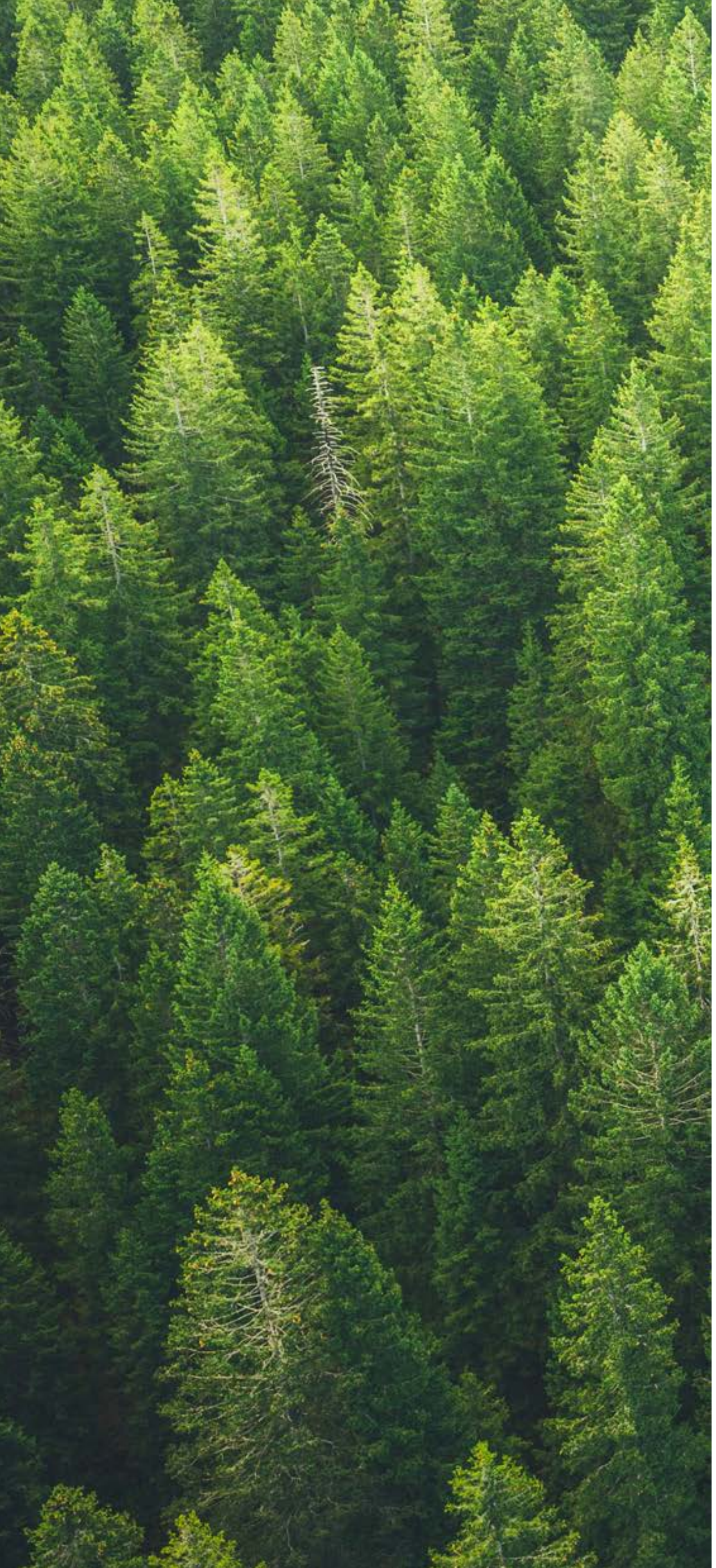
FULLERTON
FUND MANAGEMENT

Sustainability Report 2023



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About this report

About this report

This inaugural sustainability report of Fullerton Fund Management Company Ltd. ("Fullerton" or the "Company") sets out Fullerton's strategy, approach and progress to sustainability and climate resilience as an asset manager. This report covers the year ended 31 December 2023, unless otherwise specified. It builds on our Task Force on Climate-related Financial Disclosures ("TCFD") and is guided by SASB Sustainability Accounting Standard ("SASB Standard") for Asset Management & Custody Activities.

In February 2024, Singapore announced mandatory climate reporting requirements for listed issuers and large non-listed companies, in alignment with the IFRS Sustainability Disclosure Standards S1 and S2 issued by the International Sustainability Standards Board ("ISSB"). Fullerton will look to progressively align with the ISSB Standards on a voluntary basis in the coming years, as deemed appropriate. We are committed to closely monitoring local regulatory developments in sustainability reporting to ensure ongoing compliance with evolving regulations.

To ensure the quality and reliability of our disclosures and performance data, the information disclosed in this report has been reviewed by Fullerton's Sustainability Committee, and approved by the Executive Committee.

Fullerton's sustainability policies and reports

1 Responsible investment policy

2 Proxy voting report

3 Task Force on Climate-related Financial Disclosure Report 2022

4 Sustainable procurement policy

5 Remuneration policy

For more information on our sustainability report, please email info@fullerton.com.sg.

Message from CEO

As an active asset manager, we hold the view that consideration of Environmental, Social, and Governance ("ESG") and climate change factors are in line with our objectives of optimising our clients' investment outcomes and aligning portfolios to the broader interests of society. We see sustainability as a long-term force for positive change in companies, markets and countries.

Sustainability trends such as climate change and biodiversity affect companies and provide new opportunities for investment. Our Investment team has a strong focus in capturing decarbonisation opportunities, accelerating the net zero transformation in the region and delivering climate-risk adjusted returns for investors. In 2023, we expanded our suite of sustainable investing offerings, with dedicated ESG alpha and Sustainable Finance Disclosure Regulation ("SFDR") Article 8 investment products. We are a proponent of active ownership. Our team seeks to work closely with our portfolio companies to drive positive investment and societal benefits through meaningful engagement activities.

I am pleased to present Fullerton's inaugural sustainability report. This report highlights our progress in delivering our three-pillar corporate sustainability strategy: Responsible Investing, People and Environment. We reaffirm our commitment to the Principles of Responsible Investment ("PRI") and other climate-related industry bodies, to play a part in addressing global climate issues.

We are committed to contributing positively to the community and the environment, as a socially responsible organisation. At the heart of our 'Local Labels Global Flavours' corporate sustainability initiative lies a fundamental goal - to make a meaningful impact on food resilience and security in Singapore.

As we embark on this path, we are driven by a sense of purpose and a deep-rooted belief that we can make a difference. Together, let us work towards a more sustainable and resilient economy.

Jenny Sofian
Chief Executive Officer
Fullerton Fund Management

Key sustainability highlights

Maintaining our strong governance and ethical standards

4 out of 5 stars
PRI 2023 Assessment Report – Policy Governance and Strategy, Listed Equities, Fixed Income (Sovereign, supranational and agency and corporate modules) modules

Completed **internal review** of sustainability reporting processes

Signatory to / Member of
PRI, Asia Investor Group on Climate Change, and Climate Action 100+

Strengthening our resilience against climate change and advancing our ESG integration

Achieved **carbon neutrality for operations since 2020** offsetting emissions with high-integrity credits

4,000+ proposals voted across
470 meetings, addressing ESG issues including just transition, board independence, and workplace safety

140 companies
Engaged on climate change, biodiversity, and labour rights

ESG integration adopted for public and private investments, except for cash, private debt and derivatives portfolios

Expanded suite of
SFDR Article 8 products and ESG-related strategies

Increasing our community impact and creating a positive working environment

Women represented
50% of Executive Committee and
49% of entire workforce

50%
Increase in total training hours in 2023 compared to 2022 and increase in training hours per employee in 2023 compared to 2022

850 hours
of sustainability-related training conducted for employees

3 Townhalls
held to enhance employee engagement

Promoted food resilience in Singapore by launching **'Local Labels Global Flavours' initiative**

About Fullerton Fund Management

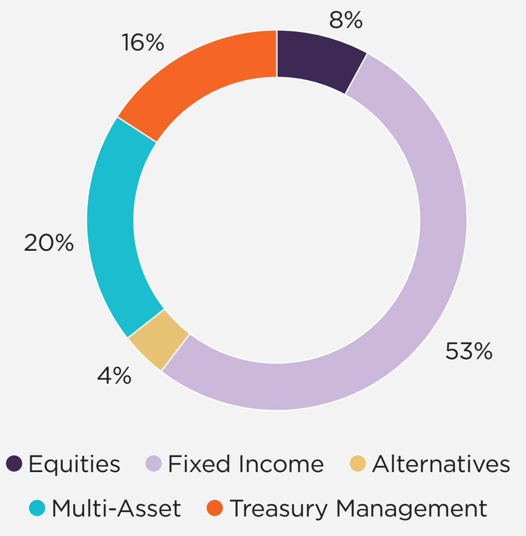
Fullerton values robust relationships, focusing on optimising investment outcomes and enhancing investor experience to suit the unique needs of our clientele.

We help clients, including government entities, sovereign wealth funds, pension plans, insurance companies, private wealth and retail clients to achieve their investment objectives. We offer investment solutions that span Equities, Fixed Income, Multi-Asset, Alternatives and Treasury Management, whilst focusing on investment insights, performance and risk management.

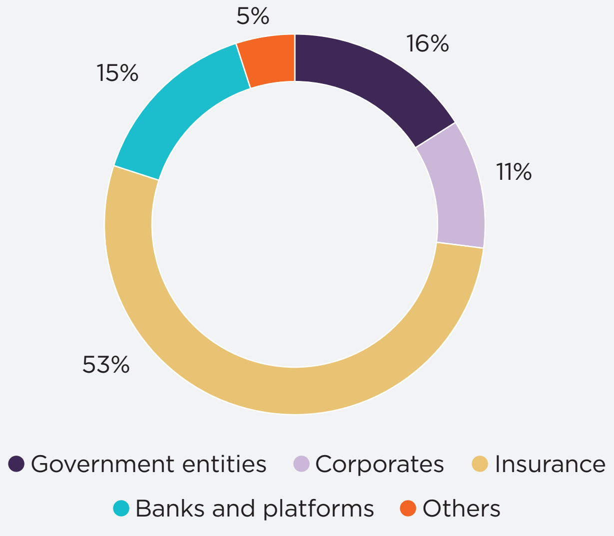
Incorporated in 2003, Fullerton is headquartered in Singapore, and has associated offices in Shanghai, Jakarta and Brunei. Fullerton is part of the Seviora Group, an asset management group, owned by Temasek. Income Insurance Limited, a leading Singapore insurer, is a minority shareholder of Fullerton.

Total asset under management ("AUM") – USD37 billion (as at 31 December 2023)

Asset class breakdown



Client segment



Fullerton is an award-winning asset manager, with industry accolades that reflect our investment excellence and commitment towards delivering client-centric solutions.

2024

Benchmark Fund of the Year Awards
- House Award (Outstanding Achiever), Conservative Mixed Asset

Asia Asset Management Best of the Best Awards
- Best Retail House, Singapore
- Best Asian Bonds (10 years) for Fullerton Lux Funds - Asian Bonds

Refinitiv Lipper Fund Awards –Germany, Nordics, Singapore
- Best Fund (10 years) in Asia Pacific Bond Hard Currency for Fullerton Lux Funds – Asian Bonds

The Edge Singapore Best Funds Awards
- Winner, Global Category for Asia Fixed Income

2023

The Asset Benchmark Asian G3 Bonds Awards
- Top Five Investment House, Singapore

The Asset Benchmark Asian Local Currency Bonds Awards
- Top Five Investment House, Singapore

Refinitiv Lipper Fund Awards – Austria, Europe, Germany, Nordics, Singapore, Switzerland, UK
- Best Fund (10 years) in Asia Pacific Bond Hard Currency for Fullerton Lux Funds – Asian Bonds

Asia Asset Management - Best of the Best Awards
- Best Bond Manager, Singapore
- Best Equity Asia Pacific ex Japan (3 years) for Fullerton Lux Funds – Asia Absolute Alpha
- Best Asian Bonds (10 years) for Fullerton Lux Funds – Asian Bonds

Benchmark Fund of the Year Awards
- Best-in-Class in Asia ex-Japan Equity for Fullerton Lux Funds – Asia Absolute Alpha
- Best-in-Class in Asia Allocation for Fullerton Asia Income Return
- Outstanding Achiever in SGD Fixed Income for Fullerton Short Term Interest Rate Fund

Please refer to our website for full listing of the awards. Past performance is not indicative of future performance.

Our sustainability journey

Our sustainability journey has evolved over the past few years, and we remain committed to integrating sustainability considerations in how we operate and invest.

2020

Industry initiatives
- PRI signatory
- Founding Member of Singapore Green Finance Centre ("SGFC")
- Public support for TCFD

Framework and policy
- ESG integration policy

2021

Industry initiatives
- Member of Climate Action 100+ and Asia Investor Group on Climate Change

Framework and policy
- Sustainability policy

ESG integration
- Internal ESG rating and ESG limits (for Equity and Fixed Income)

ESG product
- Global Absolute ESG Alpha Fund

Operation
- Climate neutral operation label
- CSR activities

2022

Framework and policy
- Environment risk management framework
- Active ownership policy
- Sustainable procurement policy

ESG integration
- ESG factors integrated into financial models
- Regular internal circulation of China ESG newsletter

ESG product
- SFDR Article 8 Funds
- Asia Absolute ESG Alpha Fund

Operation
- Climate neutral operations
- CSR activities

Disclosure
- First TCFD report

2023

Framework and policy
- Updated voting policy

ESG integration
- Engagements enhancement
- Controversies monitoring enhancement
- Regular internal circulation of Global ESG newsletter
- ESG key operating procedures and tools for private equity
- ESG DDQ for fund of funds

Governance and strategy
- Sustainability Committee
- Sustainability as part of senior management's KPIs
- Corporate sustainability material map

Operation
- Sustainable procurement
- Climate neutral operations
- CSR activities

Disclosure
- Second TCFD report

Active participation in sustainability coalitions and initiatives

Collaboration is one of Fullerton's core values. We actively work with industry bodies and sustainability practitioners to contribute to the collective effort of the financial market in mitigating the impact of climate change and building a more sustainable future.

Industry collaborations	Participation
Principles for Responsible Investment ("PRI")	Fullerton is a signatory to the PRI. We firmly believe that integrating ESG considerations leads to better-informed investment decisions and ultimately delivers superior results for our clients.
Asia Investor Group on Climate Change ("AIGCC")	Fullerton is a member of the AIGCC. This influential initiative is dedicated to raising awareness and driving action among Asia's asset owners and financial institutions. In addition to our independent engagements with portfolio companies, we actively participate in co-engagements with the AIGCC.
Climate Action 100+	Fullerton is a signatory to Climate Action 100+, an investor-led initiative, with the goal of influencing the largest corporate greenhouse gas ("GHG") emitters worldwide to take decisive action on climate change. As a signatory, we bear the responsibility of engaging directly with focus companies, either independently or in partnership with other investors.
Singapore Stewardship Principles ("SSP") for Responsible Investors	Fullerton supports the SSP. The SSP is a transformative initiative that seeks to empower investors to become proactive and responsible shareholders. Fullerton participates in research initiatives and share our experience via the platform to support capacity building.
IFRS Sustainability Alliance	Fullerton is a member of IFRS Sustainability Alliance, the global community for sustainability standards and integrated reporting.
Singapore Green Finance Centre ("SGFC")	Fullerton stands as one of the founding members of the SGFC. The SGFC is supported by the Monetary Authority of Singapore ("MAS"). This initiative aims to develop a pool of green finance talent and equip institutions and professionals with the information and skills pertaining to green finance in Asia.

Sustainability governance

Governance structure

Board of Directors
Overall responsibilities and oversight of Fullerton's sustainability strategy

Audit and Risk Committee
Oversight of sustainability-related risk, compliance, legal, audit issues and climate risk scenario analysis

Executive Committee
Oversight of implementation of sustainability strategy

Executive Resource & Compensation Committee
Oversight of the remuneration governance framework

Risk and Compliance Committee
Monitoring of ESG integration in investment

Sustainability Committee

Sustainability | Legal & Compliance | Risk | Business Development | Human Capital | Business Management

Investment
Active Ownership Workgroup

Corporate
Corporate Sustainability Workgroup

Board and oversight

The Board of Directors ("Board") has the overall responsibility and an oversight role of sustainability and climate change matters of Fullerton. The Board reviews the sustainability strategy on an annual basis and ensures sufficient resources are allocated. In 2023, the sustainability strategy, approach, progress, and plans were discussed and reviewed by the Board.

On behalf of the Board, the Audit and Risk Committee ("ARC") oversees compliance, legal, audit and risk-related issues, including sustainability risks and climate risk scenario analysis.

The Executive Committee, which comprises the firm's senior management team, oversees the firm's sustainability strategy whereas corporate sustainability is supervised by the Chief Executive Officer ("CEO") and sustainable investing is supervised by the Chief Investment Officer ("CIO"). The Executive Committee reviews and revises sustainability frameworks, policies, tools, and metrics while supporting capacity building and knowledge sharing.

The Executive Resource & Compensation Committee ("ERCC") oversees the remuneration governance framework. The ERCC is responsible for:

- reviewing and making recommendations to the Board on the composition of the boards of companies within the Fullerton Fund Management group of companies, which includes FFMC Holdings Pte. Ltd. and its direct and indirect subsidiaries (and their branches, if any) (the "Group"), excluding any entity within the Group which board solely comprises employees of Fullerton (the "Operating Entities");
- recruitment, leadership development and succession planning strategies for Key Management Personnel; and
- a remuneration framework for the Group, as well as the specific remuneration packages for each director and Key Management Personnel.

Implementation of sustainability

The Sustainability Committee, led by the Head of Sustainability, was established in 2022 to manage and coordinate the execution of Fullerton's sustainability strategy and risk management. The Sustainability Committee comprises heads or representatives from Risk, Sustainability, Legal and Compliance, Data Strategy and Management, Human Capital, and Business Development. The Sustainability Committee discusses sustainability-related issues at both the investment and corporate levels on a quarterly basis and as necessary. It reports to the Executive Committee.

The Head of Sustainability has dual reporting lines to the CEO and CIO. The Head of Sustainability provides regular updates to the CIO on the progress of responsible investment and monthly updates to the Executive Committee on ESG initiatives to ensure that these are communicated effectively at strategic and executive levels.

In 2023, the Sustainability Committee meetings addressed a number of pivotal sustainability-related issues, including:

Sustainability framework development and sustainability materiality metrics	Active ownership policy and proxy voting policy[1]	Climate risk scenario analysis outcomes
Updates of the TCFD report and PRI report	Climate risk measurement metrics and emission reduction initiatives	ESG-related regulations
ESG portfolio limit updates	ESG integration within alternative investments	Sustainable procurement policy

The Sustainability team collaborates with the broader Investment Group to develop sustainable thematic approaches for alpha generation, embedding sustainability considerations, including climate insights, into the investment process and conducting ESG engagement with portfolio companies on material ESG risks.

The Sustainability team works alongside the Investment team who are accountable for ESG integration, with climate change being one of the most important considerations. Guidelines are in place to incorporate climate considerations into financial modelling and investment decisions.

On the corporate sustainability side, the Corporate Sustainability Workgroup, led by the Head of Marketing and Corporate Sustainability, is responsible for designing and implementing the firm's corporate sustainability programme.

The Corporate Sustainability Workgroup comprises representatives from Business Development, Sustainability, Risk, Human Capital, Corporate Strategy and Operations. Members meet monthly to conceptualise, strategise and implement the Company's corporate sustainability programmes. Workgroup meeting minutes are shared with the Sustainability Committee and the Executive Committee. The Head of Marketing and Corporate Sustainability is also a member of the Sustainability Committee, which promotes synergies between the Sustainability Committee and the Corporate Sustainability Workgroup.

1. The Active Ownership Policy and Proxy Voting Policy have been combined and integrated into the Responsible Investment Policy in 2024

The three lines of defence

At Fullerton, we recognise the importance of integrating ESG risks into our risk management framework and are committed to improving these practices to safeguard our clients' assets. We have integrated climate change risks into our risk management strategy with our approach being structured around three lines of defence as follows:

First Line

Business units, including the Investment, Business Development and Business Management teams, diligently assess and manage inherent risks and opportunities in daily operations.

The Sustainability team supports the Investment team in conducting ESG analysis for investments and leveraging Fullerton's proprietary framework and third-party ESG data providers.

Second Line

The Risk Management team independently oversees the implementation of ESG and climate risk policies, actively challenging practices and assumptions while monitoring progress. The Compliance team ensures full adherence to regulatory requirements at both investment and corporate levels.

Third Line

Internal audit conducts independent assessments to evaluate the adequacy and effectiveness of internal controls, providing assurance to the Audit and Risk Committee. This includes evaluating the strength of our risk management framework in managing ESG and environmental risks as well as our overall ESG integration process.

At the corporate level, our Sustainability team, Legal and Compliance team, and Risk Management team collaborate to monitor ESG regulatory development requirements. They ensure the adoption of relevant procedures and approaches to meet these requirements. The Sustainability and Business Management teams monitor the operational carbon footprint and develop action plans to meet internal targets related to market, reputation, technology, and physical risks.

Responsible investing

Integrating ESG considerations in our investments

At Fullerton, we believe that ESG and climate risks can have a material impact on the value of an investment. We are convinced that considering ESG factors leads to better value discovery and risk mitigation, and therefore results in better long-term risk-adjusted returns for clients.

Since 2020, Fullerton has become a PRI signatory and a supporter of the TCFD. As an asset manager, we systematically assess material ESG issues and climate-related factors in our investments. ESG integration is applied to all public investment funds managed by Fullerton, meaning equity or credit investments, and sovereign holdings. For segregated accounts with specific investment mandates, the extent and nature of the ESG integration are bespoke based on the client's needs. In 2023, we commenced ESG due diligence on the General Partners of our Fund of Funds ("FoF"). As of 31 December 2023, Fullerton's total AUM amounted to USD 37 billion. Except for cash, private debt and derivatives portfolios, we have adopted ESG integration in all other investments, which accounts for 83.6% of the total AUM.

Our ESG integration methodologies

We integrate ESG and climate-related factors throughout the investment process, from research and analysis, portfolio construction, monitoring and active ownership. The process is safeguarded by relevant policies and KPIs, and governed by the Sustainability Committee, Executive Committee and Risk and Compliance Committee. For enhanced transparency, we report our progress and plans on responsible investment via PRI and upon clients' request. We use both top-down and bottom-up approaches to identify ESG risks and opportunities and analyse the impact through various quantitative and qualitative method as appropriate. These assessments form the basis for our investments and ESG-related strategies.

Approach to ESG and climate change considerations

Fullerton believes active ownership is one of the most effective mechanisms to minimise risks, maximise returns and create positive impact on society and the environment. Therefore, Fullerton actively engages with the companies as stewards and votes shares in the best interest of clients.

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

For equities and fixed income, we integrate ESG and climate change considerations on corporates and sovereigns with both quantitative and qualitative approaches. Alongside fundamental analysis, our ESG analysis framework includes company-specific ratings, country ratings, general partner ratings and our research is empowered by third party data sources.

As an active asset manager equipped with local insights on our portfolio companies, our proprietary rating process considers the relative materiality of ESG issues and the portfolio company's approach in addressing the ESG issues.

Our systematic approach categorises ESG risks into a six-point scale, from "negligible" to "do not invest", and provides guidance to our Investment team with ESG portfolio construction rules designed to limit ESG risk exposure and uncover investment opportunities. Ratings are validated by Fullerton's Sustainability team. Where clients wish to be informed of ESG screening changes and related implications, Fullerton will engage these clients.

For our Alternative strategies, we have expanded our scope to adopt ESG tools and questionnaires during due diligence, beginning with selected strategies.

Our sustainability product strategies

Investment themes

Fullerton has developed four environmental and three social-related investment themes for our product ideation.

- Climate mitigation
- Climate adaptation
- Ecosystem & biodiversity
- Circular economy & sustainable cities
- Basic / physiological needs: affordability and accessibility
- Social safety net: affordability and accessibility
- Societal inclusion: human psychological needs

Our suite of sustainable investment strategies has expanded over the past few years, with the introduction of Fullerton's suite of ESG alpha portfolios. The ESG alpha strategies have incorporated ESG rating criteria along with a proprietary sustainable solutions framework based on the Sustainable Development Goals ("SDGs").

These strategies aim to achieve long term capital growth by investing in companies with strong or improving ESG performance.

We have a suite of SFDR Article 8 products for both Equities and Fixed Income strategies that promote environmental and social characteristics.

SFDR Article 8 products

Sustainability integrated

SFDR Article 8 products

- Global Norms exclusion
- Limited investment in issuers with severe ESG risks

Sustainability focused

ESG Equity products

- Global Norms & Controversial business activities exclusion
- Idea generation using sustainable solution themes
- Focus on good / improving ESG issue management with corporate engagement as a tool
- Exclude companies with severe ESG risks

Towards impact

Fullerton Carbon Action Strategy

- Global Norms & Controversial business activities exclusion
- Idea generation focusing on decarbonisation drivers
- Value creation via ESG issue management
- Avoid companies with severe unmitigable ESG risks

Fullerton offers a suite of SFDR Article 8 products, including four Equity funds, five Fixed Income funds, and one Private Equity fund. These funds are designed to promote environmental and/or social characteristics by investing in companies that adhere to robust sustainability practices.

To measure the achievement of these environmental and social objectives, sustainability indicators are employed. For the Equities and Fixed Income SFDR Article 8 products, the funds' ESG characteristics and High Emitting and Tardy ("HEAT") exposures are systematically tracked.

HEAT exposure

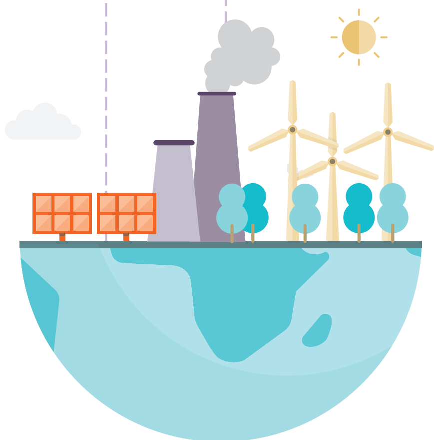
HEAT companies are **high-emitting entities with the worst carbon intensity performance** within their sub-industries, based on disclosed corporate data. Outliers are identified using statistical methods, and portfolio limits are applied to the funds' exposure to these HEAT companies

ESG characteristics

Invests at least

51%

of its assets in securities of companies with favourable ESG characteristics



ESG Equity products

We believe that companies with robust sustainability practices demonstrate greater resilience over time. Sustainable investing broadens the scope of traditional investing by incorporating ESG factors to better assess long-term valuation growth potential.

Our focus is on stocks of companies identified as Sustainable Leaders/ Improvers, and Sustainable Solutions. These strategies utilise the extensive research capabilities of Fullerton's Investment (equity) and Sustainability teams to select high-quality companies for sustainable growth.

At the start of 2024, we incepted a relative return Global ESG Equities fund in collaboration with Temasek's Quantitative Strategy team. The strategy primarily invests in global equities, combining the best of bottom up ESG ideas from Fullerton's Equity and Sustainability team with the ESG signals developed by Temasek's Quantitative Strategy team.

Fullerton Carbon Action Strategy

The Fullerton Carbon Action Strategy ("the Strategy"), launched in 2024, aims to support the carbon net zero agenda and achieve long-term capital growth by investing in companies committed to decarbonisation. It targets sectors poised to deliver both financial and decarbonisation outcomes, including energy, manufacturing, construction, industrials, agriculture, and transportation.

In partnership with the United Nations Development Programme, we have developed a Sustainability Management Framework to assess and optimise decarbonisation efforts in Asia.

Stewardship

Active ownership

For public investments, we focus on controversies and ESG themes such as climate change, biodiversity, and labour rights. For our private investments for example - in our decarbonisation-focused private equity strategy, we are committed to promoting climate investing in Asia's private equity sector and supporting private companies in adopting strategies that can expedite their net zero objectives.

Engagement approach

Our Investment, Sustainability, and Risk teams actively monitor portfolio companies to enhance investment cases and mitigate risks. Corporate engagement is key, and the Investment team tracks and measures the ESG progress made by portfolio companies and engages with company representatives, including the Board and senior management.

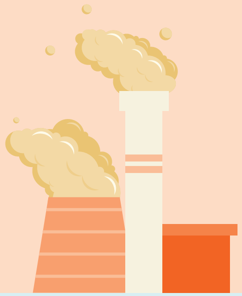
We categorise portfolio companies based on their ESG dedication and transparency, highlighting high-emitting industries. Our Investment team engaged with over 140 companies in 2023 on issues such as climate change, biodiversity, and labour rights.

Our engagement outcomes are incorporated in our ESG rating, financial modelling and portfolio construction process.

In addition, we work with investor associations such as AIGCC to conduct collaborative engagements. We also engage in public policy, participating in MAS consultations in relation to sustainable finance and its regulatory development.

Notable engagement initiatives

Co-leading a collaborative investor engagement with a Chinese power company to determine the strength of its green transition strategy



Multiple one-to-one engagements with an Asian electronics manufacturer to evaluate the risks of labour and human rights issues

Engaging a global agri-business company to understand its progress on traceability requirements and in meeting Taskforce on Nature-related Financial Disclosures ("TNFD") recommendations on biodiversity risks

Proxy-voting approach

Our Investment team recognises their fiduciary responsibility to exercise voting rights and acknowledge that voting decisions can impact the value of investments. As minority shareholders committed to active ownership, we actively exercise our right to vote in shareholder meetings on a diverse array of topics, in line with our proxy-voting strategy, to influence corporate governance and other pertinent investment decisions in the best interests of our clients.

Our guiding principles in the proxy-voting process are shown below:

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

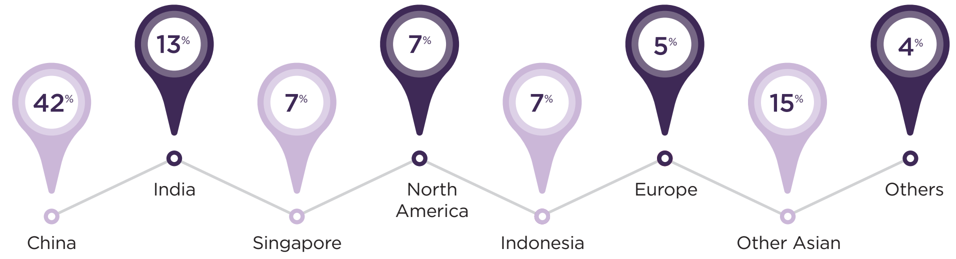
Fair and Equitable Shareholder Treatment
Shareholders should be consulted on fundamental changes and be empowered for active ownership

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

In 2023, Fullerton voted on over 4,000 proposals across 470 meetings, comprising 3,956 management proposals and 97 shareholder proposals ("SHP"). We voted against management on 10% of the management proposals and 35% of the SHPs.

2023 voting activity

Meetings by country and region in 2023



Proposal objectives

Fullerton exercised our right to vote in shareholder meetings across a range of diverse topics. This is in line with our proxy-voting approach to influence company governance and other relevant investment related decisions in the best interest of our clients.

Exclusion and divestment

We evaluate potential investments comprehensively, considering severe controversial behaviour that breaches international norms such as the UN Global Compact and OECD Guidelines for Multinational Enterprises and relevant local laws and regulations.

We also monitor the ESG performance of our existing portfolio companies. If a breach is detected, we will conduct a fact-check and initiate a controversies engagement with investee management. If this does not lead to desired changes within a stipulated timeline, we will escalate the issue and may potentially exclude the company from portfolios.

Climate risks and resilience

As an Asia-based asset manager, Fullerton places high priority in addressing climate-related risks as well as identifying opportunities arising from the energy transition. We recognise physical and transition risks as systemic threats to client investment performance and acknowledge the importance of factoring both transition and physical risks within our investment strategies to protect our clients' long-term financial interests and align with their objectives.

Please refer to Appendix A for more information on our climate risk scenario analysis.

We have published standalone TCFD reports in the past two years, and we adhere to the environmental risk management ("ENRM") Guidelines set forth by the MAS. Going forward, we will closely monitor the evolving sustainability disclosures including the IFRS S2 on enhanced climate risks disclosures and financed emissions of our investments.

Fullerton also identifies, manages and discloses our climate risks at the corporate level.

At the investment level, we continuously enhance our ESG integration framework and stewardship efforts. We have put more focus on high-emitting industries and started to track the progress in a more systematic way. The metrics and targets at the investment level are shown in the table.

Metrics for climate change risk management at the investment level

Metrics	2023 Target	Achievements in 2023	2024 Target
ESG integrated AUM	Develop and enhance ESG framework for private markets	ESG framework and tools developed for private equity Implementation started in 2023	Enhance and further implement ESG integration for private equity
Engagements on climate change	Climate change as one of the three key engagement themes and progress will be recorded. Priorities will be given to high-emitting industries	Start to track and categorise the progress for thematic engagements, with emphasis on climate change topic with high-emitting industries	Focus on thematic engagements and follow up with the progress. Prioritise using 'HEAT' framework, entities that are laggards within high emitting sub-industries

- ESG integrated AUM refers to the portfolios adopting ESG integration approach as mentioned in the Responsible Investing section.
- Engagements on climate change refer to those involving climate change issues with investee companies. The key emphases are on companies' decarbonisation and transition plans, efforts, progress and achievements. We also assess the credibility of companies' commitment to their mid to long term climate targets, and hold companies accountable for their 2030 or 2050 decarbonisation roadmap.

Sustainable business operations

Environment

At Fullerton, we strive to operate responsibly. Sustainability is an integral element of Fullerton's corporate strategy, and this top-level commitment is overseen by our Board and Executive Committee. We acknowledge the significance of sustainable operations and pursue targeted strategies to effectively reduce our carbon footprint across our value chain.

In our ongoing commitment to responsible operations, we have developed specific corporate-level action plans, as detailed in the table below.

Material topic	Our actions and plans
Sustainable operations	• Maintain carbon neutrality in our operations. • Conduct ESG due diligence on all outsourced service providers and key vendors. • Purchase printing paper that holds Forest Stewardship Council ("FSC") certification. • Cease the provision of disposable paper cups to staff. • Replace all fluorescent office lighting with energy LED lighting alternatives. • Enhance our disclosures on operational Scope 3 emission categories.

Our reporting scope for operational environmental data encompasses our Singapore and China (Shanghai) offices, as these are the primary countries where we conduct business operations.

Energy management

Metric	Unit	2021	2022	2023
Electricity consumption	kWh[2]	198,851	211,490	216,419

Following the easing of lockdown measures, energy consumption has increased beyond 2021 levels. In 2023, absolute electricity consumption rose by 9% compared to 2021, driven by an increase in staff members and more time spent in the office.

As part of our commitment to sustainability, we will transition to efficient light-emitting diode ("LED") lighting wherever feasible, replacing all faulty fluorescent office lighting with energy-efficient LED lighting alternatives. This transition will not only reduce our environmental impact but also contribute to long-term cost savings. In line with our Sustainable Procurement Policy, all outsourced service providers and key vendors undergo ESG due diligence to ensure that they possess adequate ESG management practices, and ESG-related targets as applicable.

2. Kilowatthour (kWh)

Operational emissions

At the corporate level, we have achieved carbon neutrality in our operations since 2020. We monitor our GHG emissions and annually offset our corporate emissions that cannot be immediately reduced by investing in market solutions such as carbon credits. Alongside these efforts, we actively encourage the use of digital meeting solutions as an alternative to work travel, thereby reducing our carbon emissions.

We have been monitoring our carbon emissions since 2019, using the appropriate methodology and emission factors outlined in the Greenhouse Gas Protocol ("GHG Protocol"). By nature of Fullerton's business model, we do not have any Scope 1 emissions as we do not own, or control sources of direct emissions related to fuel combustion (e.g., company vehicles) or the maintenance of air conditioning and refrigeration systems in our office buildings.

Metric	Unit	2021	2022	2023
GHG emissions				
Scope 2 absolute emissions	tCO_2e[3]	86.29	88.42	90.06
Scope 3 absolute emissions	tCO_2e	100.78	176.48	621.04

The rise in total absolute emissions from 2021 to 2023 is primarily driven by the increase in Scope 3 emissions. The increase is attributed to the substantial rise in business travel following the easing of Covid-19 travel restrictions. Additionally, in 2023, we included upstream leased assets in our Scope 3 emissions to enhance the transparency of our reporting.

Fullerton's overall operational emissions reporting methodology

Our methodology adheres to the widely adopted GHG Protocol, allowing a standardised approach for measuring, managing, and reporting GHG emissions. The emissions data is reported as of 31 December 2023.

Please refer to Appendix C for more information.

We concluded that categories 9 to 14[4] of Scope 3 emissions are not relevant to us as an asset manager. Currently, our reporting framework does not cover all 15 categories of Scope 3 emissions as per the GHG Protocol, with gaps in categories such as purchased goods, capital goods, financed emissions, and waste generated. We plan to expand the scope of our measurement and reporting as we refine our methodology and gather more reliable data.

3. Tonnes of carbon dioxide equivalent (tCO_2e)

4. Scope 3 categories 9 to 14 includes: 9. Downstream transportation and distribution, 10. Processing of sold products, 11. Use of sold products, 12. End-of-life treatment of sold products, 13. Downstream leased assets, 14. Franchises.

Sustainable procurement

In 2022, we introduced the Sustainable Procurement Policy to reduce our carbon footprint throughout the supply chain. This policy guides the selection, management, and monitoring of key suppliers, requiring all key suppliers and outsourced service providers to undergo sustainability assessments before onboarding. We proactively engage with existing key vendors, evaluating their environmental risk management processes and alignment with international frameworks such as the TCFD recommendations. Annual checks are conducted for existing vendors and generally all large vendors have met our standards, demonstrating robust policies, management systems, targets, tracking mechanisms, and transparent disclosures, aligning well with our sustainability objectives.

Carbon credits

Fullerton has been utilising carbon credits since 2020 to offset its corporate headquarter emissions. We are aware of the growing concern about the quality of carbon credits and, therefore, are cautious when selecting projects. Our commitment lies in ensuring that the carbon offsets we acquire meet stringent criteria. We strive to ensure that these offsets are measurable, additional, and registered in accordance with international standards, such as the Verified Carbon Standard ("VCS").

Water management

Metric	Unit	2021	2022	2023
Water consumption	L[5]	56,200	108,700	143,000

In 2023, both water consumption and water consumption intensity increased by 154% and 111% respectively, compared to 2021. There has been a surge in water consumption beyond 2021, due to the relaxation of Covid-19 lock-down measures and more staff members spending time in the office.

Waste management

While we have not conducted formal waste monitoring on a corporate level in previous years, our office has implemented a series of initiatives to promote waste reduction and responsible waste management practices.

We encourage our staff to prioritise electronic versions whenever feasible to reduce the need for printing, and advocate for double-sided printing to optimise paper usage. These measures help to minimise paper waste and contribute to a more environmentally-conscious workplace. Starting in 2024, we will only purchase printing paper that holds a FSC certification, to support responsible and sustainable sourcing practices. We will discontinue the provision of disposable paper cups to staff, promoting the reduction of single-use items and minimising waste.

Within our office buildings in Singapore and Shanghai, we have implemented a waste classification system. This system ensures that waste is properly sorted into categories such as kitchen waste, general waste, and recyclables. By adhering to this system, we actively promote responsible waste management practices among our employees.

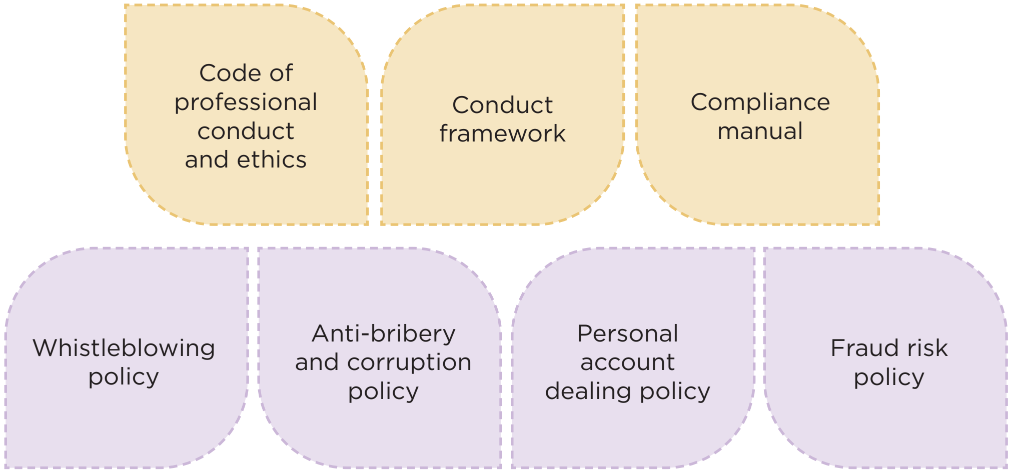
5. Litre (L)

Business ethics

At Fullerton, we prioritise ethical conduct, recognising its importance to our success and reputation. We are committed to the highest ethical standards, prioritising our stakeholders' best interests, and ensuring compliance with local laws and regulations. We maintain a zero-tolerance approach towards bribery, corruption, fraud, and any regulatory breaches, understanding that such actions compromise our integrity and reputation.

Policies and standards

To effectively address these concerns, we have implemented a comprehensive set of internal policies that govern these areas and ensure strict compliance. These policies cover a wide range of topics including, but not limited to, the following:



Promoting an ethical workforce

Promoting an ethical workforce is vital to us. All employees are required to submit fit and proper declarations on an annual basis.

We have a whistleblowing policy that allows employees to report violations anonymously and without fear of retaliation, reinforcing our commitment to ethical practices. The policy is found on the Company's intranet site, and is accessible to all employees.

We maintain zero tolerance for insider trading. As part of the onboarding process, all new employees are required to submit an initial declaration of their holdings. Transactions in certain financial instruments are subject to prior approval, which will not be granted if the financial instrument is on the restricted list. Any employee who thinks that they have become or may have become an "insider" should immediately inform the Compliance team, and the security will be placed on the restricted list until the information concerned has been made public, i.e. no trading is permitted for client and staff personal accounts until further notice. This prevents conflicts of interest and ensures transparency. For personal account dealing breaches, our Compliance team assesses each case's severity when determining the consequences.

We prioritise business ethics and the professional development of our staff and have implemented comprehensive training programmes to ensure all staff are well-versed in local rules and regulations related to fund management. New hires must complete a compliance induction which covers the expected standards of conduct per our Code of Professional Conduct and Ethics and includes the Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT") training.

Our senior managers and material risk personnel are required to complete a specified number of training hours per year. This training focuses on role-specific competencies, risk implications, and standards of proper conduct. Our licensed representatives must meet annual Continuing Professional Development requirements to stay updated on industry developments and maintain professional competence.

Transparency and fair advice for customers

Fullerton is committed to treating clients and customers fairly, which is a core part of our organisational culture. We have a zero-tolerance policy for unfair or poor customer outcomes and aim to provide excellent service and support.

Policy and standards

Fullerton has established policies to maintain transparency and fair advice for our customers, including but not limited to the following:

Client management policy

This policy establishes the minimum standards for our interactions with clients and customers, ensuring that our governance and oversight arrangements for products and services are in full compliance with regulatory standards. The policy includes Fullerton's approach to meeting Fair Dealing Outcomes as set out in MAS' Fair Dealing Guidelines.

Client complaint handling policy

This policy ensures an independent, effective, and prompt resolution of client complaints, in alignment with the MAS' Guidelines on Fair Dealing and the Investment Management Association of Singapore's ("IMAS") Code of Ethics and Standards of Professional Conduct.

Policy on promotional materials

This policy mandates that all promotional materials must be reviewed and approved by our Compliance team prior to distribution. This process helps safeguard against regulatory, legal, commercial, and reputational risks.

Investment suitability

We prioritise recommending suitable investments for each client based on their specific circumstances. Factors considered include the client's understanding of the product, eligibility, and completion of customer due diligence. For pooled funds, we ensure that offerees are suitable investors according to the Singapore Securities and Futures Act and other relevant regulations.

Caring for our people and the community

Fullerton acknowledges the significance of social responsibility in today's world. We aim to create an inclusive and enriching workplace environment for our employees, prioritising their well-being and growth. Moreover, we participate in community engagement, actively seeking opportunities to contribute and effect meaningful change. By upholding our commitment to social responsibility, we aspire to make a positive impact towards a fairer and more sustainable future.

Embracing inclusivity and diversity

Fullerton is committed to enhancing diverse representation across all levels, nurturing an inclusive culture that is guided by the organisation's values. We ensure equal access to opportunities for all through a merit-based system. Through proactive refinement of our practices and policies, we contribute to greater equity and inclusivity.

Fullerton's diversity representation profile

Gender representation by organisational level

Board	Executive Committee	Firmwide
78%	50%	51%
22%	50%	49%

Firmwide gender and age distribution

< 30 years	31 - 50 years	> 50 years
56%	49%	54%
44%	51%	46%

Building an inclusive workplace

We are an equal opportunity employer where individuals are treated with respect and dignity. Our anti-discrimination and harassment policy included within our Employee Handbook provides assurance to our employees of the Company's zero tolerance stance on discrimination or harassment at the workplace. This is supported by a structured grievance and complaints handling process for reporting and addressing complaints. To date, there have been no incidents of discrimination reported at the workplace.

To raise awareness and actualise our inclusive approach in the Company, we are a corporate member of the Financial Women's Association Singapore and have participated in several of its programmes.

Supporting our people

Fullerton believes in fostering an environment where all employees feel valued, motivated, and empowered. By supporting our employees in upskilling and fostering an environment where they feel safe to speak up, employees can thrive and advance their careers together as the organisation grows.

Ensuring employees voices are heard

Fullerton places great importance on open communication at the workplace. Townhall sessions are organised three times a year. These sessions provide a platform for management to share key business updates, while connecting with employees from China, Singapore and Brunei. To enhance engagement, the townhalls have been organised in various formats including gameshows as well as talk shows that include robust interactions between employees and senior management.












Fostering relationships in the workplace

At Fullerton, our employee development goes beyond just professional growth. Our recreational group, Club Fullerton, organises a wide range of events and activities throughout the year, such as our annual dinner and dance, wellness talks, outdoor activities, and festive occasions. These events allow our employees to connect while engaging in new experiences beyond work.

Celebrating achievement is an integral aspect of employee engagement at Fullerton. We share successes and inspiring stories on our firmwide intranet "MyFullerton". By highlighting and celebrating the accomplishments of our employees, we foster a sense of pride, motivation, and camaraderie within the Company, further enhancing employee engagement and promoting a positive work culture.

Recognising the importance of fostering strong relationships and cultivating a positive work culture, we organised a Family Day event, where employees and their families were provided the valuable opportunity to connect and enjoy a day filled with fun, games, and activities at our office. This gathering not only brought joy and excitement but also served as a unique opportunity for colleagues to forge personal connections, enabling them to get to know each other better beyond the confines of the workplace.

Employee development and progression[6]

We continuously upskill and equip our employees with diverse skillsets and competencies to navigate an increasingly uncertain and volatile environment, and to remain relevant and future-ready. In 2023, we achieved an almost 50% increase in total training hours and 50% rise in training hours per employee compared to 2022.

Apart from mandatory training for all employees as part of regulatory requirements, we have a digital platform that allows employees to pick from a diverse and wide range of technical and leadership programmes to help them gain new competencies and strengthen existing ones.

One such initiative is our leadership training series, which targets potential leaders and high-potential individuals. This comprehensive three-year programme is specifically tailored to help participants flourish in their current roles and equip them for future leadership positions.

Development of skills in sustainability has been a key focus area for the Company in the past year, as we dedicated approximately 864 training hours firmwide to courses on sustainability-related topics, including an introduction to responsible investing and special topics on climate change and biodiversity. The Board and senior management participated in events such as the GenZero Climate Summit, engaged in Singapore Green Finance Centre programmes, and attended courses such as the IMAS course on environmental risk management.

	2022	2023
Training hours per employee	13 hours	20 hours
Total employee training hours	3081 hours	4558 hours

6. Total number of full-time employees as of 31 December (including permanent and contractors) were 231 in 2022 and 229 in 2023.

Employee health and well-being

Fullerton is committed to the health, safety, and well-being of its employees.

Workplace safety and security

By placing a strong emphasis on workplace safety, we cultivate an environment that instils confidence and peace of mind in our employees. This commitment helps to protect employees' physical and mental well-being, enabling them to carry out their duties productively.

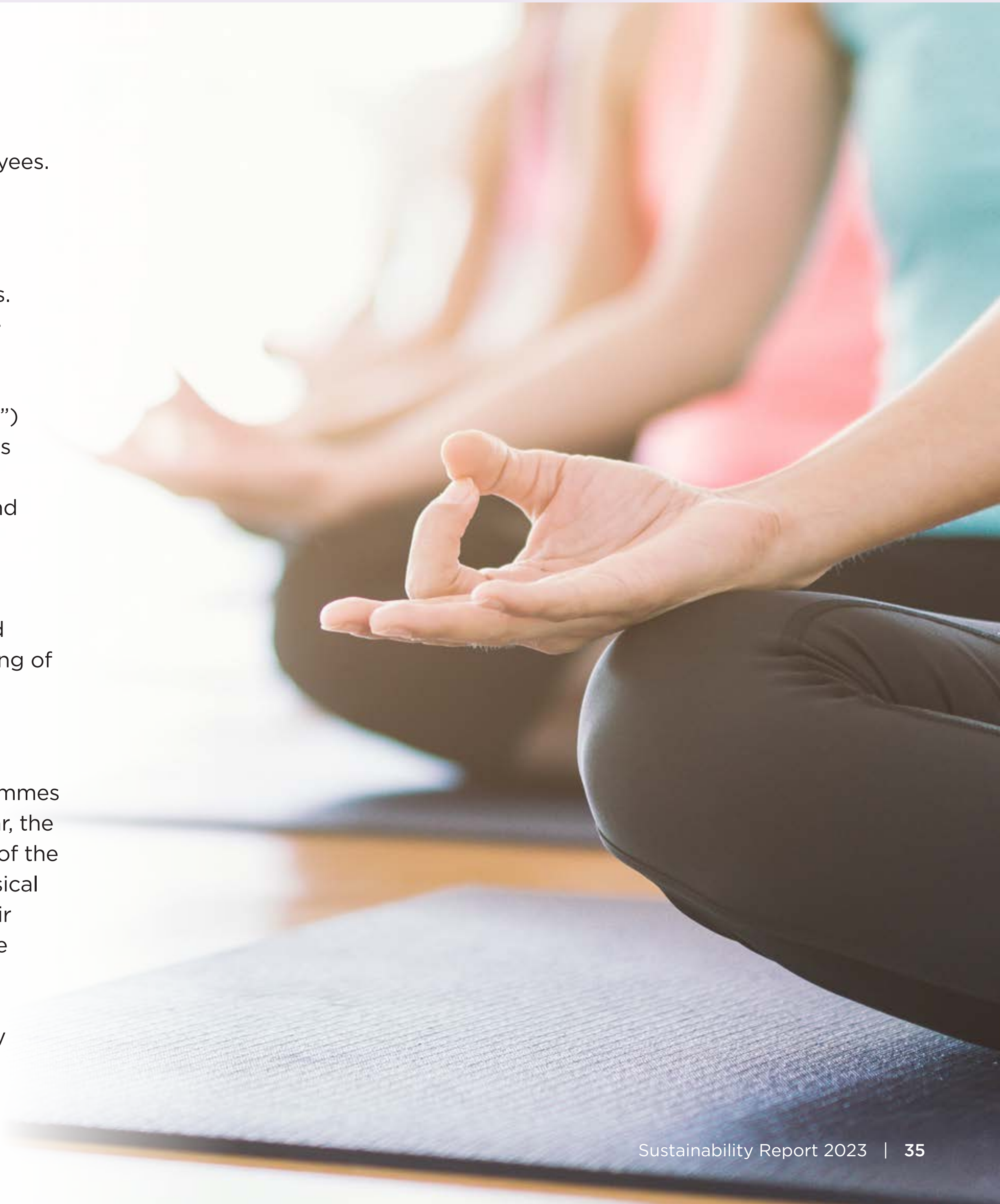
We ensure accessibility of basic Automated External Defibrillator ("AED") machines to manage medical emergencies and conduct regular fire drills twice a year. These measures not only mitigate the risk of accidents but also familiarise our employees with escape routes, allowing a smooth and efficient evacuation process in the event of a fire or emergency.

In 2023, Fullerton is pleased to report no occurrences of workplace accidents. We remain vigilant in our efforts to continuously improve and uphold the highest standards of workplace safety, ensuring the well-being of all individuals within the Company.

Cultivating a culture of wellness

To support our employees, Fullerton organised different exercise programmes for our employees such as yoga classes and massage sessions in the year, the latter in partnership with the beneficiaries of the Singapore Association of the Visually Handicapped. Wellness talks that covered both mental and physical wellness were also conducted. To allow employees to take charge of their health and well-being, our flex benefits programme allows them to utilise their credits in a variety of ways to better their health outcomes.

To support work-life integration, Fullerton offers a hybrid working policy where employees can work at fixed intervals at home and in the office.



Community engagement

As a socially conscious firm, we look to contribute positively to the environment and the community through our corporate sustainability programme. Under our corporate sustainability programme, we have identified food resilience as a key theme to build a sustainable future.

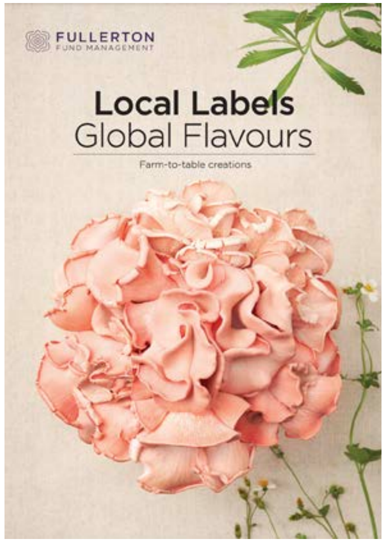
With Singapore currently importing 90% of its nutritional needs, the government's goal to produce 30% of our nutritional needs domestically by 2030, resonated with us. Our goal is to enhance food resilience in Singapore by championing local produce and changing consumption behaviours.

Community engagement initiative - Local Labels Global Flavours

As a Asia-based asset manager, we had a strong desire to build a robust programme to underscore our commitment to the local community and environment.

The topic of food security and resilience struck close to our hearts, particularly in the aftermath of the pandemic, which exposed the supply chain vulnerabilities that our nation faced as a net food importer.

Our project, 'Local Labels Global Flavours' was borne from our commitment to championing local farmers, while creating greater awareness and demand among consumers for local produce, which rival their imported peers on taste and quality. This initiative aims to inch Singapore closer to the "30 by 30" goal to reinforce Singapore's food resilience.



Click *here* to download the e-book.

Strong support from government agencies

We received support from the Ministry of Sustainability and the Environment. Grace Fu, Minister for Sustainability and the Environment, penned a foreword for 'Local Labels Global Flavours', highlighting the importance of supporting local produce. We also worked closely with the Singapore Food Agency to better understand the supply and demand landscape for local produce, and jointly curated the list of local producers that were featured in the book.

'Local Labels Global Flavours' features local producers who are tapping into technology and employing sustainable farming practices across various categories of produce: Fish, Shellfish, Vegetables and Mushrooms, Eggs and Milk, as well as Protein Alternatives.






Collaborations with like-minded local celebrity chefs to champion local produce

To bring the concept of consuming local produce to life, we partnered with renowned local celebrity chefs who share our passion for local ingredients and responsible consumption. Together, we developed a series of unique recipes featuring local produce and protein alternatives.










Outreach to generate awareness for local produce

> 500,000
digital engagements

> 5,500
e-book downloads

> 260
books sold

> $20,000
of sales proceeds donated to KCA in their efforts in amplifying local produce

> 20,000
physical engagements through farmers' markets

Notably, $20,000 was raised from the sale of the book 'Local Labels Global Flavours', with all proceeds channelled to the Kranji Countryside Association to bolster their community initiatives aimed at generating awareness and enhancing access to local farms and produce.

Community outreach to corporates and youths

To extend the outreach to a younger generation, Fullerton conducted education sessions to school going kids from Nanyang Primary, as well as to Zonta Club, a non-profit organisation dedicated to the betterment of lives of underprivileged women and girls.

Appendices

Appendix A: Climate risks and opportunities and scenario analysis

I. Summary of climate risks and opportunities in public markets investments

Risk type	Description of risks and opportunities	Impact	Time horizon*	Financial impact	Mitigation strategies
Transition: Policy and Legal	• Mandates or requirements on climate-related risks management and metrics reporting on investment level • Carbon pricing mechanisms affecting portfolio companies, potentially impacting their financial performance • Regulations concerning products and services, including fund taxonomy, marketing materials, process management, and information disclosure	• Increased data and operational costs to meet requirements • Higher costs due to the need for specialised ESG compliance personnel • Increased cost due to compliance with regulations and additional fund/ investment relating to carbon assets of portfolio companies • Potential asset write-offs for portfolio companies	Short term	High	• Subscribe to a specialised carbon data provider for company level analysis within portfolios • Start reporting on portfolio level Scope 1 and Scope 2 carbon emissions intensity • Hire consultants to help us understand how to comply with regulations where appropriate • Conduct internal ESG analysis and engagement to better inform Fullerton about the risks faced by portfolio companies • Assess and gradually incorporate carbon costs into our Company's financial models for jurisdictions with high carbon compliance costs
Transition: Market and Reputation	• Stakeholders' concerns about the systemic risks related to climate change on investment products and services • Stakeholders' preference for greener products and services with transparent disclosure	• Decreased demand for products and services that do not consider climate change risks	Short term	High	• Increase transparency of our investment products by providing comprehensive ESG reporting • Enhance our ESG integration approach and management to avoid 'greenwashing' • Develop and launch ESG products to meet shifting appetites • Extend the engagement with portfolio companies to disclose and manage climate-related risks

* Short term - within five years; medium term - five to ten years; long term - more than ten years.

Risk type	Description of risks and opportunities	Impact	Time horizon*	Financial impact	Mitigation strategies
Transition: Technology	• Portfolio companies' use of more energy efficient technologies • Portfolio companies transitioning to renewable energy • Portfolio companies' shift towards a more sustainable product mix	• Reduced operating costs for portfolio companies due to energy saving and self-generated renewable power • Better competitive position in the market and increased revenue of portfolio companies	Short term	High	• Subscribe to specialised ESG datasets to enhance integration across portfolios and understand the financial impact from a technological and innovation perspective • Develop and launch specialised ESG funds on technology utilisation and innovation • Seek out leaders in the low carbon transition space by conducting company level ESG analysis and engagement, as well as ESG thematic research
Physical: Acute	• Increased occurrence of extreme weather events	• Disrupt operations of portfolio companies	Short-to-medium term	Medium	• Engage with selected high-emitting companies and companies with material climate-related risks
Physical: Chronic	• Longer-term shifts in climate patterns such as rising temperatures • Rising sea levels	• Disrupted access to water and food and thus affecting employee health and productivity of portfolio companies • Possibility of choosing new locations for business operation of portfolio companies	Long term	Low	• Engage with selected high-emitting portfolio companies and portfolio companies with material climate-related risks

* Short term - within five years; medium term - five to ten years; long term - more than ten years.

II. Summary of climate risks and opportunities at the corporate level

Risk type	Description of risks and opportunities	Impact	Time horizon*	Financial impact	Mitigation strategies
Transition: Policy and Legal	• Requirements on climate-related risks management and metrics reporting at the corporate level • Regulations of fund management	• Increased data and operational costs to meet requirements • Increased specialised ESG compliance headcount and cost • Possible asset write-offs • Possible accelerating retirement of existing funds	Short term	High	• Internal corporate level climate reporting started in 2020 and has been published publicly since 2022 via the TCFD report • Keep abreast of ESG related regulations and developments in markets that may be relevant to our Company and funds offered and be part of Singapore industry consultations to reflect our suggestions and better understand the regulations • Hire consultants to help us understand how to comply with regulations where appropriate • Explore datasets needed to comply with regulations
Transition: Market and Reputation	• Stakeholders' concern on the climate change impact on operations • Stakeholders' willingness to collaborate with greener institutions with high environmental awareness and ethical standards	• Decreased AUM if we fail to assure stakeholders of our climate-related commitment and ability to mitigate climate change risks	Short term	High	• Set action plan to reduce carbon footprint on the operational level • Offset operational GHG emissions since 2020 • Released Sustainable Procurement Policy and collaborate with key vendors to reduce carbon footprint on supply chain
Transition: Technology	• Use of more energy efficient technologies • Use of low-carbon economy technologies	• Reduced operating costs on energy use • Reduced need for travel and relevant expenses	Short term	Medium	• Encourage technologies, equipment, and behavior with low carbon emissions • Use virtual meeting platforms and tools; actively monitor and reduce need for travel

* Short term - within five years; medium term - five to ten years; long term - more than ten years.

Risk type	Description of risks and opportunities	Impact	Time horizon*	Financial impact	Mitigation strategies
Physical: Acute	• Increased occurrence of extreme weather events	• Disrupted internet connectivity due to damage on infrastructure • Diminished ability for employees to work if offices, residences, or transportation are hit	Short-to-medium term	Medium	• Design remote working contingency plan
Physical: Chronic	• Longer-term shifts in climate patterns such as rising temperatures • Rising sea levels	• Affect access to water and food and thus affecting employee health and productivity • Possibility of choosing new office locations	Long term	Low	• Conduct risk assessment for choosing office location

* Short term - within five years; medium term - five to ten years; long term - more than ten years.

III. Climate risk scenario analysis

We have completed our third formal climate risk scenario analysis to better understand the risks we face and to guide our climate-related strategies. This analysis incorporates updated considerations within the scenarios utilised. We will evolve our approach as more accurate data and advanced tools become available.

Overview of process

- Identify key transition and physical risks to Fullerton

- Choose appropriate scenarios
- Understand the assumptions and estimations for the scenarios used
- Decide on the time frames used for scenarios

- Decide the data input
- Conduct impact analysis
- Apply the results to Fullerton's strategy planning

Identification of key risks

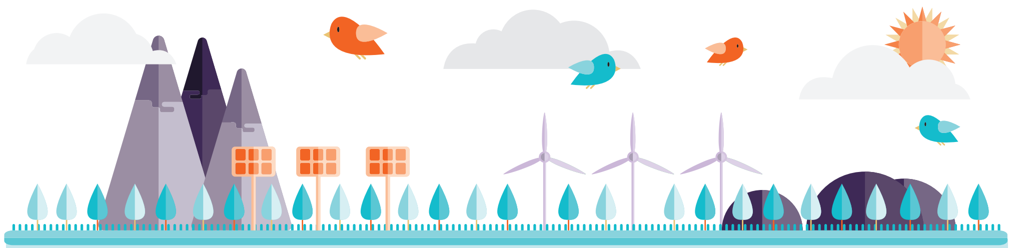
As outlined in Appendix A in this report, we have identified both transition risks and physical risks at the corporate and investment levels. To better understand these risks and their potential impacts on our business operations and portfolios, our analysis incorporated both transition and physical risks.

Choice of scenario used

This year, we continued to use the Network for Greening the Financial System ("NGFS") set of scenarios for our analysis. NGFS scenarios provide key physical and transition scenario parameters required for the modelling and are widely used by central banks and the financial sector for climate stress testing.

We use the same scenarios as we did last year, so that we can understand the change and impact year on year. The details of the scenarios and key assumptions are listed next page[7] . The definitions are provided by the NGFS.

7. Details and assumptions from NGFS Scenarios Portal



Hot House World – NDCs

This scenario includes all pledged National Determined Contributions ("NDCs"), even if not yet implemented. It assumes that the moderate and varied climate ambitions reflected in the conditional NDCs at the beginning of 2021 persist throughout the 21st century, resulting in low transition risks. While emissions decline, this scenario still leads to 2.6°C of warming, associated with moderate to severe physical risks.

Disorderly – Delayed Transition

In this scenario, global annual emissions do not decrease until 2030, necessitating strong policies to limit warming to below 2°C. New climate policies are not introduced until 2030, resulting in a "fossil recovery" from the economic crisis brought about by COVID-19. The availability of Carbon Dioxide Removal ("CDR") technologies is assumed to be low, pushing carbon prices higher than in the Net Zero 2050 scenario. Emissions temporarily exceed the carbon budget but decline rapidly after 2030 to ensure a 67% chance of limiting global warming to below 2°C. This leads to higher transition and physical risks compared to the Net Zero 2050 and Below 2°C scenarios.

Orderly – Net Zero 2050

This ambitious scenario aims to limit global warming to 1.5°C through stringent climate policies and innovation, achieving net zero CO_2 emissions around 2050. It assumes the immediate introduction of ambitious climate policies. CDR is used to accelerate decarbonisation but is kept to a minimum, aligning with sustainable levels of bioenergy production. Net CO_2 emissions reach zero around 2050, providing at least a 50% chance of limiting global warming to below 1.5°C by the end of the century, with minimal overshoot (<0.1°C) of 1.5°C in earlier years. Physical risks are relatively low, but transition risks are high.

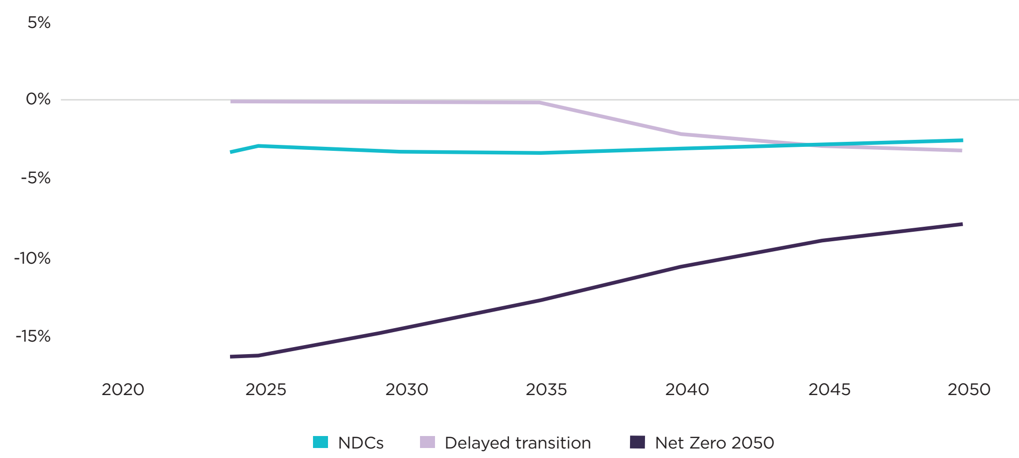
We refer to a third-party data vendor for a dataset for the modelling. The data vendor uses asset-class specific methodologies to translate asset-level changes in value streams into changes in security values.

Impact analysis

We used our firmwide holdings (for public markets investments) as of 29 December 2023 to conduct the impact analysis. We identified and assessed the impact of 22 high-emission sub-industries with the highest Scope 1 and Scope 2 carbon intensity.

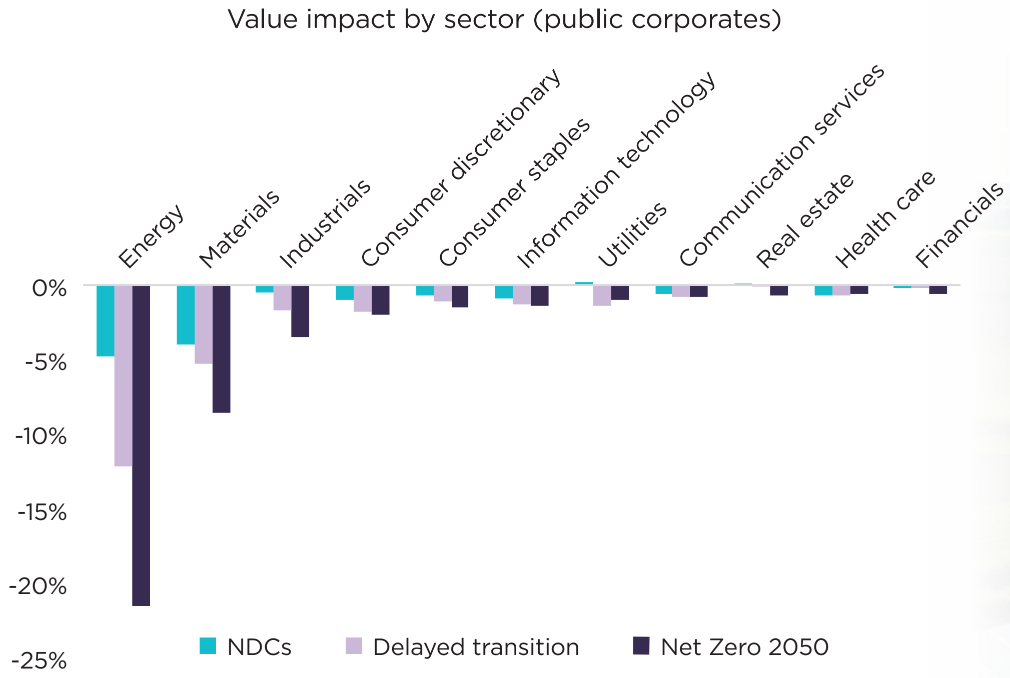
This year, the overall negative value impact on public markets has decreased, due to improvements in Equities as more portfolio companies have enhanced their ESG performance. We also reduced our exposure to portfolio companies in countries facing greater transition risks and pressures. This reallocation has overall benefited the value impact.

Value impact for corporates and sovereigns by 2050



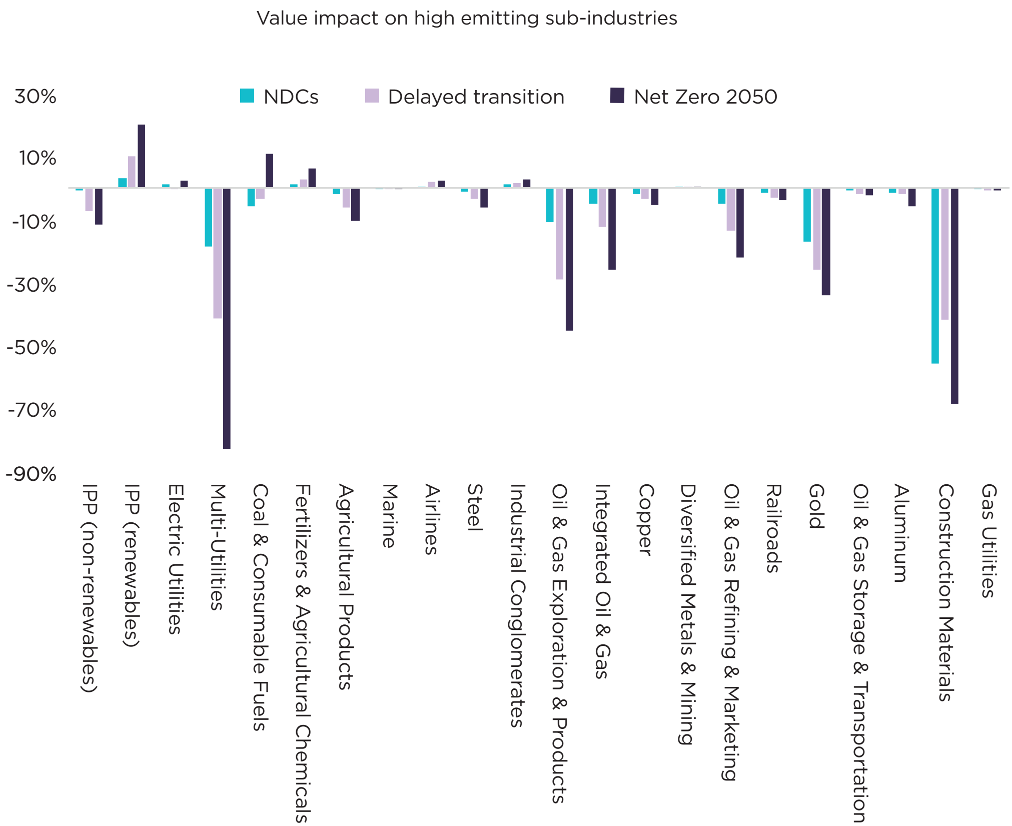
The value impact on sovereigns has become more negative in the long term, especially under Delayed Transition and Net Zero 2050 scenarios primarily due to updated NGFS scenario variables. Notably, higher carbon prices are driving increased inflation, which subsequently prompts higher interest rates. This escalation in interest rates is widespread, affecting both advanced and developing markets.

Value impact by sector by 2050



When looking at the sectors, all sectors experienced a negative value impact due to the increase in carbon cost. Compared with the 2022 result, some sectors experienced a reduced negative value impact. Notably, the energy and consumer discretionary sectors made the most significant progress.

Value impact of high-emission sub-industries by 2050



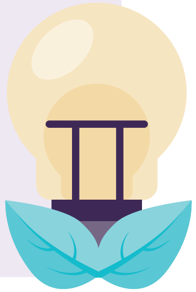
We examined 22 high-emission sub-industries, all of which are included in the EU Emissions Trading System. The value impact is very large for certain sub-industries such as multi-utilities and construction materials, while it is minimal for some others such as diversified metals & mining, marine and gas utilities. This year, 7 sub-industries have positive value impact under Net Zero 2050 scenario. Oil & gas storage & transportation, coal & consumable fuels, aluminium, electric utilities and airlines have made the most progress.

Achieving positive value impact through strategic target setting

For certain companies, the setting and progress of climate targets can significantly affect value impact, particularly under the Net Zero 2050 scenario.

Case study 1: Singapore-based multi-utilities company

The portfolio company has committed to achieving net zero emissions by 2050. Through the expansion of renewable energy sources, reduction of emissions, and investment in low-carbon initiatives, the company is projected to reduce direct carbon costs by approximately 10%. Moreover, under the Net Zero 2050 scenario, the company is expected to benefit from market impacts by 280% compared to having no climate targets.



Case study 2: Construction materials company

The portfolio company has established Scope 1 and Scope 2 GHG emissions reduction targets to be achieved by 2032, which have been validated by the Science Based Targets initiative ("SBTi"). By setting and pursuing these climate targets, the company can significantly enhance its market impact and add a green premium to its products. In contrast, competitors who fail to set similar targets may struggle with increased carbon costs or face market exclusion due to regulatory requirements and client expectations.

For the short-term to mid-term, we analyse the value impact under NDCs and Net Zero 2050 scenarios. We did not include the Delayed Transition scenario because it assumes no new climate policies are introduced before 2030. Therefore, minimal value impact is expected in the short to mid-term under this scenario. The high-emission sub-industries with value increases and sharp decreases are listed below. The results will serve as the basis for further risk management focus and the identification of opportunities.

Risks and opportunities for high-emission sub-industries in short-term and mid-term

	Short-term (now-2025)		Mid-term (2025-2030)	
Change Direction	Decrease (sharply) - Risk	Increase - Opportunity	Decrease (sharply) - Risk	Increase - Opportunity
NDCs	• Construction materials • Multi-utilities	• Independent Power Producer (“IPP”) – renewables • Fertiliser & agricultural chemical • Industrial conglomerates	• Construction materials	• Industrial conglomerates • IPP - renewables • Fertiliser & agricultural chemical
Net Zero 2050	• Multi-utilities • Construction materials • Oil & gas exploration and products • Gold	• IPP - renewables • Fertiliser & agricultural chemical • Airlines • Industrial conglomerates	• Oil & gas exploration & products	• Industrial conglomerates • Coal & consumable fuels • Fertiliser & agricultural chemicals • IPP - renewables • Airlines

Limitations of the analysis

Based on the nature of the scenario analysis, the exercise is hypothetical and subject to uncertainties and limitations. It relies on a snapshot of external drivers and is a simplified model that focuses only on the most important and quantifiable parts. For example, the policy and target changes, as well as carbon prices of relevant countries are not reflected in real-time. The decarbonisation targets set by individual companies are not consistent. We will take similar issues into consideration in the future and will continue to evolve our scenario analysis with the use of more mature methodologies and tools.

Appendix B: Operational environmental data

Energy management

Metric	Unit	Category	Location	2021	2022	2023
Electricity consumption	Kwh[8]	Purchased electricity	Singapore	153,232	170,584	170,238
			Shanghai	28,924	22,609	22,316
			Total	182,156	193,193	192,554
		Heating and cooling	Singapore	16,695	18,297	23,865
			Shanghai	NA[9]	NA[9]	NA[9]
			Total	16,695	18,297	23,865
		Total		**198,851**	**211,490**	**216,419**

8. Kilowatthour (kWh)
9. No emissions from heating and cooling information available in the Shanghai office, as these are managed through air-conditioning and already included in purchased electricity.

Fullerton's operational absolute emissions

Metrics	Unit	Categories	Offices	2021	2022	2023
Scope 2 absolute emissions	tCO_2e[10]	Purchased electricity	Singapore	62.17	69.21	70.96
			Shanghai	22.91	17.91	17.36
			Total	85.08	87.11	88.31
		Heating and cooling	Singapore	1.21	1.31	1.75
			Shanghai	NA[9]	NA[9]	NA[9]
			Total	1.21	1.31	1.75
		Total		**86.29**	**88.42**	**90.06**
Scope 3 absolute emissions	tCO_2e	Fuel and energy-related activities		24.77	25.51	25.52
		Business travel		40.25	103.27	516.72
		Employee commuting		35.76	47.70	56.12
		Upstream leased assets		NA[11]	NA[11]	22.68
		Total		**100.78**	**176.48**	**621.04**
Total Scope 2 + Scope 3 emissions	**tCO_2e**			**187.07**	**264.90**	**711.11**

9. No emissions from heating and cooling information available in the Shanghai office, as these are managed through air-conditioning and already included in purchased electricity.
10. Tonnes of carbon dioxide equivalent (tCO_2e)
11. Fullerton started to measure and report its upstream leased asset emissions for the first time in 2023.

Water management

Metrics	Unit	Location	2021	2022	2023
Water consumption	L[12]	Singapore	37,200	86,700	124,000
		Shanghai[13]	19,000	22,000	19,000
		Total	**56,200**	**108,700**	**143,000**

12. Litre (L)
13. In the case of Shanghai, we do not have an independent water meter, and therefore, the data is estimated by the asset manager using data from another company of similar type and office area.

Appendix C: Operational emissions reporting methodology

Indirect scopes of GHG emissions	Calculation methodology	Data source	Emission factor source
Scope 2 Generation of purchased electricity and cooling consumed by the Company	• Purchased electricity: tCO_2e=∑(Total energy consumed (kWh) * Relevant grid emissions factor per unit ($kgCO_2e$/kWh) / 1000) • Cooling: tCO_2e=∑ (Total cooling consumed (kWh) * Efficiency ((kW electricity) / kW cooling) Relevant emissions factor per unit ($kgCO_2e$ / kWh) / 1000)	• Activity data: electricity and cooling consumption • National/state/ region-level emissions factors	• Singapore: Energy Market Authority (“EMA”) • Shanghai: Institute for Global Environmental Strategies (“IGES”) – East China Power Grid
Scope 3 fuel and energy-related activities Originates from well-to-tank and transmission and distributed losses from generation and upstream	• From electricity tCO_2e=∑(Total electricity consumed (kWh) * • Emission factor for WTT / 1000) + ∑(Total electricity consumed (kWh) * Emission factor for WTT for T&D losses / 1000) + ∑ (Total electricity consumed (kWh) * (Grid losses %) / ((100-grid losses %)) * Relevant grid emission factor per unit ($kgCO_2e$ / kWh) / 1000) • From cooling tCO_2e = Emissions of fuel and energy related activities from electricity * Efficiency ((kW electricity) / kW cooling)	• Activity data: cooling consumption • National/state/ region-level emissions factors	• T&D loss rates by country: World Bank database • WTT and T&D: UK Department for Environment, Food & Rural Affairs (“DEFRA”) 2021

Indirect scopes of GHG emissions	Calculation methodology	Data source	Emission factor source
Scope 3 business travel Resulted from the transportation of employees for business-related activities in vehicles owned or operated by third parties (e.g.: aircraft, trains and passenger cars, and accommodation).	• Transportation $tCO_2e=\sum$(Total distance travelled (km) * Relevant vehicle type emissions factor per unit ($kgCO_2e$ / km) / 1000) * For aircraft, the emission factor is subject to flight type (short, medium, long haul) and cabin (economy, first-class) • Accommodation $tCO_2e=\sum$(Total number of hotel nights (night) * Relevant hotel emissions factor per unit by country ($kgCO_2e$ / night) / 1000)	• Activity data: air travel (i.e.: distance travelled; cabin or class) and land travel (i.e.: distance travelled; vehicle type) • National emissions factors	• UK DEFRA 2023
Scope 3 employee commuting Generated from the transportation of employees from home to office and vice versa (e.g.: train/ metro, car, bus, motorcycle).	• Transportation $tCO_2e=\sum$(Total distance travelled (km) * Relevant vehicle type emissions factor per unit ($kgCO_2e$ / km) / 1000)	• Activity data: distance travelled and vehicle type • National emissions factors	• UK DEFRA 2023
Scope 3 upstream leased assets Generated from operation of assets leased by Fullerton and not included in Scope 1 or Scope 2	• Electricity consumed from upstream leased assets: $tCO_2e=\sum$(Total energy consumed as calculated by net lettable area (kWh) * Relevant grid emissions factor per unit ($kgCO_2e$/kWh) / 1000)	• Activity data: electricity consumption and area from building manager • National emissions factors	• Singapore: EMA