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## Global Stewardship Principles

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## 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 Lazberger**

Chief Executive Officer



**Will Oulton**

Global Head of Responsible Investment

## INTRODUCTION

First State Investments (FSI) 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 a wholly owned subsidiary of the Commonwealth Bank of Australia. In Australia we operate as Colonial First State Global Asset Management.

## OUR APPROACH TO STEWARDSHIP

At FSI, 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, FSI maintains and implements a conflicts of interest policy.

Our conflicts of interest policy sets out how FSI define, record, monitor, escalate and resolve potential conflicts. Our conflicts of interest policy is available at <http://www.firststateinvestments.com> in the About Us > 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, FSI 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.

## ENGAGEMENT

Engagement with management is a fundamental part of our equity and direct investment approach. Our fixed interest teams will engage with management when required in order to ensure that we fulfil our stewardship duties.

Our engagement approaches will be tailored to individual companies and the specific issues in question. Effective engagement with companies relies on trust and a credible approach as well as the exercise of our authority as a shareholder (or bondholder) to achieve constructive outcomes to the benefit of our clients' interests.

On occasions where our engagement activities are unsuccessful and we believe that this will remain so; we may escalate the issue for example by writing to or meeting with the chairperson or lead independent director, vote against directors who we believe are not providing appropriate oversight, or collaborate on further engagement with other like-minded investors. In some instances we may make our views public. Each instance of escalation will be at the discretion of the investment manager.

## COLLABORATION

Our engagement activities are a core part of our equity and direct investment process and are therefore undertaken by our investment teams. However there are occasions where we will actively collaborate with other investors to meet certain specified common objectives or to improve the quality of the markets where we invest our clients' capital. Often these engagements are conducted via collaborative platforms such as the PRI's Clearing House as well as via our active participation in industry trade groups and associations.

The details of our collaborative activities are published in our annual responsible investment report which is available at [www.firststateinvestments.com/sg/en/retail/About\\_Us/Reports/](http://www.firststateinvestments.com/sg/en/retail/About_Us/Reports/)

## VOTING

The execution of our clients' voting rights is a responsibility that is taken seriously by our equity teams. We will vote on all issues and in all jurisdictions where we have the authority to do so. As long term investors, voting is an important part of our engagement process. In instances when we feel compelled to lodge a vote of dissent, we will seek to inform management in advance with a clear explanation as to why we have taken such a decision in the interests of our clients.

The summary result of all our voting decisions by our investment teams is published in our annual responsible investment and proxy voting and engagement update reports. To view the reports, please visit <http://www.firststateinvestments.com/> and go to the About Us > Responsible Investment > Reports section.

FSI do not initiate nor proactively participate in securities lending.

## DISCLOSURE

We provide our clients with regular reports on our stewardship activities through specific client reports and our annual responsible investment report. Not all of our stewardship activities will be made public and may remain confidential for a period of time in instances where we believe that this is in the best interests of our clients.

We will disclose our collaborative activities and industry group memberships in our responsible investment report. Continually improving the quality of reporting is a goal of the business and we will actively seek feedback and comment from our clients and other stakeholders on areas where we can improve.

### For further information contact:

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