First State Investments

Sustainability Report 2025



Contents

01 | Introduction 01

02 | Corporate governance 02

03 | Human rights 09

04 | Climate change 15

05 | Biodiversity 24

06 | Proxy voting 26

07 | About us 27

On 24 November 2026, FSSA Investment Managers returned to its heritage name of First State Investments. This report covers the 2025 period, during which First State Investments was known as FSSA Investment Managers.

01 | Introduction



We are pleased to present First State Investments' Sustainability Report 2025, using case studies to highlight our ongoing engagement with companies.

As in previous years, most of our company engagements in 2025 were related to corporate governance. We shared best practice and strived to encourage good corporate behaviour as we engaged on succession plans and leadership changes, management strategy and capital allocation, shareholder returns and board structure – to highlight just a few.

Beyond corporate governance, we have made progress on human rights, climate change and biodiversity, and this year, we have organised this report under these distinct pillars. While there is no change in our qualitative approach to sustainability matters – or in our assessment of quality more broadly – we have introduced new quantitative assessments to complement our analysis in these areas. This has improved the quality of our conversations with company management and allows us to track and measure a company's progress more meaningfully.

We have long believed that incorporating environmental, social and governance (ESG) analysis into our research simply makes good business sense. However, we recognise that to engage more effectively with management teams, we must be selective, focusing on the things that matter most. Our engagement themes represent the most important sustainability issues facing our investee companies today, as well as the topics our clients say are most pertinent in their investment considerations. This is the underlying rationale for this year's report.

We welcome any feedback or questions about our approach. Thank you for reading.

02 | Corporate governance



As long-term investors, assessing "quality" is at the heart of our investment approach. We define quality companies as those with effective leadership and solid corporate governance, an attractive franchise with deep competitive moats, sound financials and a good track record on sustainability issues. We meet regularly with company management and consider every interaction as a potential opportunity for engagement. Ultimately, we believe that good governance is the foundation on which great companies are built.

Given our quality focus, most of our company meetings touch upon corporate governance in some shape or form. One key aspect of our engagement is board composition. We like to see boards that are majority independent, with directors that have diverse backgrounds and relevant skill sets. We believe a strong board is crucial to protect shareholder interests – providing guidance on long-term strategy while challenging the management when needed.

In some instances, when companies expand rapidly, their governance structures need time to catch up. A selection of our company engagement examples are included below:

In India, Radico Khaitan, which makes premium spirits and liquor, had three Delhi-based business owners and one woman with a Corporate Social Responsibility background as its independent directors. We wrote a letter to suggest that a stronger, more diverse group of experienced board members could support the business and provide a sounding board to the CEO on various strategic issues as it continues to scale up.

We also wrote to KEI Industries, a leading cables and wires company, noting its strong leadership and suggesting that high-quality independent directors would add a great deal of value to its board (currently comprising three family members, the CFO, and four independents with backgrounds in chartered accountancy, banking and human resources). We had met with the management earlier in the year and followed up our discussions with a letter.

In Thailand, we were pleased to see that the founding Lamsam family of Kasikornbank had taken a step back (only one family member remains on the board), thus leaving the business in the hands of professionals. We had engaged on this matter for some time and were encouraged by the positive changes to the board's composition and governance in recent years. The reduction in board size, and the increased proportion of independent directors to over 50%, are clear steps towards international best practice.

In China, we engaged with Luxshare, whose board consists of four executive directors and three independent directors. The company and board is still led by Ms Wang Laichun, the co-founder and chairwoman who has been at the top since the company was established in 2004. We suggested that the board would benefit from more non-executive and independent directors with industry experience, and that an independent board could also assist with the transition of the chairwoman's role in the future.

At Trip.com, many of its board members have had longstanding tenures of more than 10 or even 15 years. We wrote a letter explaining that we would expect to see some level of attrition over this timeframe. Appointing new directors would inject a degree of freshness and independence and ensure that shareholder interests are protected. While the investor relations (IR) team acknowledged our concerns, the company needed directors with "very good integrity and knowledge about the company". They also noted that their board members have less additional external board responsibilities than in the past, focusing on only "one or two or three different companies." We still think this is less than ideal and could be improved meaningfully. We will keep this issue open for further engagement.

We also spoke to two technology companies about the recent separation of the chairman and CEO roles, a corporate governance best practice to enhance board independence and accountability. However, in both cases, the chairman did not appear to have stepped back from executive duties – the first chairman still seemed to be quite hands-on with the business, and the second chairman was still the final decision-maker in many instances. We will continue to monitor and engage with both companies.



Jardine Matheson reforms unlock shareholder value

Given our emphasis on management and board quality, changes to a company's leadership are followed closely by the team. We particularly like to see family-owned businesses appointing professional (outsider) management, as this change in governance can often lead to improved shareholder returns. One company where the direction of travel looks increasingly positive in this regard is Jardine Matheson.

We have been shareholders of various Jardine group companies for many years. However, the group's ownership structure – a holdover from the 1980s – was complicated and opaque. As long-term owners of the business, we urged the senior leadership to consider unwinding the group's crossholdings: subsidiary company Jardine Strategic (JS) held stakes in the group's underlying businesses; Jardine Matheson (JM) owned 85% of JS; and JS in turn owned 60% of JM.

In 2021, with the group facing headwinds across its businesses, executive chairman Ben Keswick finally took steps to enhance corporate governance and transparency across the group in a bid to revive its growth trajectory. The JM-JS crossholdings were unwound, JS was privatised, and the shares were cancelled. Professional CEOs were appointed at DFI Retail (Scott Price), Mandarin Oriental (Laurent Kleitman) and Hongkong Land (Michael Smith). With a newly decentralised and professionalised leadership model, improving total shareholder return became the new mantra.

The new CEOs have brought much-needed international experience to the group and a sharper focus on operations. They have developed the most attractive parts of the business, while exiting non-core ventures to improve returns on invested capital and return cash to shareholders where appropriate. When we met with finance director Graham Baker in 2024, he remarked on the changes, saying: "The era of talented amateurs (Jardine general managers who were rotated across businesses and geographies) is over. Now is the era of professional management."

These changes also give us more confidence in the group's direction on environmental and social issues, including our ongoing engagement relating to the Martabe Gold Mine (operated by United Tractors, a Jardine subsidiary, Martabe had allegedly caused severe environmental damage and threatened the habitat of the endangered Tapanulo orangutan).

We expect progress to accelerate in the coming years. In December 2025, Lincoln Pan joined as JM's CEO, taking over from John Witt who retired from the company. Importantly, Pan's appointment is not just to dispose of assets, but to shift Jardine back to a growth path. He joins from private equity group PAG and is the first external taipan at the group. This is significant and another indication of the changing culture at the group.

There is also a refreshed and slimmed-down board providing oversight, with five independent directors out of nine – including Stuart Gulliver (ex-HSBC), Keyu Jin (sits on the board of Richemont Group), Janine Feng (managing director at Carlyle Group), Ming Lu (senior partner at KKR) and Tim Wise (former chairman of JP Morgan Cazenove).

These changes are redefining Jardine Matheson, and we are pleased to see the transformation starting to bear fruit. As one of the storied *hongs* of the British colonial era, the Jardine group of today has sprawling business interests ranging from real estate to supermarkets, hotels and automotives. For long-term investors, JM offers broad exposure to Asia's growth story, with improving governance and attractive valuations supporting its rebirth.

Techtronic against the tide of tariffs

Another major topic over the past year was geopolitics and global trade wars. After President Trump announced sweeping tariffs on imports coming into the US – a universal 10% levy on virtually all goods, plus country-specific "reciprocal tariffs" targeting the nations with the biggest bilateral trade surpluses with the US – we met with our exporter holdings to assess the risks and to better understand their response to the challenging environment.

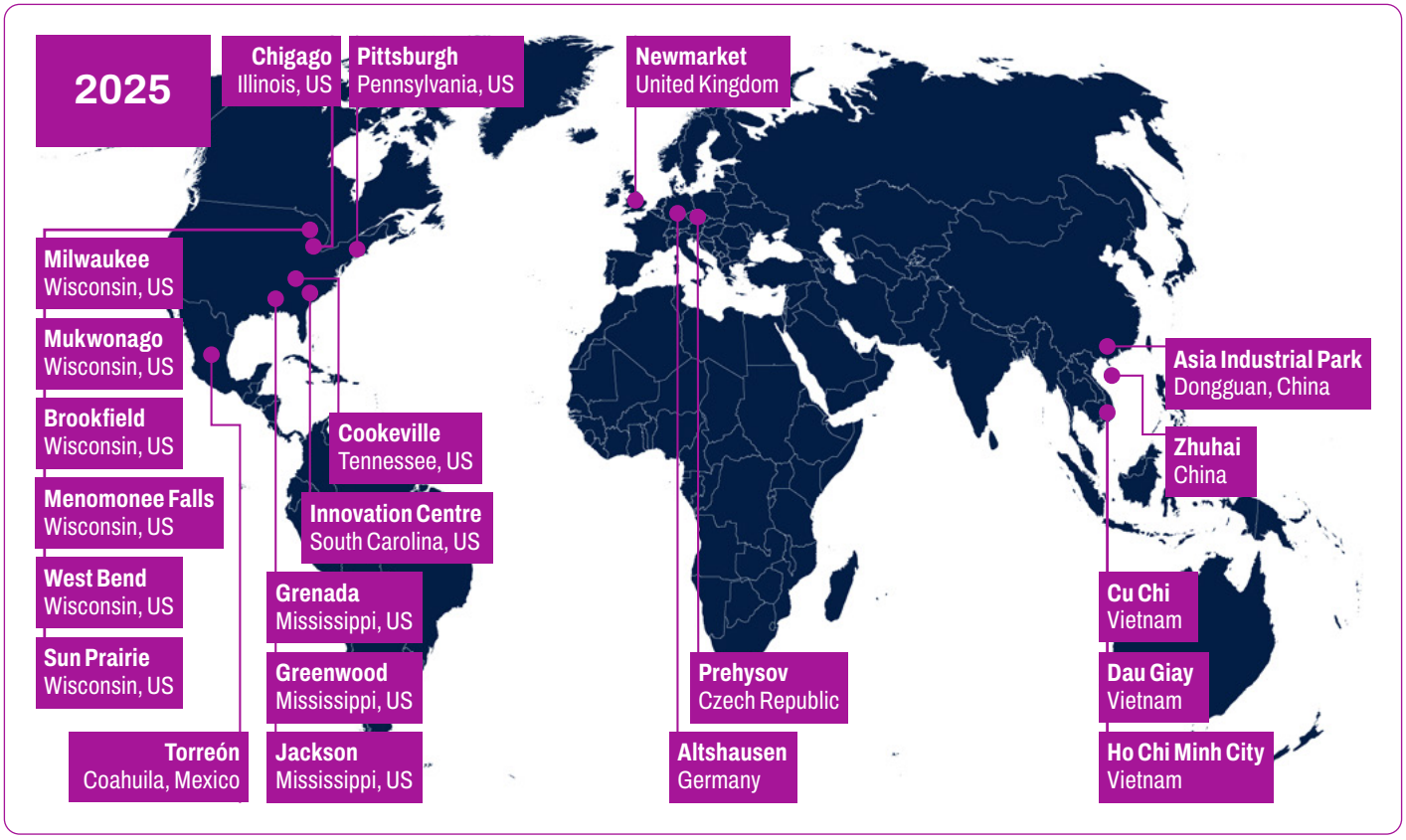
Given the ongoing geopolitical tensions between China and the US, China was being targeted with the highest tariffs; but when we met with Techtronic Industries, the Hong Kong-listed owner of Milwaukee and Ryobi power tools, we left feeling reassured that Techtronic would be able to manage the impact. Having faced similar tariff risks during the first Trump presidency, Techtronic – whose largest market is the US – had already begun shifting its production footprint.

Techtronic has been building large production facilities in Vietnam and Mexico and even within the US itself. Today, China accounts for just 30% of production, down from around 80% a decade ago. Its global manufacturing footprint means that it can optimise logistics and continue to meet "rules-of-origin" requirements despite shifting tariffs and schedules.

Given its more diversified production base, the management believed that higher tariffs should not affect margins. Vietnam has a high degree of locally sourced components and is lower cost than China, while its manufacturing in the US places it closer to its customers – meaning a nimbler response to client demand and a faster time to market.

Global manufacturing diversity 2015 vs. 2025





Source: Techtronic Interim Results Presentation, August 2025.

Techtronic's full-year results bore out our confidence. Improvements to the product mix supported an expansion in Techtronic's gross margins, which accelerated in the second half of 2025 as tariff mitigation efforts (moving production to lower tariff jurisdictions) took effect.

The company delivered record sales in 2025, and with free cash generation of nearly US$1.4bn and a net-cash balance sheet of US$700m – an important change from the post-GFC years when high leverage constrained its options – Techtronic's full-year dividend saw a healthy rise in 2025.

In our meetings, we also discussed the management transition – Milwaukee head Steve Richman had succeeded outgoing Joe Galli as Techtronic's chief executive in 2024 – and its impact on the business. Richman, who was credited with overseeing Milwaukee's multi-year double-digit growth and brand reinvention, also joined the board as an executive director.

The handover appears to be going smoothly, and Techtronic continues to execute well. Processes are being standardised and there is greater cross-use of technology across brands. All parts of the business are equally accountable for performance, which allows them to be "very comfortable about improving profitability."

Overall, the key message from management was "continuity" – on product launches, channel strategy and profit mix. Trade wars and tariff risks haven't vanished, but Techtronic's balance sheet is stronger, the production map is broader, and the leadership transition appears to be bedding in.

With each passing period, Techtronic's lead over peers continues to widen. We believe Techtronic's expansion into new regions and its diversified manufacturing facilities should continue to generate attractive earnings in the coming periods.

Spotlight on South Korea

As long-term, quality-focused investors, our portfolios have had limited exposure to South Korea historically, given our high governance hurdles and our focus on attractive franchises and sustainable returns on equity (ROE). In a market dominated by *chaebols* (large conglomerates) run by a small number of dynastic families, these groups have complicated ownership structures, poor minority shareholder protections and opaque capital allocation decisions – all designed to keep the group's vested interests firmly under family control.

But after decades of the "Korea discount" – structurally lower valuations and returns compared to other Asian markets – and buoyed by the increasing number of retail investors starting to invest in Korean equities, the cosy *chaebol* set-up looks like it is finally being shaken up.

"Corporate Value-Up" aims to boost shareholder value

In February 2024, echoing Japan's reform initiatives in recent years, Korea's Financial Services Commission introduced its own "Corporate Value-Up Program" to address the persistent valuation gap at Korean companies. Under the new guidance, listed companies were encouraged to voluntarily publish medium- to long-term plans to enhance corporate value and improve disclosure and capital efficiency.

Initially, we were sceptical that the reforms would take hold, given its voluntary nature, as well as political and structural headwinds. However, on a recent trip to Seoul, we were pleasantly surprised by the change in mindset we came across in our company meetings. Around 80% of IR executives we met said that there were plans to improve shareholder returns, with explicit payout ratios, ROE goals and treasury-share cancellation policies.

While IR teams may not speak for the controlling *chaebol* families, there was a palpable sense of peer pressure and legal compliance. Many IRs have long faced difficult questions, and now, with regulatory tailwinds, they seemed relieved to have a framework that legitimises change. Although the plans are voluntary, the "stick" may come in 2026 when index inclusion is tied to value-up disclosure, forcing laggards to explain why they have yet to improve.

The market data look promising, which raises our confidence that the reforms will stick. By the end of 2025, 170 companies had announced value-up plans, equivalent to roughly 45% of the entire market by capitalisation. Share buy-backs hit a record ₩20.1tn (approximately US$13.2bn) in 2025, up more than 145% over 2023's figure, while treasury share cancellations jumped to ₩21.4tn (US$14.1bn). Cash dividends also rose to ₩50.9tn (US$33.5bn), up 18% over 2023. These factors contributed to the meteoric rise in the Korean equity market in 2025.

Although the pace of change will likely remain measured, it is hard to argue that Korea's market plumbing and political ownership of the reforms are not stronger today than it was in early 2024. We are optimistic on the direction of travel and would not be surprised if Korean companies adopt globally aligned standards within the next 5–10 years.

What does a good "value-up" plan look like?

Despite the market enthusiasm for Korean value-up as a whole, in reality, the pace of reform has been far from even. Our research suggests that many of the announced value-up plans have made only superficial governance changes. The politics around inheritance tax, chaebol control, holdco/opco cross-shareholdings and related-party transactions mean that the more structural issues have only partially been addressed.

This is where our fundamental research and active engagement comes into sharp focus. Evaluating and engaging on corporate governance is all the more crucial where family-controlled firms, cross-shareholdings, political influence, or less mature regulatory environments can heighten governance risks. In these instances, rigorous assessments on board quality, capital discipline and transparency levels can help identify resilient, well-aligned businesses and avoid those where weak oversight or misaligned incentives could undermine shareholder returns.

We recognise that Korean companies are still in the early stages of the reform journey and we look forward to seeing incremental progress over time. In the meantime, our engagements have focused on recommendations to include a published payout range (and we monitor the company's track record of meeting it), a standing buyback with periodic cancellation of treasury shares, and board-led, dated ROE/cost-of-capital targets with annual "comply-or-explain" updates. Companies that already treat these as operating disciplines have seen their valuation multiples expand.

In our experience, good value-up plans, which are based on auditable key performance indicators, have resulted in higher cash returns, improved capital productivity and narrower discounts at the company level, which ultimately leads to improved shareholder returns.

First State Investments' quality lens: early movers making progress

Korean banks have been the most straightforward beneficiaries of the value-up reforms due to their professionally managed nature (and little association with *chaebols*). Changes to capital return policies have already lifted bank valuation multiples. Of these, we believe KB Financial is the clear leader, both in terms of quality and corporate value-up enhancement. It is the top bank in Korea by share of loans (19%) and deposits (21%),[1] and it ranks first in customer satisfaction. Its management team is demonstrably shareholder-aware, and there are plans to return all excess capital above a common equity tier 1 (CET1) floor of 13%.

In recent years, there have been marginal improvements in costs and pre-provision return on assets, and profitability has been supported by its large non-banking business (around 40% of the business is from credit cards, insurance and securities). This should cushion the impact of net interest margin cycles as well as support return on equity in the low double-digits.

KB Financial reported strong earnings results over fiscal year 2025, with 16% growth in net income. The bank's market capitalisation recently surpassed ₩60tn (US$39.5bn) and its price-to-book valuation is now above 1.0x (meaning that the valuation discount has narrowed and its market capitalisation fully reflects the value of its assets). Total shareholder returns in 2025 amounted to more than ₩3tn (approximately US$2bn), a record high, as the bank increased its dividend payout ratio, conducted a 2.5% share buyback and cancelled shares.[2]

However, it has not been all plain sailing; the bank has been under scrutiny recently, with regulatory penalties for mis-selling, collusion and market manipulation. We have engaged with the management, but these issues are not yet fully resolved. Our dialogue with the bank is ongoing.

Beyond financials, genuine reform has been less uniform. In our portfolios, we own Samsung Electronics, a leading manufacturer of memory and semiconductor chips, and SK Hynix, a leader in the dynamic random-access memory (DRAM) and NAND memory markets – two of the better companies in Korea from a corporate governance perspective.

At Samsung Electronics, "value-up" has translated into better capital allocation, increased dividend payouts and the cancellation of treasury shares. The core franchise remains strong, and the company has invested to remain ahead of peers. However, while corporate governance has improved at the margin and we believe the limited role of the family in the management is a positive, Samsung's vast conglomerate structure continues to blur accountability. We plan to engage with Samsung on a number of environmental and social issues in 2026.

By contrast, SK Hynix offers a more straightforward case for value creation. A stated cap on capital expenditure and a transparent link between free cash flow and shareholder returns have lent credibility to its value-up commitments. Meanwhile, its leadership in High Bandwidth Memory (HBM) used in AI datacentres has converted a sharp cyclical upturn into record profits, allowing the company to raise dividends while maintaining its disciplined framework for investment and balance-sheet repair.

Corporate governance aside, however, we are wary of the historical volatility of the memory sector and the durability of today's exceptional margins. The challenge for both companies is to demonstrate that their businesses can adapt and endure when the cycle, inevitably, turns.

1 Source: Kwon Joehee: KB Kookmin Bank Maintains Top Spot in Won Deposit Market Share, Asia Business Daily, May 2025.

2 Source: FactSet, Company Reports, as at December 2025.

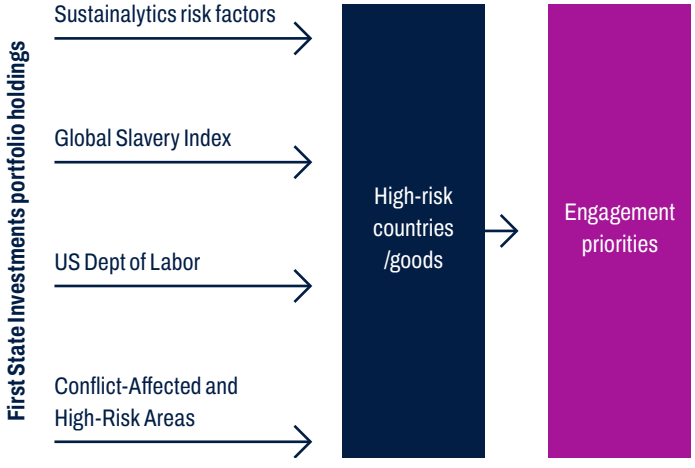
03 | Human rights



We are aware of the considerable risks associated with human rights contraventions and modern slavery in our portfolios. We have refined our assessment process and, in 2025, formalised an approach to enhance our understanding of these issues within our portfolios as well as the broader regions and sectors in which we invest. As we start to engage with holdings perceived to be at the highest risk of exposure to modern slavery, the results will inform and evolve our assessments and conversations with management over time.

Our methodology

In 2025, together with First Sentier's Responsible Investment team, we mapped all of our investee companies to a range of human rights metrics. This included 48 Sustainalytics risk factors, country data from the Global Slavery Index, sector data, goods data from the US Department of Labor and findings from the Conflict-Affected and High-Risk Areas (CAHRA)[1] portfolio review conducted in 2024 with the Heartland Initiative. Using this data, we determined a high-risk country/goods nexus to inform our engagement initiatives. A list of modern slavery topics present in certain regions/countries was compiled and mapped to relevant high-risk portfolio holdings.



1 Conflict-Affected and High-Risk Areas (CAHRAs) are regions characterised by the presence of armed conflict, widespread violence, or other risks of harm to people.

Out of this analysis, we selected the highest priority engagement topics, as follows:

Dual-use technology

Dual-use technology refers to technology, equipment or software that can be used for both legitimate civilian purposes and potentially harmful purposes, including those considered to be violations of human rights. There are legal, financial and reputational risks faced by companies producing these component technologies (for example, microchips, that can make their way into weapons manufacturing downstream). While these risks cannot be avoided completely, by nature of the complexity of supply chains, companies can acknowledge their exposure and begin to mitigate the risks through measures such as human rights due diligence, third party audits and product design considerations, and develop legal safeguards and crisis management plans.

We identified seven investee companies we considered to be highly exposed to downstream dual use risk and engaged on their evaluation of the risk as well as any mitigating measures in place.

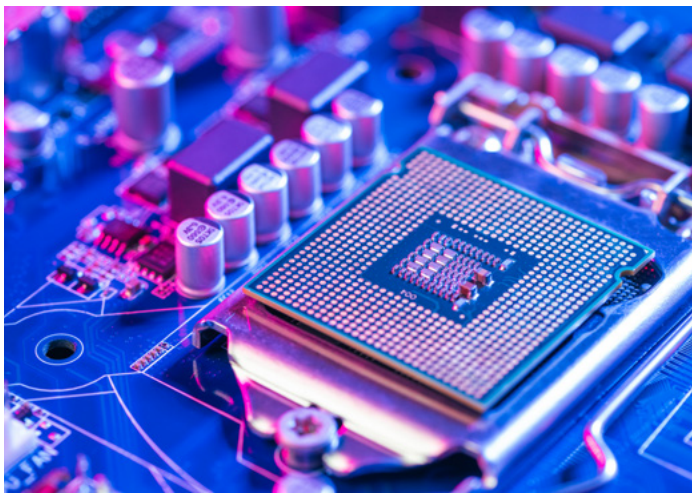
Case study:
TSMC

Given TSMC's position as the world's largest foundry chipmaker, it was an obvious company to be flagged for engagement on dual-use technology. After reading TSMC's reports, policies and disclosure, we wrote a letter to the management to ask for more details, as it wasn't clear to us how TSMC approached these risks.

TSMC responded that its position upstream in the supply chain means that it has little control over where its chips are eventually used. It follows the relevant laws and regulations and has a well-established and comprehensive global compliance team that monitors various legal restrictions that have the potential to impact its business.

We appreciated the transparency and candour of TSMC's response. However, given that we had the benefit of having assessed and engaged with other comparable technology companies, and saw their responses on the same issue, we strongly encouraged TSMC to consider implementing end-user statements or distribution agreements as a minimum – similar to its peers.

We will speak to TSMC again in 2026 and review its reporting to see if it has implemented any further measures to address the risk of dual use.



Conflict minerals

Conflict minerals are raw materials – primarily tin, tungsten, tantalum and gold (often referred to as 3TG) – that are mined in areas of conflict or where human rights abuses are prevalent. These minerals are essential components in many products, including electronics, and their extraction and trade can directly or indirectly fuel practices and regimes which seriously infringe on human rights. Regulations in the US and EU impose specific requirements on companies that import 3TG to ensure responsible sourcing standards – both in their own operations and at the smelters and refiners they use. As such, we found that many companies have robust policies and procedures in place. We engaged with one company we deemed to have significant potential exposure (Sony Group) to better understand its approach.

Case study:

Sony Group

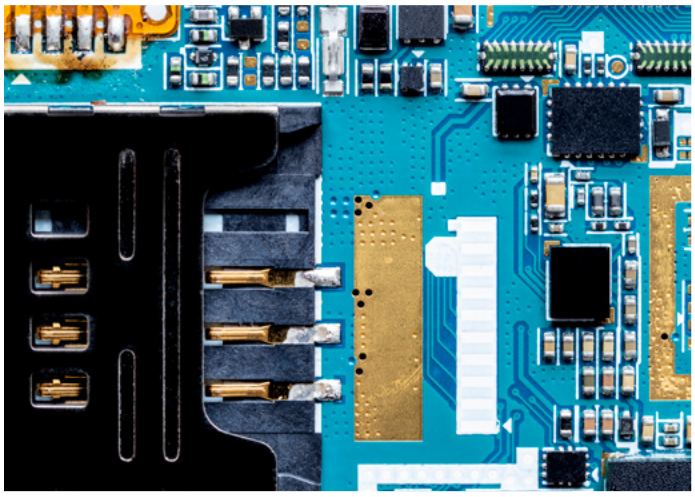
We wrote a letter to Sony Group to engage on both dual-use technology and conflict minerals.

On the latter, we noted in Sony's 2023 Conflict Minerals report that the company acknowledged its exposure to conflict minerals based on the geographic origin of 3TG in its supply chain and links to human rights abuses and armed conflict in those regions. The report highlighted the mitigating measures it had taken to address this risk and promote transparency in line with guidance from the Organisation for Economic Co-operation and Development (OECD). In our letter, we asked for an update on its progress since the 2023 report.

In its reply, Sony said that it had implemented a due diligence process based on the OECD Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. This includes:

- Requiring suppliers to source exclusively from smelters and refiners that have been audited and confirmed as conformant with the Responsible Minerals Assurance Process (RMAP).
- Conducting annual surveys of suppliers using the Responsible Minerals Initiative's (RMI) Conflict Minerals Reporting Template (CMRT).
- Collecting and analysing CMRT submissions to identify smelters that are not RMAP-Conformant or RMAP-Active.
- Engaging with suppliers to address risks through corrective actions and capacity-building activities.

We were encouraged by Sony's commitment on these issues and, in particular, acknowledged the considerable challenges in addressing the post-sale distribution risks for its products and technology. We will continue to monitor its progress in tracking its products through the supply chain to mitigate both its use in weapons downstream and exposure to conflict minerals upstream.



Forced labour risk: migrant workers in Taiwan

Taiwan has more than 860,000 migrant workers,[2] many of whom are employed in technology and apparel factories. These workers are often forced to pay high recruitment fees, leading to debt bondage. This is not against Taiwanese law. The last two years have seen a number of non-governmental organisations (NGOs) and investigative reports drawing international attention to the conditions facing migrant workers in Taiwan. As a result of the allegations in these reports, the US enacted a Withold Release Order (WRO) on Giant Manufacturing in 2025, effectively blocking Giant's bikes from entering the US.

First State Investments engaged with three portfolio companies on this issue, as well as Giant Manufacturing (not owned) in the wake of the WRO.

Case study:

Giant Manufacturing

Giant is a leading Taiwanese bicycle brand with global sales reach. We had regarded the company highly in the past, but there have been ongoing performance issues and sales have yet to recover post-covid. We requested a meeting with the company to better understand the decline and assess the likelihood of a near-term inflection.

Press reports and our controversy screening had highlighted that US Customs and Border Protection (CBP) issued Giant with a Withold Release Order (WRO) in September 2025 due to forced labour, poor conditions and debt bondage at its factory in Taiwan. Giant do not deny the claims, which relate to 250 Thai and Vietnamese workers, and noted that such issues are not uncommon in the industry due to insufficient local labour (who prefer to work at technology factories).

We asked Giant about the corrective measures taken, of which there are many: it now pays all worker recruitment fees and has repaid the fees incurred by existing employees. It has also undertaken to improve working conditions, such as providing larger dormitories and factory air conditioning. Following the investigation, Giant engaged external lawyers and consultants to produce a human rights report and expects the import ban to be lifted in 2026.

However, despite the corrective measures undertaken, it was clear that these were a response to the punitive measures from the US and presumably their impact on Giant's reputation and struggling sales performance, rather than an acknowledgement of wrongdoing. Giant felt that it had been singled out as an example to other companies who may be providing similar work environments.

We are encouraged by the changes made but we think that more needs to be done. In instances like these we reflect on the quality of the management team and the operational structure that allowed the incident to occur. We will continue to monitor Giant's actions on improving worker conditions.



2 https://fwnews.com.tw/foreign-workforce-in-taiwan-hits-1-19-million-skilled-migrant-workers-surge-43-international-student-retention-policies-set-to-expand/

Tencent: when East meets West on cybersecurity and privacy laws



We were first alerted to Tencent's alleged breach of UN Global Compact (UNGC) Principle 2 – that businesses should make sure that they are not complicit in human rights abuses – in 2022, and contacted Tencent to clarify the situation. Since then, we have met with various company representatives, from investor relations to the ESG team, and all have been open and willing to discuss the topic with us, despite the sensitivity.

The alleged breach was centred around Tencent's apparent misuse of user data and allowing state-directed surveillance and censorship of user content across its vast digital ecosystem. Tencent's rebuttal is that it is fully compliant with local regulations and has robust gate-keeping mechanisms for all requests for information.

More fully, Tencent states that it abides by Beijing's Personal Information Protection Law, which was introduced in 2021 and gives Chinese users the right to access, correct and delete their data. The company emphasised that only legally mandated requests from authorities are fulfilled, and a dedicated internal task force, led by the CEO and senior management, assesses and vets them all. Users are informed when legally permissible, data collection is limited to the minimum necessary, and it is increasingly anonymised or encrypted within product systems. This aligns with global peers.

Tencent also adheres to the EU's General Data Protection Regulation, the UK Data Protection Act and the California Consumer Privacy Act for its overseas operations, embedding "Privacy by Design" across all products and services. It became an active participant in the UNGC in 2023, and maintains a suite of international cybersecurity certifications.

On the allegations of surveillance and censorship, Tencent does not deny content moderation. Instead, it situates these controls within a "digital rights and safety" mandate, arguing that all major global platforms moderate harmful content. What it does not address – and legally cannot – is whether such moderation also supports wider state efforts to manage political discourse.

This silence is at the centre of the UNGC dispute: whether operating a platform in China necessarily entails complicity in state censorship. It is also where the divergence between Western expectations and Chinese regulatory obligations is sharpest.

Tencent says much of the controversy has been shaped by Western media, rather than regulatory dialogue. The company claims it has repeatedly attempted to engage with Sustainalytics, which maintains the non-compliance flag, but has been unable to reach a conclusion.

This lack of engagement adds opacity to an already politically sensitive issue. Tencent's executives have expressed frustration that no amount of disclosure or independent assurance appears sufficient. This is reflected in our controversy screenings, which still flags Tencent's breach of UNGC Principle 2 from time to time. By contrast, MSCI recently upgraded Tencent's ESG rating from BB to BBB following an assessment of its governance and data-privacy frameworks.

As investors confront the tension between geopolitical narratives and on-the-ground corporate practice, Tencent has embarked on one of the most extensive transparency and privacy-governance overhauls seen in China's consumer-internet sector. Many of these developments are detailed in its 2024 ESG Report.

On privacy and data protection, Tencent has implemented group-wide privacy governance, overseen by a dedicated Privacy & Data Protection Department. This includes mandatory staff training for all employees and contractors; routine internal and third-party audits of sensitive data systems; and supplier due-diligence via Data Processing Agreements and privacy questionnaires. From a human-rights standpoint, Tencent's internal systems, global certifications and transparency frameworks mitigate the risk of corporate-level complicity in abuses.

From an investment standpoint, the practical implication is clear: engagement remains essential, but the controversy is unlikely to be "solved" from a ratings perspective. To us, that simply reflects the inherent flaws in the ESG ratings system. We remain constructive long-term shareholders in Tencent and have maintained our ongoing and open dialogue with the company.

However, what matters most is user confidence – and that turns on credible safeguards. For most Chinese citizens, Tencent's products are not mere digital conveniences, they are the plumbing of everyday modern life. It is almost impossible to pass a day in China without opening WeChat, Tencent's "super app" which bundles messaging, payments, identification, transport, news and public-service access into a single, integrated platform.

Given its far-reaching influence (WeChat has social, commercial and government interactions passing through its servers), Tencent's users must be able to trust that the vast quantities of data they generate are protected from misuse. Weak data governance would risk exposing entire life-patterns, not just chat logs or shopping histories. In this regard, it seems that Tencent has assured its more than one billion users worldwide that its data security and privacy rules are robust.

04 | Climate change



This year marks the fifth year since the launch of our decarbonisation goals, which focuses on reducing the total carbon emissions of our portfolio holdings. We remain committed to increasing our engagement on climate change and the importance of having credible transition plans.

Evolution of our process

We launched our decarbonisation process in 2021 with an assessment of how our holdings were positioned, how they performed at that point in time, and their plans for the future. We identified the most significant carbon emitters across our portfolios, assessed their net-zero maturities and assigned each company to a tier between 1–4 depending on its net-zero ambition, targets, alignment with the Science-Based Targets initiative (SBTi), disclosure, performance, strategy and capital allocation plans.

First State Investments' tiers were initially based on the "net zero alignment maturity scale" from the Net Zero Investment Framework Implementation Guide (NZIFIG) with added refinements to allow for the reality of our portfolio companies operating in different markets. This meant that our net zero assessments were heavily reliant on manual data collection and an analyst's interpretation of the results. In 2024, we updated the framework to more closely align to the criteria set forth in the Net Zero Investment Framework 2.0 (NZIF), and by 2025, we were able to fully automate the assessment process with analyst oversight.

Historically, we considered tier 1 companies to be "leaders" – either achieving net zero with their current emissions intensity at, or close to, net-zero emissions, or those with adequate emissions reductions over three or more years. Tiers 2 and 3 included companies that had met some, but not all the characteristics of tier 1, and tier 4 referred to "laggards" – perhaps disclosure was inadequate, or there was an intention to set net-zero goals, but no defined timeframes to reach them nor any metrics that we could hold companies accountable to and measure progress.

Our net-zero assessments highlighted the extent of engagement required to meet our goals – a key focus for the team, given our investment approach as long-term shareholders. We have steadily increased our focus in this area, engaging with 25 companies on climate-related issues in 2025, both in person in company meetings and through letters to management.

Climate engagements in 2025

Given our short-term goal – for 25% of companies assessed to be categorised as tier 1 by the end of 2025 – our engagements over the year focused on companies in tier 2 where there has been meaningful progress and perhaps just one or two hurdles to alignment. We also made a concerted effort to begin what will likely be longer term engagements with companies that are lagging in tier 4, starting with basic disclosure and a statement of net-zero ambition in line with 2050, or the appropriate national target.

Within tier 2, many of our engagements involved sharing our projections on the implied temperature rise (ITR) at each company and asking management to impart their plans to meet the 1.5°C pathway as defined by the Paris Agreement. While some companies had made great progress, our projections suggested that they were not enough – a number of holdings would fail to meet this temperature cap unless their emission reductions accelerated.

For example, AIA Group and Ping An – both tier 2 companies – have detailed levels of disclosure in their sustainability reporting, and Scope 1 and 2 emissions have declined year-on-year. However, based on their current decarbonisation trajectories, our projections suggested that they were closer to 1.9°C than the targeted 1.5°C pathway. We wrote letters to both companies commending their progress to date and asking when we might expect further progress. We also encouraged AIA Group to expand Scope 3 emissions reporting beyond business travel and to include underwriting and climate risks integrated into their insurance products.

We also discussed financed emissions with our bank holdings. DBS Bank, Southeast Asia's largest bank by assets and another tier 2 company, has already committed to stop financing new thermal coal mining projects. However, despite phasing down its exposure to thermal coal assets and consistent efforts to reduce emissions, DBS' total emissions have been rising. We wrote a letter to ask whether the bank had any further plans or initiatives to accelerate emissions reductions and bring its decarbonisation trajectory in line with the 1.5°C pathway.

In contrast, China Merchants Bank (CMB) has dropped to tier 4 under our new assessment model. CMB has committed to China's national "dual carbon" targets, reaching peak carbon emissions by 2030 and net zero by 2060; however, it has around 1.3% loan exposure to the coal mining industry, with no clear target to lower it, nor any commitment to transition away from coal. Clearly, there are still attractive projects to fund in high-emitting industries, though the bank expects lower contribution from coal mining in the medium to long run.

We wrote a letter to management and followed up with a meeting to ask about its green lending policies (among other things), and its target loan exposure to high-emitting energy and materials companies. We were pleased to receive a prompt response from the CEO, who said that the bank has measures to control credit exposure to these two sectors, and targets loan growth in ESG-friendly sectors to be higher than in sectors with heavy carbon emissions.

According to the bank's 2025 sustainability report, direct greenhouse gas emissions decreased by around 41.5% year-on-year in 2025. However, our sense is that management recognise more needs to be done – they were receptive to our engagement and plan to expand the bank's sustainability reporting starting from 2026. We will continue to monitor their efforts and expect to see improvements in the medium term.

Outside of the financial sector, China Mengniu Dairy, which remains in tier 2, has made great progress towards reducing emissions with a range of efficiency measures to improve production-related energy usage. Despite the challenges facing the dairy industry, the company aims to reach carbon neutrality across Scope 1, 2 and 3 by 2050. We wrote a letter to ask about its roadmap towards this goal, and its targets for Scope 3 reductions in particular.

Anta Sports, China's leading sportswear brand, is another clear improver within our tier 2 category. We met with the management and learned that it had fully aligned its Scope 1+2 (42% absolute reduction by 2030) and Scope 3 (52% lower intensity by 2030) reduction targets with SBTi's 1.5°C trajectory – a major milestone in its net-zero journey.

CSL, the plasma and biotech company, scores highly on our assessment for its net zero ambition, science-based targets, material greenhouse gas emissions reporting and for having a credible transition plan. Although Scope 1 emissions had increased over the reporting period, this was due to improved data collection, rather than a change in its net-zero strategy. We wrote a letter to encourage the disclosure of Scope 3 emissions and targets in its reporting and asked the company to clarify its emission reduction plans. It remains in tier 2.

On the other end of the spectrum, within the tier 4 category we prioritised our efforts to engage with holdings that do not yet have net-zero targets – especially companies in which we hold significant AUM. At Kotak Mahindra Bank (KMB), we encouraged the setting of formal short-, medium- and long-term emissions reductions and offered to share with its investor relations team the targets set by KMB's peer group.

In Poland, supermarket chain Dino Polska reports Scope 1–3 emissions but does not have net-zero targets. The group wants to avoid commitments that might compromise its strategy and execution, though there are internal soft targets to lower its emissions intensity and footprint. The board appears supportive of this stance – it is a practical approach given where they are on their net-zero journey. We will continue to monitor and engage on their net-zero ambitions.

Investigating environmental controversies

Contemporary Amperex Technology Ltd (CATL) is a leading manufacturer of electric vehicle batteries and energy storage systems. As part of our ongoing monitoring, we were alerted to a number of controversies relating to its manufacturing plants. We arranged a call to clarify the allegations and to better understand the company's framework on dealing with ESG risks.

The first allegation related to environmental pollution at its Hungary factory. CATL said that this was based on a study that did not mention the company specifically; rather, it discussed the impact of battery production on underground water. Moreover, CATL believes the study was based on a professor's personal view and was lacking in sufficient analysis and evidence.

CATL believes it had addressed the environmental concerns in Hungary. Given the stricter regulations in the EU, CATL's equipment and production process in Hungary were modified to comply with local regulations. It obtained all environment-related approvals from the Hungary government, and phase I of the Hungary factory started production in 2025.

CATL was also criticised for environmental concerns at its lithium mining project in Bolivia and nickel mine in Indonesia, and for its lack of consultation with affected local communities.

In Bolivia, some ministers have argued that unauthorised lithium exploration activities have already affected local water supplies, while others suggest that the suspension of lithium extraction deals are simply a "politically motivated obstacle to regional development". CATL says it had established communication channels with local governments and communities to keep track of progress and mitigate risks and is waiting for the ban to be lifted.

In Indonesia, CATL is accused of "sourcing battery material inputs from illegal and unethical nickel mining processes in Indonesia". CATL denies that its batteries include nickel from the controversial Morowali Industrial Park and says that it has become more experienced when sourcing from the global supply chain. It believes it is now much more sophisticated in its due diligence and could trace the entire process of the supply chain with data within 1–2 days.

We were satisfied with CATL's responses to our questions. From our meetings, it was clear that ESG was a high priority, given its major customers are automobile companies like Tesla, Volkswagen, Stellantis and Ford. Among our portfolio companies, we believe CATL likely has the most aggressive net-zero target, which is to achieve net zero in its core operations by 2025 and across the value chain by 2035.

Given its scale, CATL is often under the spotlight for alleged ESG issues. But as CATL continues to globalise, the company has become more experienced sourcing from the global supply chain and building up global production bases. It has more than 20 people in its ESG team (vs. 10+ people in its IR team), who are responsible for tracking the company's carbon footprints, monitoring its zero carbon factories, preparing ESG documentation for customers and dealing with ESG rating agencies. We will continue to monitor and engage with CATL on any controversies as they arise.

Progress report on our climate goals

Given the manual and time-consuming nature of our net zero assessments, our initial review in 2021 covered just 50% of First State Investments' assets under management (AUM). This increased steadily over time, and by 2024 we had covered 82% of AUM; however, this translated to just 95 companies out of 236 holdings. In 2025 we were able to automate the assessment process, which enabled us to assess 100% of the companies owned in our portfolios – a goal we set out to achieve by 2030.

Pleasingly, of the previously assessed companies, 22 companies moved up a tier in 2025, i.e. they had improved on their 2024 net-zero assessment, while 13 companies had been downgraded to a lower tier. However, we have fallen well short of our target of having 25% of assessed companies assigned to tier 1 by the end of 2025.

Company decarbonisation assessment by tier

Tier Levels	Percentage of assessed companies in 2024[1]	Percentage of assessed companies in 2025[2]
Tier 1	11%	1%
Tier 2	28%	49%
Tier 3	22%	7%
Tier 4	39%	43%
Grand total	100%	100%

This was partly due to the expanded assessment coverage – going from 82% to 100% of AUM equated to 170 additional company holdings. But perhaps more importantly, we have been moving progressively towards the NZIF model of assessment and its objective rules-based criteria. In 2024, we included temperature alignment (based on ISS information) in our assessments for the first time, to evaluate company performance relative to the 1.5˚C pathway put forward by the Paris Agreement. Given that many of our holdings are Chinese and Indian companies, we accommodated a marginal variance to allow for decarbonisation plans set at the country level (China aims to reach net zero by 2060; India, by 2070). Companies falling outside of this range would not pass NZIF's criteria and so were deemed to be not aligned.

Our 2025 targets

By the end of 2025, our goal was for 25% of assessed companies to be assigned to Tier 1, aligned to net zero by 2050.

For companies to be considered aligned to net zero, they must disclose their emissions performance and have short-, medium- and long-term targets. We recognise that companies in our portfolios are subject to different timeframes (i.e., carbon neutrality by 2060 for China and by 2070 for India). We expect our tier 1 holdings to align with the IPCC's recommendation of limiting global warming to below 1.5° Celsius and reaching net-zero emissions by 2050, and to disclose actual emissions reductions aligned to this pathway.

While the tier 1 results are disappointing, to put this result in context, when we launched our decarbonisation goals in 2021, we had set bold and ambitious short-, medium- and long-term targets. These stood out among peers, given the developing markets in which we operate and that this was still in the early years of companies' decarbonisation journeys.

In hindsight, we were far too optimistic on what could be achieved within the timeframe. On reflection, we also recognise that expecting companies to be aligned to net zero some 25 years in advance of a 2050 goal (or later in the case of markets like China and India) was unrealistic, and the aim of setting them aside as "aligned" at such an early stage was overly ambitious.

Automating the assessments in 2025 has generated a black-and-white snapshot of company progress, which has been an important factor in accelerating our engagement strategy. From the results, it is evident that the majority of portfolio companies still require significant engagement if we are to meet our future net zero goals. Most of our holdings are sitting either in tier 2, "aligning to a net-zero pathway" or tier 4, "laggards", meaning they are not yet aligning at all.

1 Based on approximately 82% of AUM, calculated as at 31 October 2024.
2 Based on 100% of AUM, calculated as at 31 December 2025.

The assessments have also been helpful in highlighting the work our previous tier 1 companies will need to do to meet credible net-zero milestones. For example, two large holdings we view as relative leaders – Advantech and Tencent – were flagged by our new assessment model to be lacking in disclosure on capital expenditure aligned to their targets. While they are still among the best-performing companies in our portfolios when it comes to decarbonisation, this gives us an important steer on where there are still gaps, and facilitates further engagement on our part as we watch these companies lead the way towards net zero.

Our 2025 targets, continued

We also aimed to engage with all companies under assessment to meet 100% disclosure of Scope 1 and 2 emissions by 2025 and encourage the alignment of targets to the SBTi.

On a more positive note, we met our 2025 goal of engaging with all companies under assessment to meet 100% disclosure of Scope 1 and 2 emissions and for targets to be aligned to the SBTi.

Company engagement is central to our investment approach, as they help to advance our understanding of a company's objectives and make management aware of our expectations as a long-term shareholder. Importantly, we believe that there is no such thing as a perfect company, and we are willing to own companies that are in the early stages of sustainability disclosure and target-setting if the management are committed to change and there are measurable efforts to improve. We will continue to monitor company progress here.

Moving forward

In recent years, climate change policies have become increasingly contentious, and the political backdrop is, understandably, increasing the risk that transition planning is being delayed. We don't think the pause reflects unwillingness; to us it indicates that more pragmatic solutions are being sought within a global context. Timelines are stretching, but we believe net-zero ambitions and pathways – for the most part – are intact.

From 2026, we will fully adopt the NZIF and end our customised assessments. While NZIF was heavily skewed towards developed markets when we launched our decarbonisation goals in 2021, it is now considered industry standard. By adopting the framework, we can channel our resources into more effective engagement activities, where we can have a much larger impact. The challenges we faced in the past have become less of an issue now that disclosure amongst emerging market companies is more widespread and management have become increasingly aware of the critical nature of climate-change risks on their businesses.

Our previous 2030 target

By 2030, we aim to have increased our assessment of companies to 100% of our AUM. Through our ongoing engagement, we also aim to increase the percentage of AUM assigned to Tier 1, aligned to net zero by 2050, from the initial 25%.

Rather than penalise companies that are less advanced towards their net-zero goals, we aim to make and measure progress. We will achieve this through purposeful engagement with company management with the aim of moving towards genuine reductions in carbon emissions as well as meaningful targets in the interim.

As we move towards the NZIF framework in place of First State Investments' tiering system, we have opted to **set two new short-term targets to achieve by 2030 and 2035**, as the old tiering system will no longer apply. To do this we have simplified the NZIF bands into two buckets – **AAC** (**Aligned**, **Aligning**, and **Committed to Aligning**), and **AA** (**Aligned** and **Aligning**). All AA companies are by default also Committed.

Our new short-term goals

Horizon	Recommended AAC	Recommended AA
2030	80%	70%
2035	85%	72%

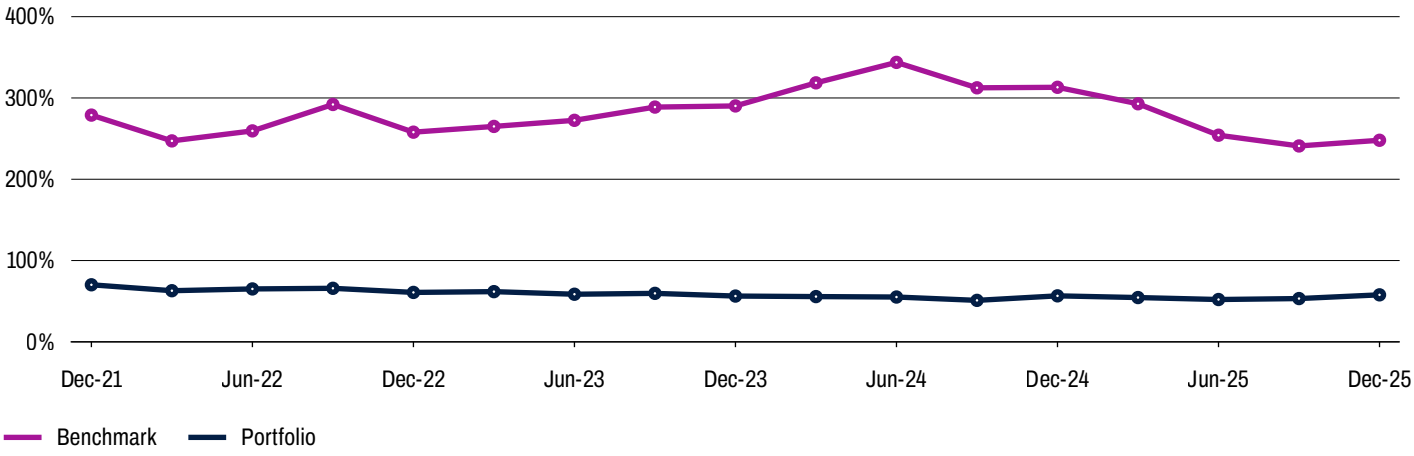
Portfolio carbon metrics

Our portfolios have a significantly lower carbon footprint and carbon intensity than their respective benchmarks. Given the complexity of the inputs for which these metrics are measured, we frequently remind ourselves and our readers that we cannot draw conclusions from these results alone. We believe the data is best viewed as an output of our investment philosophy rather than an intentional screen for low greenhouse gas-emitting companies.

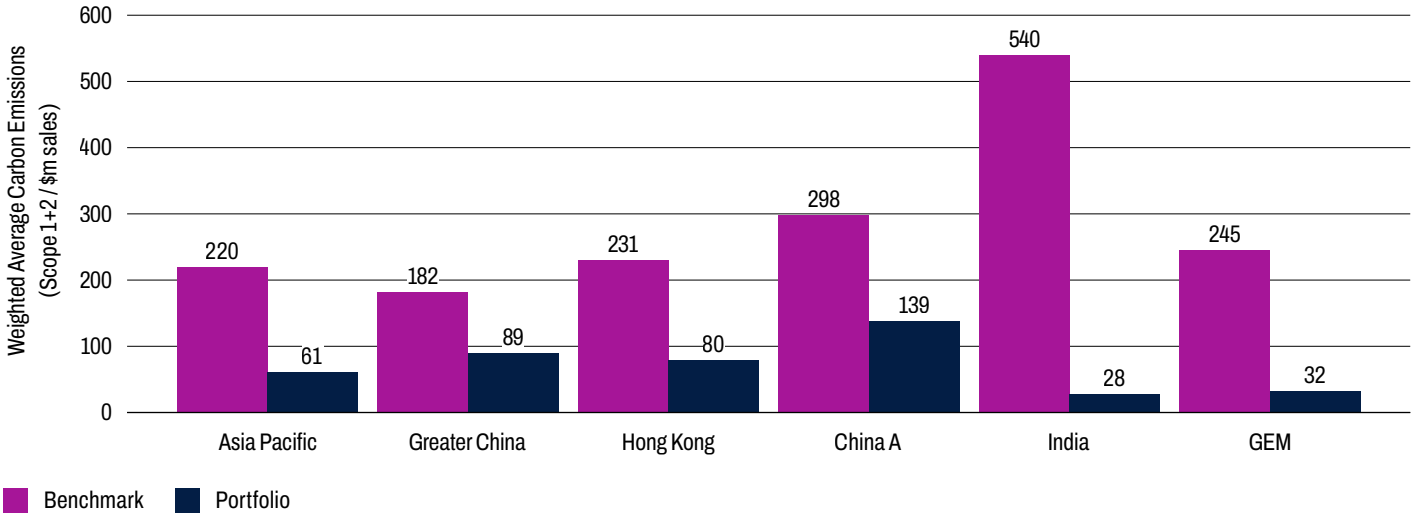
Our portfolios' carbon footprint as well as their carbon intensity are updated quarterly on the First State Investments website.

Average emissions intensity of First State Investments' strategies, 2021–2025

The line chart below shows the weighted average emissions intensity (Scope 1 + 2) for First State Investments' combined portfolios (green line) compared to the respective benchmark (blue line).



First State Investments emissions intensity by strategy, 2025



Source: First Sentier Investors, ISS ESG. Data as at 31 December 2025. The weighted average carbon intensity (WACI) in each of the above portfolios calculates a weighted average of each company's greenhouse gas emissions intensity (Scope 1 & 2) per $million of revenue, weighted by the value in the portfolio using a mix of reported and modelled data. We compare this to the weighted average carbon intensity for the companies in the aggregated benchmark. It measures how efficient companies are in controlling their carbon emissions per unit of economic output. The benchmarks of the respective portfolios are MSCI AC Asia Pacific ex Japan Index, MSCI Golden Dragon Net Index, MSCI Hong Kong Net Index, MSCI China A Onshore Net Index, TOPIX Net Total Return Index, MSCI India Net Index and MSCI Emerging Markets Net Index.

First State Investments' operational carbon footprint

How we report our GHG Emissions

In 2025, First State Investments operated from offices in Hong Kong, Singapore, London and Edinburgh. In 2022, First Sentier Group ('the Group') established a Corporate Sustainability function which supports us and the Group in managing operational climate change related risks and impacts.

We calculate our emissions in alignment with the World Business Council for Sustainable Development (WBCSD)[3] and World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition).[4]

What are First State Investments' Scope 1, 2, and 3 operational emissions?

Scope 1 and 2 emissions cover the energy consumption for the First State Investments' leased corporate office space and are defined as:

- Office tenancies leased and occupied by First State Investments.
- Office buildings where First State Investments leases, occupies and manages the building. Data for our scope 1 and 2 energy and emissions for our global offices is sourced from utility billing and landlord-supplied extracts.

As First State Investments shares office space with the First Sentier Group in several locations, an apportionment based on the full-time equivalent (FTE) has been applied to emissions to reflect this.

Scope 1 emissions are direct emissions from First State Investments owned or controlled sources. Scope 1 emissions are primarily from the combustion of natural gas used for office heating in the United Kingdom. First State Investments does not operate company vehicles and no refrigerant top-ups occurred during the reporting period; accordingly, there were no Scope 1 emissions associated with transport fuel use or refrigerants.

Scope 2 emissions are indirect emissions from the generation of purchased energy consumed by First State Investments or the Group, including electricity, heat and steam. First State Investments' Scope 2 GHG emissions are reported using the dual reporting method: the location-based method, which reflects the average emissions intensity of the electricity grids on which the First State Investments consumes energy, and the market-based method which accounts for the renewable energy procurement by First State Investments (via the First Sentier Group).

Scope 3 emissions are indirect emissions that occur in First State Investments' value chain. Emissions from portfolio companies constitute by far our most material scope 3 emissions (Category 15: Investments). However, we also estimate aspects of scope 3 emissions arising from First State Investments' operations such as the team's business travel (by air, rail, hotel accommodation and car hire). We continue to evolve the reporting of our material Scope 3 emissions alongside improvements in data.

Scope 1 and 2 related contractual instruments

First State Investments (via the Group) obtains renewable electricity for our global office operations via energy retailers or through the purchase of Renewable Energy Certificates (RECs). RECs are purchased within the same market boundary that we consume energy.

As it relates to Scope 1 emissions, the Group obtains a renewable gas product through an energy retailer. In the absence of a recognised market-based reporting mechanism for Scope 1 emissions, these emissions are calculated and reported as natural gas.

3 https://ghgprotocol.org/about-wri-wbcsd
4 https://ghgprotocol.org/

First State Investments emissions

	tCO_2e		
	2025	2024	2023
Scope 1 (direct emissions)	0.99	0.84	0.71
Scope 2 (indirect emissions)			
Purchased electricity – location method	21.05	26.58	31.50
Purchased electricity – market method	0	0	0.03
Purchased heat and steam	0	0.61	0.60
Scope 3 (indirect emissions – value chain)			
Category 1 – Purchased goods and services (water only)	0.04	0.03	0.31
Category 3 – Fuel and Energy related activities (not included in Scope 1 or 2)	5.58	7.01	9.26
Category 5 – Waste generated in operations	0.11	0.09	0.17
Category 6 – Business travel	530.29	672.10	703.55
Category 7 – Employee commuting	11.6	14.69	16.60
Total emissions (Scope 1 & 2 – location based, Scope 3)	**569.65**	**721.96**	**762.70**
Total emissions (Scope 1 & 2 – market based, Scope 3)	**548.61**	**695.38**	**731.20**

Changes in reporting since prior year statement:

Data may differ from that reported in earlier reports, due to improvements in our calculation methodology, and updating our data using the Intergovernmental Panel on Climate Change (IPCC) Global Warming Potential (GWP) from the Fifth Assessment Report (AR5) to the Sixth Assessment Report (AR6) values in 2025.
The emissions voluntarily reported constitute First State Investments' global emissions and are not directly comparable to mandatory GHG emissions reporting published by First Sentier Group due to variations in reporting requirements including in reporting boundaries.

First State Investments (through First Sentier Group) obtains a renewable gas product through an energy retailer. In the absence of a recognised market-based reporting mechanism for Scope 1 emissions, these emissions are calculated and reported as natural gas. In prior reporting, this emissions source was reported across Scope 1 and biogenic emissions. The reclassification results in an increase in reported Scope 1 emissions. The impact of reclassification is a restatement of Scope 1 emissions in 2024 and 2023 from 0.08 to 0.84 and 0.020 to 0.71 tCO2e respectively, and biogenic emissions from 0.84 and 0.55 to 0. All years are restated for comparability.

Emission Factors in 2025

Scope, Category	Emission Source	Location	Emission Factor Source	Emission Factor Year
Scope 1 – Stationary Combustion	Natural Gas	Edinburgh	DEFRA UK	2025
Scope 2	Electricity	London	IEA	2025 Release
Scope 2	Electricity	Edinburgh	IEA	2025 Release
Scope 2	Electricity	Hong Kong	IEA	2025 Release
Scope 2	Electricity	Singapore	IEA	2025 Release
Scope 3, Category 1 – Purchased Goods and Services (water only)	Water	Global	DEFRA UK	2025
Scope 3, Category 3 – Fuel and Energy related activities (not included in Scope 1 or 2)	Upstream emissions of purchased electricity	Global	DEFRA UK	2025
Scope 3, Category 5 – Waste generated in operations	Waste	Global	DEFRA UK	2025
Scope 3, Category 6 - Business travel	Air travel Rail travel Hotel accommodation Car hire	Global	DEFRA UK	2025
Scope 3, Category 7 - Employee commuting	Employee commuting and telecommuting	Global	DEFRA UK	2025

05 | Biodiversity



We recognise that the companies we invest in not only have an impact on the natural world, but that they actively depend on it for their operations and long-term success.

We are heartened by the growing momentum to address biodiversity loss, with credible steps emerging to mitigate harm and increase transparent disclosure. We also consider it essential to acknowledge the interdependency between our net-zero goals and the need to protect natural ecosystems as we work towards promoting more climate-resilient portfolios.

With this in mind, we plan to conduct our first formal Nature Assessment in 2026. This will be undertaken across all of our holdings with the aim of better understanding nature-related risks across the sectors and geographies – and companies – in which we invest. Most importantly, the results will facilitate a targeted biodiversity engagement plan with a selection of our highest impact investee companies.

The assessment process has been designed around the following, using publicly available data:

- Identifying high-impact and dependency companies within our portfolios, aligned with Taskforce on Nature-related Financial Disclosures (TNFD)[1] sector guidance, to identify initial priority companies for further evaluation.
- Mapping the business activities of high-impact companies to the ENCORE[2] framework, thereby building a bottom-up perspective of key nature impacts and dependencies across the team's portfolios.
- Determining regionally specific exposures using a geographic overlay on company operations – enabling us to gain perspectives on the scale and sensitivity of each company's impacts and dependencies to local ecosystems and biodiversity-sensitive areas.[3]

1 https://tnfd.global/assessment-guidance/
2 https://www.encorenature.org/en
3 Biodiversity-sensitive areas can be legally protected zones (such as UNESCO World Heritage sites) or scientifically recognised areas that are critical for the survival of endangered species or plants (Key Biodiversity Areas).

We expect the results to provide a clear view of our investee companies' reliance on particular ecosystems, and the impact on its business functions – including the estimated financial cost – if that ecosystem should disappear. Using this framework, we can assess the materiality of nature-based risks for individual companies by aggregating those impacts and dependencies. For example, a company's operations could affect the local water supply, while depending heavily on that same supply. As materiality compounds, a company with high water consumption would have higher impact in an area with existing water stress.

This information will provide the basis for tailored company research and identify gaps for further engagement with investee companies. We aim to select a number of companies for a targeted biodiversity engagement plan over 2026, complementing our ongoing dialogue with high impact holdings.



06 | Proxy voting

Voting rights are a valuable asset that we believe should be managed with the same care and diligence as any other asset. We aim to vote on all eligible resolutions at annual and extraordinary general meetings, with the votes being made in the best interests of our clients at the time of asking. All resolutions are reviewed with the respective portfolio manager/analyst making the recommendation. Controversial issues are flagged and discussed amongst the team, though the portfolio manager has the ultimate discretion on voting decisions for their portfolios.

While our votes against management appear to be low, it is rarely the first step in our engagement process. If we disagree with a proposal, we prefer to raise the issue through constructive dialogue with the management. If we are unhappy with the response, we can use a negative vote to voice our dissent.

Proxy voting record 2024–2025

	Management proposals 2024	Shareholder proposals 2024	Total 2024	Management proposals 2025	Shareholder proposals 2025	Total 2025
With management	3,618	2	3,620	3,911	3	3,914
Against management	175	0	175	138	0	138
Abstained	5	0	5	0	0	0
Mixed	0	0	0	25	0	25
Other	3	0	3	20	0	20
Total	3,801	2	3,801	4,094	3	4,097

Source: First Sentier Investors, as at 31 December 2025. First State Investments' full proxy voting record is available on the First Sentier Investors website.



07 | About us

First State Investments has been investing in Asia Pacific and Global Emerging Market (GEM) equities for more than 30 years and now manages US$31 billion of assets.[1] Our investment team comprises 15 people who come from diverse backgrounds and are all generalists.

We are bottom-up investors, using fundamental research and analysis to construct relatively concentrated portfolios. We conduct more than a thousand direct company meetings a year, seeking to identify high-quality companies that we can invest in for the long term.

As responsible, long-term shareholders, we have integrated sustainability analysis into our investment process and engage extensively on environmental, labour and governance issues.

We sponsor social impact initiatives through the strategic philanthropic work of Manan Trust, a charitable foundation that aims to drive long-term change in communities across Asia. Manan Trust provides multi-year unrestricted grants as well as strategic support to their portfolio of more than 30 non-profit organisations.

We invite you to learn more about First State Investments through our website and social channels.

Investment insights

We have written short articles on companies, investment trends and market themes across our various strategies, which are available on our website.

LinkedIn page

Follow our LinkedIn page for the latest news and investment insights from the team.

Exclusions policy

We invest where we perceive the management operates the business effectively and acts in the interests of all stakeholders. To guide us, our exclusions policy rules out specific industries or applies thresholds where appropriate. Our latest exclusion policy is available on our website.

Carbon footprint

The carbon footprint of First State Investments' portfolios and related metrics are updated quarterly and available on our website.

1 As at 31 December 2025.

Our ESG partnerships

New Manan Trust logo



As an autonomous investment unit within First Sentier Group (FSG), we share in the commitment to be a leading advocate and agent of responsible investing. We are a signatory of the Principles for Responsible Investment (PRI) at the firm level and have committed to the same firm-wide initiatives such as eradicating modern slavery, taking climate action, and protecting biodiversity and human health.

FSG's Responsible Investment team provides specialist knowledge and support to the firm's global investment teams, including First State Investments. At the firm level, we are signatories of the Finance for Biodiversity pledge, Net Zero Asset Managers Initiative and Climate Action 100+.

First State Investments participates in Investors Against Slavery and Trafficking Asia Pacific (IAST-APAC), a collaborative effort chaired by First Sentier Group. We also participated in FSG's Natural Capital and Biodiversity Working Group, which contributed to the development of a Nature and Biodiversity Toolkit, published in 2023.

Alignment with the Sustainable Finance Disclosures Regulation (SFDR)

The European Union (EU) Sustainable Finance Action Plan supports the transition to a sustainable economy. The Plan mandates financial service providers to publicly report and disclose ESG considerations. These are included in the Sustainable Finance Disclosures Regulation (SFDR).

First State Investments' investment products under the EU's jurisdiction are categorised as Article 8, which are defined as funds that "promote environmental or social characteristics". The former Stewart Investors funds are categorised as Article 9, which are defined as funds that "pursue sustainable investment as its objective". In accordance with SFDR, we incorporate certain environmental and social characteristics in all of our bottom-up company analysis.

Further, the Principal Adverse Impact (PAI) indicators are designed to measure and disclose the negative impacts of investment decisions based on certain environmental and social factors, with the intention of minimising significant harm.

As part of our investment process, we consider PAIs as part of our decision-making and monitor our portfolio holdings against the 14 required PAIs. We have also elected to report additionally on PAI #15, the share of investments in investee companies without carbon emission reduction initiatives aligned with the Paris Agreement, and PAI #16, the number and nature of severe cases of human rights issues and incidences.

Out of the PAIs, we regard those that monitor the impacts of climate change and the harm to human or social rights as critical components of our investment philosophy.

We also review and consider PAIs on sustainability factors across our portfolios and disclose them as part of the periodic SFDR report filings. The assessment of key adverse impacts relevant to each portfolio is based on coverage and availability of reliable data. Where adverse sustainability impacts are identified, we will engage with the company in accordance with the commitments made under the firm's Responsible Investment and Stewardship Policy and Principles.

Important Information

This material is for general information purposes only. It does not constitute investment or financial advice and does not take into account any specific investment objectives, financial situation or needs. This is not an offer to provide asset management services, is not a recommendation or an offer or solicitation to buy, hold or sell any security or to execute any agreement for portfolio management or investment advisory services and this material has not been prepared in connection with any such offer. Before making any investment decision you should consider, with the assistance of a financial advisor, your individual investment needs, objectives and financial situation.

We have taken reasonable care to ensure that this material is accurate, current, and complete and fit for its intended purpose and audience as at the date of publication. No assurance is given or liability accepted regarding the accuracy, validity or completeness of this material and we do not undertake to update it in future if circumstances change.

To the extent this material contains any expression of opinion or forward-looking statements, such opinions and statements are based on assumptions, matters and sources believed to be true and reliable at the time of publication only. This material reflects the views of the individual writers only. Those views may change, may not prove to be valid and may not reflect the views of everyone at First Sentier Group.

About First Sentier Group

References to 'we', 'us' or 'our' are references to First Sentier Group, a global asset management business which is ultimately owned by Mitsubishi UFJ Financial Group. Certain of our investment teams operate under the trading names AlbaCore Capital Group, First Sentier Investors, FSSA Investment Managers, First State Investments (outside Australia and New Zealand) RQI Investors and Igneo Infrastructure Partners, all of which are part of the First Sentier Group.

We communicate and conduct business through different legal entities in different locations. This material is communicated in:

- **Australia** and **New Zealand** by First Sentier Investors (Australia) IM Ltd, authorised and regulated in Australia by the Australian Securities and Investments Commission (AFSL 289017; ABN 89 114 194311)
- **European Economic Area** by First Sentier Investors (Ireland) Limited, authorised and regulated in Ireland by the Central Bank of Ireland (CBI reg no. C182306; reg office 70 Sir John Rogerson's Quay, Dublin 2, Ireland; reg company no. 629188)
- **Hong Kong** by First Sentier Investors (Hong Kong) Limited and has not been reviewed by the Securities & Futures Commission in Hong Kong. First Sentier Group, First Sentier Investors, First State Investments, RQI Investors and Igneo Infrastructure Partners are the business names of First Sentier Investors (Hong Kong) Limited.
- **Singapore** by First Sentier Investors (Singapore) (reg company no. 196900420D) and this advertisement or material has not been reviewed by the Monetary Authority of Singapore. First Sentier Group (registration number 53507290B), First Sentier Investors (registration number 53236800B), First State Investments (registration number 53314080C), RQI Investors (registration number 53472532E) and Igneo Infrastructure Partners (registration number 53447928J) are the business names of First Sentier Investors (Singapore).
- **United Kingdom** by First Sentier Investors (UK) Funds Limited, authorised and regulated by the Financial Conduct Authority (reg. no. 2294743; reg office Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB)
- **United States** by First Sentier Investors (US) LLC, registered with the Securities Exchange Commission (SEC# 801-93167)
- **other jurisdictions**, where this document may lawfully be issued, by First Sentier Investors International IM Limited, authorised and regulated in the UK by the Financial Conduct Authority (FCA ref no. 122512; Registered office: 23 St. Andrew Square, Edinburgh, EH2 1BB; Company no. SC079063).

To the extent permitted by law, MUFG and its subsidiaries are not liable for any loss or damage as a result of reliance on any statement or information contained in this document. Neither MUFG nor any of its subsidiaries guarantee the performance of any investment products referred to in this document or the repayment of capital. Any investments referred to are not deposits or other liabilities of MUFG or its subsidiaries, and are subject to investment risk, including loss of income and capital invested.

To the extent this material contains any measurements or data related to environmental, social and governance (ESG) factors, these measurements or data are estimates based on information sourced by the relevant investment team from third parties including portfolio companies and such information may ultimately prove to be inaccurate.

To the extent this material contains any ESG related commitments or targets, such commitments or targets are current as at

© First Sentier Group

FSSA-PC2491-Sustainability report 2025 rebrand Global First State rs5