halting and reversing nature loss is also key to tackling climate change.

Fullerton assesses companies' progress on Biodiversity by understanding the extent of how they depend on and impact nature through the operations and materials in their value chain. Subsequently, Fullerton reviews whether the companies have conducted assessments of where their operations interface with nature, soundness of biodiversity-related strategies and initiatives, credibility of targets, and the tracking and disclosures on progress. The maturity of companies' biodiversity strategy is reflected via a thematic tiering.

The main framework used as reference for the Biodiversity Tier Assessment is the Taskforce on Nature-related Financial Disclosures (TNFD) Framework. This guides Fullerton's assessment on companies and their commitment to integrating nature into decision making and maximising nature-positive outcomes.

6.4 Labour Rights

As a UNPRI signatory, Fullerton is fully committed to respecting international ESG norms such as UN Global Compact. As part of Fullerton's fundamental investment processes, companies are assessed on ESG risks and opportunities. This includes the evaluation of companies' human rights risks, taking reference from the International Labor Organization's (ILO) labour standards and the UN Guiding Principles for Business and Human Rights (UNGPs), as well as jurisdictions' relevant laws and regulations. Topics include Diversity, Renumeration, Human Rights Commitment and Human Rights Due Diligence Process. Similarly, sovereigns are evaluated on the social pillar which includes metrics such as GINI coefficient, gender diversity in the labour force.

7 REPORTING

With the key integration of ESG into our investments, Fullerton conducts regular reporting which includes ESG-risk performance, climate-related performance, and alignment with SDGs to our clients upon request.

The Responsible Investment policy (“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.