

# GLOBAL STEWARDSHIP PRINCIPLES

## Foreword

The issue of stewardship has become increasingly important for the global asset management industry over recent years and will continue to be a feature in the future.

Governments and regulators have become more involved in the debate. Stewardship codes have been implemented in various jurisdictions across the globe and several are currently pending. The global financial crisis and the subsequent emergence of stewardship codes has resulted in a wide ranging and high profile debate about the responsibilities of asset managers.

Stewardship has long been a key feature of our investment philosophy and has become increasingly important for us in recent years. We have strengthened our capabilities in the area, both in terms of personnel and systems, and we are embedding a range of principles across the organisation. The latest of these are a set of Global Stewardship Principles which articulate our approach to stewardship.

We believe this is sensible investment practice. While our business is to protect and enhance the value of our clients' assets, we are aware of our wider responsibilities, such as upholding the quality and integrity of the financial markets we invest in. We also firmly believe that an emphasis on stewardship underpins the quality of our investment process.

From this year onwards, compliance with the stewardship principles will be assessed as part of our annual assurance and audit process.

Our role as stewards of our clients' capital is a fiduciary obligation that we take seriously. We look forward to engaging with both our clients and the broader asset management industry on the continued enhancement of our stewardship practices.

## Mark Steinberg

CEO, First State Investments

## Will Oulton

Global Head of Responsible Investments

## Introduction

First State Investments is a global asset management business with specialist capabilities in Asia and global emerging market equities, global resources, global equities, global credit, emerging market debt, Asian credit, Australian fixed income, Australian Cash & Money Markets and both listed and unlisted infrastructure and property. Our clients include institutional and retail clients around the world. We are ultimately owned by Mitsubishi UFJ Financial Group, Inc (MUFG), a global financial group.

## Our Approach to Stewardship

At First State Investments, we recognise our significant responsibilities as stewards of our clients' assets. These include our role in maintaining the integrity and quality of the markets in which we operate, the allocation of investment capital to productive purposes, and the use of sound judgement and detailed analysis to make investment decisions which protect and enhance our clients' capital over the long term. Our approach to stewardship and, in particular, to the ownership obligations which arise from individual investments made and held on behalf of our clients, rests upon these fundamental objectives.

Actively monitoring and engaging with company management and diligently executing our ownership obligations are central to our approach to the stewardship of our clients' capital. In managing our clients' assets through our investment strategies, the integration of environmental, social and governance factors is embedded into our investment processes. We believe that this enhances the quality of our investment processes and will therefore deliver long term benefits to our clients.

Accountability for executing our stewardship responsibilities rests with each of the heads of our investment teams who are in turn accountable for their delivery to our Global Responsible Investment Committee which is chaired by the CEO. These responsibilities include monitoring and engaging with companies on issues which may impact their ability to generate long term and sustainable returns and/or their credit worthiness and financial stability. These issues include strategy, performance, risk, capital structures, and corporate governance including culture and remuneration.

All investment teams have access to a range of information services which are used to inform their decision making. This includes the execution of proxy voting activities for our listed equity teams who have access to information provided by Glass Lewis and Ownership Matters. Each equity investment team is responsible for voting and is expected to make informed, intelligent decisions with this important client right. These activities may also be supported by our responsible investment specialists.

The aim of our stewardship activities is to protect and enhance the value of our clients' capital. Our stewardship activities will enhance our knowledge and understanding of a company's management, culture and business strategy and contribute to making better informed investment decisions on behalf of our clients.

## Managing Conflicts of Interests

Conflicts of interest may arise from time to time in the course of our business activities. At all times the interests of our clients are put first and we are committed to implementing the highest standards of governance and control. In recognition of this, First State Investments maintains and implements a conflicts of interest policy.

Our conflicts of interest policy sets out how First State Investments define, record, monitor, escalate and resolve potential conflicts. Our conflicts of interest policy is available at <https://www.firstsentierinvestors.com.au> in the Responsible Section>Policies section of the website.

## Monitoring & Reporting

All our equity and direct investment teams regularly meet with the management of companies in which we have invested our clients' capital. In addition to these meetings, all of our investment teams monitor company performance including that of the board and the management. This process may also be informed by input from a company's wider stakeholders including its customers, industry trade groups and civil society organisations.

We maintain via our proxy voting service providers records of all votes cast and include a summary of this activity in our annual responsible investment report.

During the course of our business, First State Investments may unintentionally receive information which is regarded as "Inside Information". We may during the normal course of our business be exposed to such information but have formal and tightly controlled policies and processes to ensure that, when this is the case, no trading can take place on affected holdings.

### For further information

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