



# RI TRANSPARENCY REPORT

## 2014/15

Colonial First State Global Asset Management (including  
First State Investments)



UNEP Finance Initiative  
Changing finance, financing change



United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2014-15 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
🔍	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
OA 15	ESG issues for internally managed assets not reported in framework	✓	Public							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
LEI 02	Description of ESG incorporation	✓	Public	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Public	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Public	✓						
LEI 06	Types of screening applied	🔒	n/a	✓						
LEI 07	Processes to ensure screening is based on robust analysis	🔒	n/a	✓						
LEI 08	Processes to ensure fund criteria are not breached	🔒	n/a	✓						
LEI 09	Types of sustainability thematic funds/mandates	✓	Public	✓						
LEI 10	Description of ESG integration	✓	Public	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 14	ESG issues in index construction	✓	Public	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	⚡	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	⚡	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 14	Examples of ESG engagements	✓	Public		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	⚡	n/a		✓					
LEA 19	Confirmation of votes	✓	Public		✓					
LEA 20	Securities lending programme	-	n/a		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 24	Shareholder resolutions	✓	Public		✓					
LEA 25	Examples of (proxy) voting activities	✓	Public		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
FI 02	Breakdown of investments by credit quality	✓	Public							✓
FI 03	Description of ESG incorporation	✓	Public	✓						
FI 04	Percentage of each incorporation strategy	✓	Public	✓						
FI 05	Type of ESG information used in investment decision	✓	Public	✓						
FI 06	Types of screening applied	🔒	n/a	✓						
FI 07	Processes to ensure screening is based on robust analysis	🔒	n/a	✓						
FI 08	Processes to ensure fund criteria are not breached	🔒	n/a	✓						
FI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
FI 10	Description of ESG integration	✓	Public	✓						
FI 11	Review of ESG issues while researching companies/sectors	✓	Public	✓						
FI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
FI 13	Incorporation of ESG issues into analysis and decision making	✓	Public	✓						
FI 14	ESG issues in index construction	✓	Public	✓						
FI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
FI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
FI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
FI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	
FI 19	Engagement with corporate issuers	✓	Public		✓					
FI 20	Engagement with government issuers	✓	Public		✓					

Direct - Infrastructure				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
INF 01	Breakdown of investments by equity and debt	✓	Public							✓
INF 02	Breakdown of assets by management	✓	Public							✓
INF 03	Largest infrastructure	✓	Public							✓
INF 04	Description of approach to RI	✓	Public	✓					✓	
INF 05	Responsible investment policy for infrastructure	✓	Public	✓					✓	
INF 06	Fund placement documents and RI	✓	Public	✓			✓		✓	
INF 07	Formal commitments to RI	✓	Public				✓			
INF 08	Incorporating ESG issues when selecting investments	✓	Public	✓						
INF 09	ESG advice and research when selecting investments	✓	Public	✓			✓			
INF 10	Examples of ESG issues in investment selection process	✓	Public	✓		✓				
INF 11	Types of ESG information considered in investment selection	✓	Public	✓		✓				
INF 12	ESG issues impact in selection process	✓	Public	✓						
INF 13	ESG issues in selection, appointment and monitoring of third-party operators	⚠	n/a				✓			
INF 14	ESG issues in post-investment activities	✓	Public		✓					
INF 15	Proportion of assets with ESG performance targets	✓	Public		✓					
INF 16	Proportion of portfolio companies with ESG/sustainability policy	✓	Public		✓					
INF 17	Type and frequency of reports received from investees	✓	Public		✓	✓				
INF 18	Proportion of maintenance projects where ESG issues were considered	✓	Public		✓					
INF 19	Proportion of stakeholders that were engaged with on ESG issues	✓	Public		✓					
INF 20	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
INF 21	Examples of ESG issues that affected your infrastructure investments	✓	Public	✓		✓				
INF 22	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	
INF 23	Approach to disclosing ESG incidents	✓	Public						✓	



# Colonial First State Global Asset Management (including First State Investments)

## Reported Information

## Public version

## Organisational Overview

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the services you offer.

☒ Fund management

% of assets under management (AUM) in ranges

☐ <10%

☐ 10-50%

☒ >50%

☐ Fund of funds, manager of managers, sub-advised products

☐ Other, specify

☐ Execution and advisory services

OO 02	Mandatory	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

Australia

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

☐ 1

☐ 2-5

☒ 6-10

☐ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

551

OO 02.4 Additional information. [Optional]

Countries include France, Hong Kong, Indonesia, Japan, New Zealand, Singapore, UK, US

OO 03	Mandatory	Descriptive	General
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<b>OO 03.1</b>	Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.
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- ☐ Yes  
☒ No

<b>OO 04</b>	<b>Mandatory</b>	<b>Gateway/Peering</b>	<b>General</b>
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<b>OO 04.1</b>	Indicate the year end date for your reporting year.
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31/12/2014

<b>OO 04.2</b>	Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.
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	trillions	billions	millions	thousands	hundreds
Total AUM		191	600	000	000
Currency	AUD				
Assets in USD		178	054	010	449

<b>OO 04.5</b>	Indicate the level of detail you would like to provide about your asset class mix.
----------------	--

- ☒ Approximate percentage breakdown to the nearest 5% (e.g. 45%)  
☐ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

<b>OO 06</b>	<b>Mandatory</b>	<b>Descriptive</b>	<b>General</b>
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**OO 06.1**

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- ☐ Publish our asset class mix as percentage breakdown
- ☐ Publish our asset class mix as broad ranges
- ☒ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

as at 31 December 2014	A\$ billion
First State Stewart (Asia Pacific, Global Emerging Markets and other worldwide equity strategies)	69.4
Global Listed Infrastructure	6.0
Global Resources and Agribusiness	2.5
Global Property Securities	3.3
Australian Equities	25.2
Indonesian Equities	0.6
<b>Total Equities</b>	<b>107.0</b>
Global Fixed Income and Credit	22.1
Asian Fixed Income	2.3
Emerging Markets Debt	1.7
Short-Term Investments	43.9
<b>Total Fixed Income</b>	<b>70.0</b>
Unlisted Infrastructure	4.7
<b>Total Alternatives</b>	<b>4.7</b>
<b>Others</b>	<b>0.1</b>
<b>Total funds under management</b>	<b>181.8</b>
<b>Realindex Investments*</b>	<b>9.8</b>
<b>Total include Realindex Investments</b>	<b>191.6</b>

\* Realindex Investments is a wholly owned investment management subsidiary of the Colonial First State group of companies.  
Source: Commonwealth Bank of Australia financials as at 31 December 2014.

To upload the image click the Save button below

**OO 08**
**Mandatory to Report Voluntary to Disclose**
**Peering**
**General**
**OO 08.1**

Indicate the breakdown of your organisation's AUM by market.

Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %

OO 09	Voluntary	Descriptive	General
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OO 09.1	Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.
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Colonial First State Global Asset Management (CFSGAM, known as First State Investments outside of Australia) is the consolidated asset management division of the Commonwealth Bank of Australia. We are a global asset management business with experience across a range of asset classes and specialist investment sectors. We are one of the largest managers of Australian sourced funds, with a growing presence in international markets. CFSGAM and First State Investments collectively manage over A\$191.6 billion\* (as at 31 December 2014) on behalf of institutional investors, pension funds, wholesale distributors and platforms, financial planners and their clients worldwide.

We are a world-class asset management business with a global footprint with offices located in Sydney, Melbourne, London, Dubai, New York, Paris, Frankfurt, Edinburgh, Hong Kong, Singapore, Tokyo, Jakarta and Auckland; and represented in Beijing and Shenzhen through the First State Cinda joint venture.

We employ teams of investors who are specialists in their respective fields and set their own investment style. Their incentive structures are directly aligned with the results they deliver for clients. Our investment teams are structured so managers and analysts are given a strong sense of portfolio ownership. We believe this promotes commitment and intellectual engagement, aligning our interests and success with those of our clients.

\*During the 2013/14 financial year Colonial First State Global Asset Management divested its direct property and asset management business. As a result of these transactions the Funds under Management have reduced by AU\$17bn from 30 June 2013. These transactions related to: the internalisation of the management of the Kiwi Income Property Trust by Kiwi Property Management Limited on 13 December 2013; the internalisation of CFS Retail Property Trust Group on 24 March 2014; and the takeover of the Commonwealth Property Office Fund by DEXUS Funds Management Pty Ltd on 14 April 2014.

### Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
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OO 10.1	Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.
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- ☒ We incorporate ESG issues into investment decisions on our internally managed assets
- ☒ We engage with companies on ESG issues via our staff, collaborations or service providers
- ☒ We cast our (proxy) votes directly or via service providers
- ☐ None of the above

OO 11	Mandatory	Gateway	General
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OO 11.1	Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.
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- ☒ Fixed income – corporate
- ☒ Fixed income – government
- ☒ Fixed Income – other
- ☒ Infrastructure
- ☒ Cash
- ☐ None of the above

OO 12	Mandatory	Gateway	General
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OO 12.1	The modules and sections that you will be required to complete are listed below.
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*This list is based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Fixed Income and Infrastructure are voluntary.*

### **Core modules**

- ☒ Organisational Overview
- ☒ Overarching Approach (including assets which do not have a separate module)

### **RI implementation directly or via service providers**

	Direct - Listed Equity incorporation
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- ☒ Listed Equity incorporation

	Direct - Listed Equity active ownership
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- ☒ Engagements
- ☒ (Proxy) voting

	Direct - Fixed Income
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- ☒ Fixed Income - Corporate
- ☒ Fixed Income - Government

	Direct - Other asset classes with dedicated modules
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- ☒ Infrastructure

### **Closing module**

- ☒ Closing module

# Colonial First State Global Asset Management (including First State Investments)

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## Overarching Approach

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## Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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<b>OA 01.1</b>	Indicate if you have a responsible investment policy.
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- ☒ Yes  
☐ No

<b>OA 01.2</b>	Indicate if you have other guidance documents or more specific policies related to responsible investment.
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- ☒ Yes  
☐ No

<b>OA 01.3</b>	Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]
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### OUR APPROACH TO RESPONSIBLE INVESTMENT

As a global organisation with fourteen different investment teams, incorporating principles of responsible asset management requires strong governance and leadership support, sophisticated management systems, and a commitment to continuous improvement.

### OUR RI STRATEGY CONSISTS OF THREE PILLARS:

- Quality - High quality investment practices and processes
- Engaged - Culture which supports principles of stewardship and responsibility. Strong RI knowledge and skills
- Stewardship - Strong client focus and long-term relationships. Global and local industry voice.

These strategic pillars are designed to cultivate the environment, level of focus and support needed to have an organisation which:

- Continually strives for improved practices in ESG integration;
- Has robust methods for understanding and measuring the impacts and implications of our investment decisions and ownership practices;
- Monitors, measures and transparently reports on our progress;
- Has a visible focus on working with our clients on their issues and areas of interest;
- Strongly supports industry collaborations which contribute to the development of sustainable capital markets; and
- Engages our employees globally in our responsible investment work.

The strategy is underpinned by a strong governance framework. Our RI governance framework includes the following elements:

- A global responsible investment committee chaired by the CEO and including senior leaders and key influencers from across the organisation;
- An independent RI team led by Will Oulton our Global Head of RI who are responsible for the integrity of our RI framework and governance, and supporting the investment teams in meeting the spirit as well as the letter of our RI policies and goals;
- An RI representative in each of our investment teams who plays a key governance role by representing their teams on internal working groups, reporting on team progress, contributing to thought leadership and



new approaches to addressing ESG risks and opportunities, and communicating developments back to their teams.

Each year we report on our progress, providing evidence of how we are delivering our RI objectives and the investment outcomes that flow from it.

OA 02	Mandatory	Core Assessed	PRI 6
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OA 02.1	Indicate if your responsible investment policy is publicly available.
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☒ Yes

OA 02.2	Provide a URL to your responsible investment policy.
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	URL
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[http://www.cfsgam.com.au/au/insto/responsible\\_investment/reports\\_and\\_policies/](http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/)

☐ No

OA 02.3	Indicate if your other policies or guidance documents related to responsible investment are publicly available.
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☒ Yes

☒ Yes, all

☐ Yes, some

OA 02.4	List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.
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Policy or document name	URL
Global Stewardship Principles	<a href="http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/">http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/</a>
Direct Infrastructure corporate engagement guidelines	<a href="http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/">http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/</a>
Cluster Munitions Policy	<a href="http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/">http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/</a>
Guidelines& principles for corporate engagement	<a href="http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/">http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/</a>

☐ No

OA 02.5	Additional information. [Optional]
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In November 2013 we released our Global Stewardship Principles. Our other policies are currently under review.

OA 03	Mandatory	Core Assessed	PRI 1,2
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OA 03.1	Indicate the components/types and coverage of your responsible investment policy and guidance documents.
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Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input checked="" type="checkbox"/> Other, specify <b>Stewardship</b> <input type="checkbox"/> Other, specify	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 03.2	Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]
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While responsible investment policies have global coverage investment teams who are new to the organisation or have specific challenges in implementing policy elements are able to seek policy variances for those elements until they can transition towards policy norms.

Specific challenges must be significant, examples of such variances include our global smart beta equities team (Real Index) who invest in thousands of companies and so are not required to consider each proxy vote on its merits but instead defers to the advice of our proxy voting advisor. Even in those circumstances where variances are made we attempt to bring the relevant practice or process as closely into line with the policy as possible. In the Real Index example we are exploring way for the team to leverage the voting analysis performed by other investment teams who own the same stock. When our policies are next reviewed we will note these variances.

OA 03.3	Additional information. [Optional]
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In November 2013 we released our Global Stewardship Principles. Our other policies are scheduled for review in the first half of 2014.

OA 04	Mandatory	Core Assessed	General
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**OA 04.1**

Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

☒ Yes

**OA 04.2**

Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

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.

☐ No

## Objectives and strategies

**OA 05****Mandatory****Gateway/Core Assessed****General****OA 05.1**

Indicate if your organisation sets objectives for its responsible investment activities.

☒ Yes

**OA 05.2**

Indicate how frequently your organisation sets or revises objectives for responsible investment.

☒ At least once per year

☐ Less than once per year

**OA 05.3**

Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

☐ Quarterly

☐ Biannually

☒ Annually

☐ Every two years or less

☐ It is not reviewed

☐ No

**OA 05.4**

Additional information. [Optional]

Three year objectives for responsible investment have been set in our Responsible Investment strategy which has been approved by the Global Responsible Investment Committee (GRIC). The GRIC is chaired by the CEO and includes senior leaders from across the organisation including chief investment officers for equities and fixed income, senior investment professionals, distribution, people and culture, and regional business heads.

The Objectives in the RI Strategy are included in the KPIs for our responsible investment team and for the responsible group executives.

Monitoring of objectives (KPIs) occurs half yearly through the performance management process for all employees and when the GRIC meets. The GRIC met three times in 2014 and performed a midterm strategy review in December 2014.

We publicly disclosure objectives and our performance against them in our annual responsible investment report which is available on our website.

OA 06	Voluntary	Descriptive	General
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<b>OA 06.1</b>	List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.
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☒ Add responsible investment objective 1

Objective 1	1. Improve our RI governance, policies and investment processes
Key performance indicators	1. Review policies and position statements 2. RI Culture and HR Plan finalised, short term targets implemented 3. RI principles incorporated into product development process
Describe the progress achieved	1. Review of policies is now under way. 2. Some elements implemented 3. Some progress made

☒ Add responsible investment objective 2

Objective 2	Improve our data sources and analysis tools
Key performance indicators	1. Integration of ESG research services with Bloomberg, Capital IQ and proprietary research systems. 2. Generic ESG dashboards developed as base for team specific reports
Describe the progress achieved	1. Complete for Bloomberg, factset 50%, 2. Complete

☒ Add responsible investment objective 3

Objective 3	Improve our internal and external reporting and stakeholder engagement
Key performance indicators	1. Develop a series of stewardship case studies 2. Continued support of the Cambridge Investment leaders Program 3. Strategic review of collaborative initiatives
Describe the progress achieved	1. Complete 2. Ongoing commitment 3. Complete

<b>OA 06.2</b>	List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.
----------------	---

☒ Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	1. Improve our RI governance, policies and investment processes
Key performance indicators	1. Review policies 2. RI/Stewardship Principles incorporated into behaviour assessment for all employees 3. RI incorporated into product assurance and development processes

☒ Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	Improve our data sources and analysis tools
Key performance indicators	1. Integration of ESG research services with data-warehouse and business reporting systems 2. Develop portfolio-level ESG reporting for investment assurance function/governance

☒ Add responsible investment objective 3 for the next reporting year

Objective 3 for the next reporting year	Improve our internal and external reporting and stakeholder engagement
Key performance indicators	1. Improve RI report by integrating financial and non-financial aspects of investment performance, inc quantitative indicators 2. Set internal standards for simplifying reporting language

## Governance and human resources

OA 07	Voluntary	Descriptive	General
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<b>OA 07.1</b>	Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.
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Across our organisation we have fifteen investment teams investing in a range of asset classes. Each team has a unique investment process which has been developed over many years by our leading investment professionals. Responsible investment practices are applied by each of these teams in a way which complements their investment processes and philosophy. In this way it is principles of stewardship and responsible investment which are the common thread that ties our diverse investment capabilities together.

In order to maintain the high standards consistent with our ambitions and commitments, while allowing for the innovative and diverse approaches exhibited by our different teams, a strong governance framework around responsible investment is critical. For this reason governance around responsible investment has been a key focus for many years. Our approach to RI governance has the following key components:

**The Global Responsible Investment Committee (GRIC)** is chaired by the CEO and includes senior leaders from across the organisation including chief investment officers for equities and fixed income, senior investment professionals, distribution, people and culture, and regional business heads. The purpose and duties of the Committee are to:

- Approve the global RI strategy and guide the activities of the RI team
- Monitor progress against the key milestones
- Review progress of the investment teams against their specific ESG road maps
- Approve RI policies, investment principles and position statements and their implementation
- Advise on market developments which may affect the delivery of the global RI strategy and its goals
- Promote and support the global RI strategy within their business functions
- Act as RI advocates across the business
- Set the benchmark levels and criteria for measuring on going RI performance
- Plus any other activity that the Committee may agree from time to time

The committee met three times in 2014.

**The ESG Committee** is chaired by an associate director from the direct infrastructure team and includes the RI representative from each investment team. The committee is responsible for:

- Monitoring and identifying ESG risks, opportunities, issues and innovations which are relevant to the business
- Deepening the businesses' understanding of ESG impacts on our investment performance
- Informing our engagement work and objectives
- Leveraging knowledge and disseminating material information across teams
- Overseeing the quality control of our ESG service providers and proposing alternatives/additions from time to time
- Generating thought leadership & research ideas
- Reviewing new third party ESG research and evaluating its relevance to the business
- Support the business in achieving its objective of being the global leader in responsible investment
- Reporting to and responding to requests from the GRIC

The committee met six times in 2014.

**An independent RI team** supports the governance of responsible investment across the organisation and includes responsible investment professionals in both London and Sydney. The team helps develop the respective agendas, ensure agreed actions are carried out and develops governance mechanisms for the GRIC to more effectively monitor the responsible investment practices across the business.

**An RI representative** in each of our investment teams who plays a key governance role by representing their teams on internal working groups, reporting on team progress, contributing to thought leadership and new approaches to addressing ESG risks and opportunities, and communicating developments back to their teams.

**Policies** - We maintain a set of RI and Stewardship policies including our Global Stewardship Principles. Our policies are currently under review and we expect this review to be completed in the first quarter of 2015.

**Transparency** - We issue an annual report on our progress, providing evidence of how we are delivering our RI objectives and the investment outcomes that flow from it. We also issue an annual proxy voting and corporate governance report. We provide full disclosure of all our proxy voting decisions twice a year.

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OA 08	Mandatory	Gateway/Core Assessed	General
OA 08.1	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.		

## Roles present in your organisation

- ☐ Board members or trustees
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - ☒ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other Chief-level staff or head of department, specify
  - Regional heads, CIOs, Team heads**
    - ☒ Oversight/accountability for responsible investment
    - ☒ Implementation of responsible investment
    - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Portfolio managers
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Investment analysts
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Dedicated responsible investment staff
  - ☒ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ External managers or service providers
- ☒ Other role, specify
  - RI Representatives in each investment team**
    - ☐ Oversight/accountability for responsible investment
    - ☒ Implementation of responsible investment
    - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Other role, specify

**OA 08.2**

Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

Number

2

**OA 09**

**Voluntary**

**Additional Assessed**

**General**

**OA 09.1**

Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.

**Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee**

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

#### **Other C-level staff or head of department**

##### **Regional heads, CIOs, Team heads**

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

#### **Portfolio managers**

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☐ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

#### **Investment analysts**

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☐ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

#### **Dedicated responsible investment staff**

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

#### **Other role**

##### **RI Representatives in each investment team**

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above



**OA 09.3**

Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.

Rather than focus on specific RI related KPIs we have over the last few years increased timeframes for performance based pay for investment professionals from one year to one, three and five years.

## Promoting responsible investment

**OA 10****Mandatory****Core Assessed****PRI 4,5****OA 10.1**

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

### Select all that apply

☒ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Member of Reporting Framework technical advisory group.

Member of PRI Country Network Australia

☒ Asian Corporate Governance Association

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

We are members and have been involved in collaborative engagements policy advocacy.

☒ Association for Sustainable & Responsible Investment in Asia

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

**We are members**

- ☐ Australian Council of Superannuation Investors
- ☒ CDP Climate Change

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

**Signatory (non-member)**

- ☒ CDP Forests

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

**Signatory (non-member)**

- ☒ CDP Water

	Your organisation's role in the initiative during the reporting period (see definitions)
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- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

**Signatory (non-member)**

- ☐ CFA Institute Centre for Financial Market Integrity
- ☐ Council of Institutional Investors (CII)
- ☐ Eumedion
- ☐ Extractive Industries Transparency Initiative (EITI)
- ☐ Global Investors Governance Network (GIGN)
- ☐ Global Real Estate Sustainability Benchmark (GRESB)
- ☒ Institutional Investors Group on Climate Change (IIGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

**Member**

- ☐ Interfaith Center on Corporate Responsibility (ICCR)
- ☐ International Corporate Governance Network (ICGN)
- ☒ Investor Group on Climate Change, Australia/New Zealand (IGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Member of board, chair of research working group, member of water working group.

- ☐ Investor Network on Climate Risk (INCR)/CERES
- ☐ Local Authority Pension Fund Forum
- ☒ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify  
UKSIF, Eurosif, ASRIA, RIAA

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Chairman RIAA, Board member UKSIF, VP EuroSIF, Governance committee RIAA, sponsored RIAA conferences.

- ☐ Shareholder Association for Research and Education (Share)
- ☒ United Nations Environmental Program Finance Initiative (UNEP FI)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Signed up to initiative. Participant in ERisc project.

- ☐ United Nations Global Compact
- ☒ Other collaborative organisation/initiative, specify

Investment Leaders Group

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Financial contributor Chair of Long-term mandates working group.

- ☒ Other collaborative organisation/initiative, specify
- ESG RA

	Your organisation's role in the initiative during the reporting year (see definitions)
--	--

- ☐ Basic  
☐ Moderate  
☒ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

Member of management committee.

- ☐ Other collaborative organisation/initiative, specify  
☐ Other collaborative organisation/initiative, specify

OA 11	Mandatory	Core Assessed	PRI 4
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OA 11.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
---------	--

☒ Yes

OA 11.2	Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.
---------	--

- ☐ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations  
☒ Provided financial support for academic or industry research on responsible investment  
☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry  
☒ Spoke publicly at events and conferences to promote responsible investment  
☒ Wrote and published in-house research papers on responsible investment  
☐ Encouraged the adoption of the PRI  
☐ Other, specify

☐ No

OA 11.3	Additional information. [Optional]
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Member of Cambridge University's Responsible Investment Leaders Group.

Spoke at a range of conferences and forums including in relation to integrated reporting, corporate governance, and responsible investment events in Australia, Europe and Asia.

Have written pieces for a variety of publications including FT and the governance institute.

OA 12	Voluntary	Additional Assessed	PRI 4,5,6
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<b>OA 12.1</b>	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.
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☒ Yes

☒ Yes, individually

☒ Yes, in collaboration with others

<b>OA 12.2</b>	Select the methods you have used.
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☒ Endorsed written submissions to governments, regulators or standard-setters developed by others

☒ Drafted your own written submissions to governments, regulators or standard-setters

☐ Participated in face-to-face meetings with government members or officials to discuss policy

☐ Other, specify

<b>OA 12.3</b>	Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.
----------------	--

☒ Yes, publicly available

	provide URL
--	-------------

[http://lawcommission.justice.gov.uk/docs/cp215\\_fiduciary\\_duties\\_responses.pdf](http://lawcommission.justice.gov.uk/docs/cp215_fiduciary_duties_responses.pdf)

	provide URL
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<http://www.igcc.org.au/igcc-public-submissions>

	provide URL
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[http://www.acga-asia.org/loadfile.cfm?SITE\\_FILE\\_ID=695](http://www.acga-asia.org/loadfile.cfm?SITE_FILE_ID=695)

☐ No

☐ No

## ESG issues in asset allocation

<b>OA 13</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>OA 13.1</b>	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.
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☐ Yes

☒ No

<b>OA 14</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>OA 14.1</b>	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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☒ Yes

<b>OA 14.3</b>	Please specify which thematic area(s) you invest in and provide a brief description.
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	Area
--	------

- ☐ Clean technology (including renewable energy)
- ☐ Green buildings
- ☐ Sustainable forestry
- ☐ Sustainable agriculture
- ☐ Microfinance
- ☐ SME financing
- ☐ Social enterprise / community investing
- ☐ Affordable housing
- ☐ Education
- ☐ Global health
- ☐ Water
- ☒ Other area, specify

	Asset class invested
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- ☒ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Fixed income - other
- ☐ Infrastructure
- ☐ Cash

	Brief description of investment
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Our First State Stewart Investment team offers a range of sustainability funds focused on resource efficiency and sustainable development.

☐ No

#### Asset class implementation not reported in other modules

<b>OA 15</b>	Voluntary	Descriptive	General
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<b>OA 15.1</b>	Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.
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Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Fixed income - other	We have incorporated ESG assessments into our assessment of supra national issuers and have engaged with some issuers on green bonds/climate bonds.
Cash	We have incorporated ESG assessments into all counter party reviews which are run by our fixed income team.

## Innovation

OA 18	Voluntary	Descriptive	General
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OA 18.1

Indicate whether any specific features of your approach to responsible investment are particularly innovative.

☒ Yes

OA 18.2

Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

As described earlier our governance of responsible investment is sufficiently flexible to allow for team specific and firm wide innovations. Across the firm multiple projects are underway which we would class as innovative. These include:

- Development of infrastructure investment opportunities which facilitates indigenous ownership of assets
- Development of Australia's first wholesale renewable energy infrastructure fund which does not rely on government subsidies or a carbon price to deliver commercial returns (the fund has received \$80m in seed funding from the clean energy finance corporation and is currently finalising assets)
- Development of an excel based ESG dashboard which combines ESG information from three different research providers.
- Development of a stranded assets tool kit by a working group of our ESG committee which provides investment teams a number of flexible analytical approaches (tools) for considering stranded asset risk.
- Development of portfolio level ESG risk tools (underway but not complete)

☐ No

## Assurance of responses

OA 19	Voluntary	Additional Assessed	General
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OA 19.1

Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.

☒ Yes



**OA 19.2**

Indicate who has reviewed, validated and/or assured your reported information.

- ☐ Reviewed by Board, CEO, CIO or Investment Committee
- ☐ Validated by internal audit or compliance function
- ☐ Assured by an external independent provider, specify name

**OA 19.3**

Describe the steps you have taken to review, validate and/or assure the content of your reported information.

Each investment team completed surveys that were checked and aggregated by the head of responsible investment Asia Pacific. Responses were checked against, internal reporting and benchmarking, past disclosures and the head of responsible investment Asia Pacific's working knowledge of the teams' processes.

A draft report was then reviewed by the head of responsible investment.

☐ No

# Colonial First State Global Asset Management (including First State Investments)

## Reported Information

### Public version

### Direct - Listed Equity Incorporation

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

LEI 01	Mandatory to Report Voluntary to Disclose	Gateway/Peering	PRI 1
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### LEI 01.1

Provide a breakdown of your internally managed listed equities by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your internally managed listed equities, indicate if you would still like to report your activities.

### Strategies

☒ Passive

% of internally managed listed equities

☒ <10%

**Report on your strategies that represent <10% of listed equities**

☒ Yes

☐ No

☐ 10-50%

☐ >50%

☒ Active – quantitative (quant)

% of internally managed listed equities

☒ <10%

**Report on your strategies that represent <10% of listed equities**

☒ Yes

☐ No

☐ 10-50%

☐ >50%

☒ Active – fundamental and other active strategies

% of internally managed listed equities

☐ <10%

☐ 10-50%

☒ >50%

LEI 02	Voluntary	Descriptive	PRI 1
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**LEI 02.1**

Provide a brief overview of how you incorporate ESG issues into listed equity investments.

Across our organisation we have fifteen investment teams investing in a range of asset classes, with eight of those teams investing in listed equities (seven active, one passive). While broadly the teams use an ESG integration approach there are differences in how this is done.

For example our Global Listed Infrastructure team explicitly incorporate ESG issues into a 'Quality' score which is used alongside a 'Valuation' score to influence investment decisions, however this score is not used to exclude companies. Our Global listed property team on the other hand also assign an ESG score, however they do exclude poorly rated companies. Other teams do not assign specific ESG scores but incorporate ESG factors when considering business drivers and material business risks. Detailed explanations of each teams approach is provided in our annual responsible investment report which is available on our website.

[http://www.cfsgam.com.au/au/insto/responsible\\_investment/reports\\_and\\_policies/](http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/)

## ESG incorporation in actively managed listed equities

### Implementation processes

**LEI 03****Mandatory****Gateway/Core Assessed****PRI 1****LEI 03.1**

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.

#### ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☒ Integration alone (i.e. not combined with any other strategies)

Percentage of active listed equity to which the strategy is applied - you may (estimate +/- 10%)



- ☐ Screening + Integration strategies
- ☒ Thematic + integration strategies

Percentage of active listed equity to which the strategy is applied - you may (estimate +/- 10%)



- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

	Total actively managed listed equities
--	--

100%

<b>LEI 03.2</b>	Describe your primary reasons for choosing a particular ESG incorporation strategy.
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Each team has a unique investment processes most of which have been developed over many years by our leading investment professionals.

Responsible investment practices are applied by each of these teams in a way which complements their investment processes and philosophy. As a result it is principles of stewardship and responsible investment which are the common thread which tie our diverse investment capabilities together.

In order to maintain the high standards consistent with our ambitions and commitments, while allowing for the innovative and diverse approaches exhibited by our different teams, a strong governance framework around responsible investment is critical.

In recent years we have begun to develop ESG themed investment funds led by our First State Stewart team's sustainability strategies. Development of these strategies occurs within our existing product development process.

<b>LEI 03.3</b>	Where assets are managed using a combination of ESG incorporation strategies, briefly describe how these combinations are used. [Optional]
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The First State Stewart Sustainability Strategies are managed consistently with other investment strategies managed by the team, which have from their inception in 1988 integrated the consideration of ESG factors into investment decision-making through an investment approach which is focused on:

- Stewardship
- An absolute return mindset
- Bottom-up analysis
- Long-term thinking
- Searching for quality companies
- Finding sustainable and predictable growth
- Strong valuation disciplines

The sustainability strategies augment this process by seeking to invest in the shares of those companies which the team believes are particularly well positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate.

The team operates within and contributes to the broader First State Stewart investment process which serves to strengthen both the traditional investment strategies and the newer sustainability strategies.

<b>LEI 03.4</b>	Additional information. [Optional]
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We have a cluster munitions policy which prohibits investment in companies involved in the manufacture of cluster munitions. This exclusion is managed through pre and post trade compliance systems. As the only exclusion applied we have elected not to select 'screening' as our incorporating strategy.

<b>LEI 04</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>LEI 04.1</b>	Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.
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**Type of ESG information**

- ☒ Raw ESG company data

**Indicate who provides this information**

- ☒ ESG research provider
- ☒ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Company-related analysis or ratings

**Indicate who provides this information**

- ☒ ESG research provider
- ☒ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Sector-related analysis or ratings

**Indicate who provides this information**

- ☒ ESG research provider
- ☒ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Country-related analysis or ratings

**Indicate who provides this information**

- ☒ ESG research provider
- ☒ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Screened stock list

**Indicate who provides this information**

- ☒ ESG research provider
- ☒ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ ESG issue-specific analysis or ratings

**Indicate who provides this information**

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☐ Other, specify

<b>LEI 04.2</b>	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
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ESG information is obtained from a wide range of sources and incorporated into different teams' investment processes in different ways. In addition to the sources highlighted above there is an array of institutions who also provide relevant information e.g. the World Bank, IEA, IPCC, OECD etc.

Managing this flow of information is a significant challenge as we strive to ensure that investment professionals have the best and most timely information while not overwhelming them. In order to achieve this an ESG information management project has been initiated which during 2014 made the following enhancements:

1. Integrated the GMI and Sustainalytics (our two company specific ESG research providers) data into the financial analysis tools and work flows (e.g. Bloomberg, Factset (GMI Only) and proprietary databases)
2. Developed a dedicated intranet site which hosts information on how to access each ESG data source and stores other ESG related information (to be launched in first quarter 2015)
3. Increased access to currently specialist ESG research to other teams who may be interested
4. Worked with teams through the ESG Committee to disseminate information and develop other ways to best integrate and consolidate the ESG data into their work flows
5. Developed a dashboard report at stock level which combines three different data sources into one easy to use report.

<b>LEI 04.3</b>	Indicate if you incentivise brokers to provide ESG research.
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☒ Yes

<b>LEI 04.4</b>	Describe how you incentivise brokers.
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Each team has its own process for selecting and remunerating brokers. Two teams have an explicit process for doing so, while two remunerate on an ad-hoc basis, while the other four do not remunerate brokers for ESG research (one of the four has an execution only service). For those that have an explicit process this can take the form of panel reviews which include ESG criteria, voting by analysts or direct allocations for particular research.

☐ No

<b>LEI 05</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>LEI 05.1</b>	Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.
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☒ Engagement

- ☒ We have a systematic process to ensure the information is made available.
- ☐ We occasionally make this information available.
- ☐ We do not make this information available.

☒ (Proxy) voting

- ☒ We have a systematic process to ensure the information is made available.
- ☐ We occasionally make this information available.
- ☐ We do not make this information available.

<b>LEI 05.2</b>	Additional information. [Optional]
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ESG engagement and proxy voting is performed by the relevant analysts and portfolio managers not by a separate team. As a result analysis of a ESG issues which can influence an investment decision can also influence engagement and proxy voting activities or visa-versa. All investment teams either have a centralised database with ESG information or have a standard section of company reports which include their ESG assessments.

## (B) Implementation: Thematic

<b>LEI 09</b>	<b>Mandatory</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>LEI 09.1</b>	Indicate the type of sustainability thematic funds or mandates that your organisation manages.
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- ☐ Environmentally themed funds
- ☐ Socially themed funds
- ☒ Combination of themes

<b>LEI 09.2</b>	Describe your organisation's processes for sustainability themed funds. [Optional]
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The First State Stewart Sustainability Strategies are managed consistently with other investment strategies managed by the team, which have from their inception in 1988 integrated the consideration of ESG factors into investment decision-making through an investment approach which is focused on:

- Stewardship
- An absolute return mindset
- Bottom-up analysis
- Long-term thinking
- Searching for quality companies
- Finding sustainable and predictable growth
- Strong valuation disciplines

The sustainability strategies augment this process by seeking to invest in the shares of those companies which the team believes are particularly well positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate.

The team assesses sustainability through three lens:

1. Sustainable Goods and Services



- Companies with a positive impact on society, environment, health
- Well positioned for shifting consumer preferences, regulatory headwinds, long-tail liabilities

## 2. Responsible Finance

- Purpose, license to operate, risk aware

## 3. Required infrastructure

- Infrastructure necessary to support long-term sustainable development
- Focus on environmental efficiency, operational performance, license to operate

The team operates within and contributes to the broader First State Stewart investment process which serves to strengthen both the traditional investment strategies and the newer sustainability strategies.

## (C) Implementation: Integration of ESG issues

LEI 10	Voluntary	Descriptive	PRI 1
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<b>LEI 10.1</b>	Describe how you integrate ESG factors into investment decision making processes.
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As described in earlier questions the diversity of investment approaches amongst our listed equity teams means that there is no single answer for how ESG issues are integrated into investment decision-making. A detailed description of each teams' approach is provided in our annual responsible investment report which is available on our website:

[http://www.cfsgam.com.au/au/insto/responsible\\_investment/reports\\_and\\_policies/](http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/)

While different teams employ different investment approaches the belief that integration of ESG factors adds to long term investment performance is the common thread that runs through all of our investment capabilities and is fundamental to the long-term stewardship of client assets.

Through collaboration and learning from each other's approaches we believe our investment teams have a competitive advantage in their incorporation of ESG factors and as such we see the diversity of approaches employed as a strength.

LEI 11	Mandatory	Core Assessed	PRI 1
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<b>LEI 11.1</b>	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.
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ESG issues	Coverage/extent of review on these issues
Environmental	<input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

**LEI 11.2** Additional information. [Optional]

Six of the investment teams systematically review of the significance of ESG issues, while one team occasionally does, and our smart beta team does not currently review or incorporate these issues into their company analysis due to the nature of their investment process.

LEI 12	Voluntary	Additional Assessed	PRI 1
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**LEI 12.1** Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☒ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Company information and/or ratings on ESG are updated regularly
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

**LEI 12.2** Describe how ESG information is held and used by your portfolio managers.

- ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☒ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☒ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify
- ☐ None of the above

**LEI 12.3**

Additional information.

Of the eight listed equity teams, seven use a centralised database, six teams have a standard section of stock notes dedicated to ESG, and three teams maintain systematic records of how ESG information was incorporated into the investment decision-making process.

**LEI 13****Mandatory to Report Voluntary to Disclose****Core Assessed****PRI 1****LEI 13.1**

Indicate into which aspects of investment analysis you integrate ESG information.

- ☒ (Macro) economic analysis
  - ☐ Systematically
  - ☒ Occasionally
- ☒ Industry analysis
  - ☒ Systematically
  - ☐ Occasionally
- ☒ Analysis of company strategy and quality of management
  - ☒ Systematically
  - ☐ Occasionally
- ☒ Idea generation
  - ☐ Systematically
  - ☒ Occasionally
- ☒ Portfolio construction
  - ☐ Systematically
  - ☒ Occasionally
- ☒ Fair value/fundamental analysis
  - ☒ Systematically
  - ☐ Occasionally

**LEI 13.2**

Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis.

- ☒ Adjustments to income forecasts (sales, earnings, cash flows)
- ☒ Adjustments to valuation tools (discount rates, return forecasts, growth rates)
- ☒ Other adjustments to fair value projections, specify
  - Qualitative overlays (Five teams)
  - Determine whether the company is investible or not (one team)
  - Discounts to target price / returns (one team)
- ☐ Other, specify

**LEI 13.3**

Additional information.

For the factors above of the seven active listed equity teams:

Macroeconomic analysis - Three teams use information systematically and one uses it occasionally

Industry analysis - Five teams use ESG information systematically and two use it occasionally

Analysis of company strategy/quality of management - Six teams use ESG information systematically and one uses it occasionally

Idea generation - Two teams use ESG information systematically and five use it occasionally

Portfolio Construction - One team uses ESG information systematically and five use it occasionally

Fair value/fundamental analysis - Four teams use ESG information systematically and two use it occasionally

In terms of which methods are part of your process to integrate ESG information into fair value / fundamental analysis:

Three teams make adjustments to income forecasts

Four teams make adjustments to valuation tools and

Five teams make other adjustments mostly by applying qualitative overlays.

## ESG incorporation in passively managed listed equities

LEI 14	Mandatory to Report Voluntary to Disclose	Descriptive	PRI 1
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LEI 14.1	Indicate if you manage passive listed equity funds that incorporate ESG issues in the index construction methodology.
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☐ Yes

☒ No

## Outputs and outcomes

LEI 15	Voluntary	Descriptive	PRI 1
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LEI 15.1	Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.
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☒ Thematic

Describe any alteration to your investment universe or other effects.

As described in the methodology section, rather than seeking to limit the universe, the First State Stewart Sustainability Strategies take a positive view and seek to identify companies which are particularly well positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate.

☒ Integration of ESG issues

Select which of these effects followed your ESG integration:

- ☒ Reduce or prioritise the investment universe
- ☒ Overweight/underweight at sector level
- ☒ Overweight/underweight at stock level
- ☒ Buy/sell decisions
- ☐ Other, specify
- ☐ None of the above

**LEI 15.2**

Additional information.

For integration of ESG issues for the seven active equity teams:

All but one team reduces or prioritises the investment universe (two always, two often and two sometimes)

Three sometimes overweight/underweight at a sector level (note three teams are sector strategies and so it was not applicable)

All teams overweights or underweights at a stock level as part of overall analysis (one always, four often, two sometimes); and

All teams' buy and sell decisions are influenced (two always, three often, two sometimes)

**LEI 16**

Voluntary

Additional Assessed

PRI 1

**LEI 16.1**

Indicate whether your organisation measures how your approach to ESG issues in Listed Equity investments has affected financial and/or ESG performance.

- ☐ We measure whether our approach to ESG issues impacts funds' financial performance
- ☐ We measure whether our approach to ESG issues impacts funds' risk or volatility
- ☐ We measure whether our approach to ESG issues impacts funds' ESG performance
- ☒ None of the above

**LEI 16.2**

Describe how you are able to determine these outcomes.

All of the teams report that their approach to ESG integration impact fund financial performance (one team), reduced funds' risk or volatility (one team), improved funds' ESG performance (one team), or did all these things (four teams). However we do not measure this as we do not believe it can be reliably proven to be causal given that the integration of ESG factors are only one part of the overall assessment and so can not easily be isolated as performance drivers..

Over the next one to two years we intend to include assessment of the ESG quality and performance of our portfolios into our newly formed investment assurance process. The assessment will use independent research as a way to test each investment team's consideration of ESG issues.

**LEI 17**

Voluntary

Descriptive

PRI 1

**LEI 17.1**

Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.

- ☒ ESG issue 1

	ESG issue and explanation
<p>Global Resources Team.</p> <p>Petrobras: Our Senior Energy Analyst, Mark Hume, met with Brazilian oil company, Petrobras', management team at their offices in February 2011 with follow up meetings in London in 2012. We divested our holdings in this company immediately, given the concerns detailed below. In September 2010, Petrobras, undertook one of the largest capitalisations in corporate history by raising BRL120.2bn to fund the acquisition of 5bn barrels of oil equivalent from the Brazilian government to help plug a funding gap estimated at US\$58bn, as part of the company's 5-year plan to commercialise the vast resources it had discovered in 2006-2010 in the pre-salt of Brazil's deep water. However, as part of the transaction the government acquired BRL80bn of the total funds raised. Petrobras subsequently used BRL75bn to purchase the barrels from the government in a deal called the Transfer of Rights (ToR). The net effect was to increase the government's stake in Petrobras from 40% to 52%. In effect, minority shareholders were being asked to give up more control of the company and pay for barrels of oil which had, at the time, not even been proven to exist. This sent a clear message that minority shareholders would not be treated on an equal footing in our view. As part of the deal with the government there would also be a re-evaluation of the price paid for the undiscovered barrels in 2015, which in all probability carried a significant risk of being revised upwards in favour of the government. Therefore, Petrobras could potentially be required to make an additional material cash payment to the government or forego future production from the assets acquired in the ToR. This left a material risk in our view that minority shareholders would be further diluted in the future. Petrobras has consistently changed its accounting measures over the last two years. We suspect that this could be an attempt to present stronger debt coverage than would normally be accepted in developed markets. The company has also failed to submit its full audited accounts for Q3 14 and has since applied for an extension with its creditors. Corruption allegations have been frequent against Petrobras. In 2014, a major corruption scandal emerged centred around the former head of Petrobras' downstream division, Mr Paulo Roberto Costa, which engulfed company management and prominent Brazilian politicians.</p>	
	ESG incorporation strategy applied
<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment decision or performance
<p>Exited holding</p>	

☒ ESG issue 2

	ESG issue and explanation
<p>Global Resources team</p> <p>WH Group: Hong Kong based meat producer, WH Group, participated in an IPO in July 2014, raising US\$2.4bn. We reduced our position in the company when the private equity firm, CDH Investments, sold down their position via a pledge, which was a way of monetising a portion of their holding that theoretically was in escrow (common directors in CDH Investments and WH Group). Subsequently, their China business reported a poor result that surprised the company. We contacted the company to arrange a phone conference immediately and were told that management was too busy to engage with us as they were travelling on a marketing roadshow. Following a lengthy exchange of emails we were asked to submit our questions. We have not received a response despite our persistence. We exited our holding of this name.</p>	
	ESG incorporation strategy applied
<p><input type="checkbox"/> Thematic</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Combination of ESG incorporation strategies</p>	
	Impact on investment decision or performance
<p>Exited holding</p>	

☒ ESG issue 3

	ESG issue and explanation
<p>Australian Equities Core</p> <p>Santos</p> <p>As a developer of coal seam gas assets, Santos faces a number of sustainability issues which can have implications for investors. As a result, we regularly engage with the company on these issues during meetings with management.</p> <p>Among other factors, Santos must manage the risk of industrial action at its gas processing plant (GLNG). To date there have been few clear signs of unrest among the workforce, but as active investors we have urged management to take the risk seriously.</p> <p>Labour disruptions can have an important negative influence on project economics and, in turn, share prices. As well as discussing current and potential issues with the company, we regularly engage with competitors, unions and labour lawyers in order to quantify risks that are ever-present.</p> <p>During 2014, we also visited the specific coal seam gas drilling areas in New South Wales and Queensland, Australia to gauge how well Santos is managing relationships with landowners and other local stakeholders. One of the key topics we explored in these areas was the treatment, storage, and release of water from coal seam gas wells. In Queensland, we saw the positive influence of the company's water practices, where significant investment in reverse osmosis is actually generating water that has become a positive influence on local communities for use in agricultural and livestock industries.</p> <p>However, our discussions with management left us concerned that there has not been enough thought regarding the eventual disposal of salt by-products. This is unlikely to be an immediate issue in Queensland, but will create the risk of increased costs and potentially material delays as the company looks to expand into New South Wales. We have factored that into our thinking on the company's economics and sustainability rating.</p>	
	ESG incorporation strategy applied
<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment decision or performance
<p>From overweight to underweight.</p>	

☒ ESG issue 4



	ESG issue and explanation
<p>Australian Equities Growth Team</p> <p>AGL Energy</p> <p>We have avoided an investment in AGL Energy due to two main issues which both have an ESG overlay. Firstly, AGL Energy has issues with gas supply to satisfy existing customer demands beyond 2018. The potential to partially fill this supply "hole" sits with AGL Energy's plans to develop coal seam gas (CSG) assets in Gloucester, NSW. The issue that we see here is that unlike some of the Queensland CSG assets held by competitors, the AGL CSG assets are in an area of heightened sensitivity given their proximity to population centres and to high quality farmland. As such the development of these assets will be fraught with risks and pushback from the local community.</p> <p>The second issue precluding an investment in AGL Energy is the recent heavy tilt towards coal fired generation with their acquisition of Macquarie generation. Under a scenario of no price on carbon the tilt of the generation mix looks reasonable from a financial perspective, but does leave AGL Energy exposed should the desire to price carbon re-emerge in the future.</p>	
	ESG incorporation strategy applied
<p><input type="checkbox"/> Thematic</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Combination of ESG incorporation strategies</p>	
	Impact on investment decision or performance
<p>Decided against investment</p>	

☒ ESG issue 5

	ESG issue and explanation
<p>Global Listed Infrastructure team</p> <p>US regulated utility</p> <p>ESG Issue - Environmental: Coal ash spill at a US regulated utility.</p> <p>We wanted to review the measures the company were taking to ensure an incident like this does not happen again and to understand what impact this spill could have on company earnings in the medium and long term.</p> <p>After the spill, the company carried out a risk assessment of its coal ash basins in the state of North Carolina. As a result of this assessment, four basins were deemed high risk. The company then provided costs for a number of solutions. These ranged from full excavation for all basins, to excavating the four at risk basins and putting a hybrid cap in place on the others. A hybrid cap involves draining the basin and putting a liner inside it to avert the possibility of future spills.</p> <p>By the end of 2015 the Department of Environment and Natural Resources (DENR) will categorise the basins, determine which solution is required and set the time frame that should apply. Until a decision is made, the company will be unable to assign a more accurate cost estimate against this plan. The company is confident that they will be able to recover any associated costs through rate base growth. The legislator made no comment on cost recovery, implying that it would be treated as any other rate base investment.</p> <p>This will be an ongoing issue to monitor. The decision from the DENR is expected to have industry-wide ramifications rather than just for this company alone. Environmental issues such as this one were already reflected in the quality score for this company. As a result, no change was needed post this meeting.</p>	
	ESG incorporation strategy applied
<p><input type="checkbox"/> Thematic</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Combination of ESG incorporation strategies</p>	
	Impact on investment decision or performance
<p>No change but continue to monitor.</p>	

Communication			
LEI 18	Mandatory	Core Assessed	PRI 2,6
LEI 18.1	<p>Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.</p> <p><input checked="" type="radio"/> We disclose it publicly</p>		
	<p>Provide URL</p> <p><a href="http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/">http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/</a></p>		

**LEI 18.2**

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- ☐ Yes
- ☒ No

**LEI 18.3**

Indicate the information your organisation proactively discloses to the public regarding your approach to ESG incorporation.

- ☐ Broad approach to ESG incorporation
- ☒ Detailed explanation of ESG incorporation strategy used

**LEI 18.4**

Indicate how frequently you typically report this information to the public.

- ☐ Quarterly or more frequently
- ☒ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify

**LEI 18.5**

Indicate the information your organisation proactively discloses to clients/ beneficiaries regarding your approach to ESG incorporation.

- ☐ Broad approach to ESG incorporation
- ☒ Detailed explanation of ESG incorporation strategy used

**LEI 18.6**

Indicate how frequently you typically report this information to clients/beneficiaries.

- ☐ Quarterly or more frequently
- ☒ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ We disclose it to clients and/or beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries

**LEI 18.7**

Additional information. [Optional]

For the most part reporting to clients and the public are the same, however some of our clients request additional reporting and information regarding our ESG practices which we are happy to provide. Often this information is related to individual proxy voting decisions or views on particular issues. Some clients receive prior notification of all proxy voting decisions.

# Colonial First State Global Asset Management (including First State Investments)

## Reported Information

### Public version

#### Direct - Listed Equity Active Ownership

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Engagement

### Overview

LEA 01	Voluntary	Descriptive	PRI 2
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LEA 01.1	Provide a brief overview of your organisation's approach to engagement.
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#### Company engagement

Engagement with company management is a fundamental part of our teams' investment process. Engagement is governed by our engagement and proxy voting guidelines and global stewardship principles. Adherence to the principles and guidelines is overseen by the Global Responsible Investment Committee.

Through company engagement, CFSGAM seeks to highlight areas for potential improvement and risk reduction, encourage improved disclosure on ESG issues, and commend companies that are making progress in this area. CFSGAM has guidelines and principles for corporate engagement, which are publicly available on our website.

Given the varying nature of the asset classes we manage, the geographies in which they operate and the size of our holdings, each of our investment teams' engagement approaches are tailored to individual companies and the specific issues in question.

Engagement is performed and managed by the individual teams based on their assessment of the ESG performance of the company. Teams will engage the responsible investment team on controversial issues and the responsible investment team will approach different investment teams on engagement opportunities they have identified including collaborative engagements.

Teams report to the Global Responsible Investment Committee on their approach to engagement and stewardship activities.

#### When engagement is unsuccessful

On occasions where our engagement activities with company management are unsuccessful we may escalate the issue, for example by writing to, or meeting with, the chairperson or lead independent director, voting against directors who we believe are not providing appropriate oversight, or collaborating on further engagement with other like-minded investors. Ultimately we may choose to sell down holdings in companies where unsuccessful attempts to engage cause us to lose confidence in the management of the business.

LEA 02	Mandatory	Gateway	PRI 1,2,3
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LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.
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Type of engagement	Reason for interaction
<b>Individual/Internal staff engagements</b>	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff
<b>Collaborative engagements</b>	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via collaborative engagements
<b>Service provider engagements</b>	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via service providers

<b>LEA 02.2</b>	Additional information. [Optional]
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Collaborative engagements: Collaborative engagement opportunities are normally identified by the responsible investment team where either a firm-wide approach is taken (i.e. for engagement with regulators and corporate industry bodies) or the opportunity is directed at individual investment teams.

## Process

### Process for engagements run internally

#### LEA 03

#### Mandatory

#### Core Assessed

#### PRI 2

#### LEA 03.1

Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

☒ Yes

**LEA 03.2**

Describe how you identify and prioritise engagements.

Five teams responded that they do have a formal process while two responded that they do not. All investment teams use their internal analysis supplemented by a range of third party research to inform their investment decision-making, which in turn drives their ongoing dialogue with companies.

☐ No

**LEA 04****Mandatory****Core Assessed****PRI 2****LEA 04.1**

Indicate if you define specific objectives for your engagement activities.

☒ Yes

☐ Yes, for all engagement activities

☒ Yes, for the majority of engagement activities

☐ Yes, for a minority of engagement activities

☐ No

**LEA 04.2**

Indicate if you monitor the actions that companies take following your engagements.

☒ Yes

☒ Yes, in all cases

☐ Yes, in the majority of cases

☐ Yes, in the minority of cases

**LEA 04.3**

Describe how you monitor and evaluate the progress of your engagement activities.

Engagement is governed by our engagement and proxy voting guidelines and global stewardship principles. Each team has its own process for setting objectives and monitoring engagements with all teams either doing one or more of the following:

- Maintaining a company meeting database
- Incorporating engagement outcomes in stock notes
- Discussing engagements in regular team meetings (teams meet between two and five times a week)

In relation to setting objectives, four teams indicated that they set objectives for all engagement activities, one indicated they do so for the majority of engagements and two indicating they do not define specific objectives.

In terms of monitoring four teams indicated that they monitor company actions post in engagement in all case and two indicated that they do so in most cases.

☐ No

**Process for engagements conducted via collaborations****LEA 05****Mandatory****Core Assessed****PRI 2**

**LEA 05.1**

Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.

- ☐ Yes  
☒ No

**LEA 05.3**

Additional information.[Optional]

A key governance enhancement in our three year Responsible Investment strategy is to establish an engagement process which can effectively manage collaborative engagement opportunities. The process will address both internal collaborations (where two or more teams own the same stock) and external collaborations.

**LEA 06****Mandatory****Core Assessed****PRI 2****LEA 06.1**

Indicate if the collaborative engagements in which you are involved have defined objectives.

- ☒ Yes
- ☒ Yes, for all collaborative engagement activities
  - ☐ Yes, for the majority of collaborative engagement activities
  - ☐ Yes, for a minority of collaborative engagement activities
- ☐ No

**LEA 06.2**

Indicate if you monitor the actions companies take following your collaborative engagements.

- ☒ Yes
- ☒ Yes, in all cases
  - ☐ Yes, in the majority of cases
  - ☐ Yes, in the minority of cases

**LEA 06.3**

Describe how you monitor and evaluate the progress of your collaborative engagement activities.

When evaluating engagements we consider whether the company has changed the behaviour in question or whether it provided sufficient information to reassure as that the issue is being adequately managed. We also consider whether the process has added to our understanding of the industry, companies or issues in question.

When agreeing to participate in a collaborative engagement the relevant investment team undertakes to follow up with the company in individual meetings and to monitor progress. We have been concerned that letter writing campaigns without individual investor follow up may ultimately undermine the effectiveness of collaborative engagements.

- ☐ No

### General processes for all three groups of engagers

**LEA 09****Voluntary****Additional Assessed****PRI 1,2**



**LEA 09.1**

Indicate if the insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.

Type of engagement	Insights shared
<b>Individual/Internal staff engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
<b>Collaborative engagements</b>	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No

**LEA 09.2**

Additional information.

ESG engagement and proxy voting is performed by the relevant analysts and portfolio managers not by a separate team. As a result analysis of a ESG issues which can influence an investment decision can also influence engagement and proxy voting activities or visa-versa. We strongly believe this integrated approach to company analysis and stewardship is critical to the full and consistent application of responsible investment principles.

For collaborative engagements, progress is incorporated by the team(s) involved, however we did not share the process more broadly. This is a key enhancements which the engagement process will need to address.

**LEA 10**

**Mandatory**

**Gateway/Core Assessed**

**PRI 2**

**LEA 10.1**

Indicate if you track the number of engagements your organisation participates in.

Type of engagement	Tracking engagements
<b>Individual / Internal staff engagements</b>	<input type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input checked="" type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
<b>Collaborative engagements</b>	<input type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input checked="" type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

**LEA 10.2**

Additional information. [Optional]

In terms of tracking individual engagements, two teams track the number of engagements in full and three indicated that they don't track engagements but could provide a reasonable estimate.

In many cases engagement occurs as part of the ongoing relationship with companies that can take years to develop. For the most part ESG meetings are not held separately to meetings discussing the financial

performance of the company and so for some teams narrowing engagements to ESG related interactions is not possible.

Each team has its own process for monitoring engagements with all teams either doing one or more of the following:

- Maintaining a company meeting database
- Incorporating engagement outcomes in stock notes
- Discussing engagements in regular team meetings (teams meet between two and five times a week)

## Outputs and outcomes

LEA 11	Mandatory to Report Voluntary to Disclose	Core Assessed	PRI 2
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**LEA 11.1** Indicate the number of companies with which your organisation engaged during the reporting year.

	Number of companies engaged (avoid double counting, see explanatory notes)
Individual / Internal staff engagements	200
Collaborative engagements	5

**LEA 11.2** Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]

Type of engagement	% Comprehensive engagements
Individual / Internal staff engagements	<input type="radio"/> > 50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Collaborative engagements	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

**LEA 11.3** Indicate what percentage of your collaborative engagements you were a leading organisation on during the reporting year. [Optional]

Type of engagement	% Leading role
Collaborative engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> None

**LEA 11.5** Additional information. [Optional]

Three teams reported that 10-50% of their engagements were comprehensive, two teams reported that less than 10% were while two teams reported that they could not estimate.

LEA 12	Voluntary	Additional Assessed	PRI 2
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**LEA 12.1** Indicate if your engagements in the reporting year covered E, S and/or G issues.

Type of engagement	Coverage
Individual / Internal staff engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information
Collaborative engagements	<input checked="" type="checkbox"/> Environmental <input type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

**LEA 12.2** Provide an estimated breakdown by E, S and/or G issues.

Individual / Internal staff engagements

% Environmental only

15

% Social only

15

% Corporate Governance only

60

	% Overlapping ESG issues
--	--------------------------

10

100%

	Collaborative engagements
--	---------------------------

	% Environmental only
--	----------------------

60

	% Social only
--	---------------

15

	% Corporate Governance only
--	-----------------------------

15

	% Overlapping ESG issues
--	--------------------------

10

100%

LEA 12.3	Additional information.
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We can confirm that engagements covered all three areas however we do not track the number of engagements in this way consequently the breakdowns are estimates.

LEA 13	Voluntary	Descriptive	PRI 2
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LEA 13.1	Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company has changed its practices, or made a commitment to do so, following your organisation's and/or your service provider's engagement activities.
----------	--

☐ Yes

☒ No

LEA 13.3	Additional information.
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Six of the seven active teams indicated that they do not have a reliable estimate. This is because we do not collect information on engagement in this way.

LEA 14	Voluntary	Descriptive	PRI 2
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**LEA 14.1**

Provide examples of the engagements that your organisation carried out during the reporting year.

☒ Add Example 1

Topic or ESG issue	Global Resources Team - Payments to director
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Understand remuneration structures prior to proxy vote.
Scope and Process	<p>Director Ramon is a longstanding adviser to the Antofagasta Group. He brings substantial legal and commercial expertise to the Board. In 2014 our proxy adviser recommended voting against the election of Mr Ramon due to the structure of his remuneration, namely, that it is received as a consulting fee.</p> <p>We formally engaged with the company to understand the history to this situation. Mr Ramon is clearly an important asset to the Board but we would like to see better governance standards around his remuneration and made this clear to the company.</p>
Outcomes	The company is considering Mr Ramon's remuneration structure in future years and we therefore elected to abstain from voting. In the same AGM we also voted against reducing notice periods.

☒ Add Example 2

Topic or ESG issue	Global Listed Infrastructure team. Australian regulated utility - authority to issue additional equity
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	We wanted to better understand the reasoning behind this proposal in order to help us to decide whether or not we should support it.
Scope and Process	We engaged with the company to understand why they wanted the flexibility to increase the shares on issue to such an extent without shareholder approval. We were concerned that our clients' money could be used for non-shareholder friendly activities such as dilutive acquisitions or transactions. During the course of this engagement, the company explained that this authority would give them the ability - if necessary - to secure accretive deals within a short time frame. They also assured us that were they to exercise this authority, the new shares would be priced at a minimal 1% discount to the current market price.
Outcomes	Whilst we understood the reasoning behind their argument we did not believe that it would be prudent to vote in favour of this motion. As stewards of our clients' capital, it is important for us to be able to vote against any acquisitions or transactions that we do not believe are in shareholders' best interests.

☒ Add Example 3

Topic or ESG issue	Global Listed Infrastructure team. Capital management strategy at a European airport operator
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	To encourage the company to pursue a strategy that aims to maximise shareholder returns
Scope and Process	<p>As stewards of our clients' money we believe that encouraging shareholder return enhancing strategies is important. We had previously engaged with this company about some of its enhancing strategies is important. We had previously engaged with this company about some of its practises and explained to them what - as significant shareholders of the company - we would like them to do. We recently formalised this process by writing to the CEO and listing four courses of action that we believe would be supportive of the company's valuation. These actions we suggested were:</p> <ul style="list-style-type: none"> <li>• increase the dividend payout</li> <li>• divest financial assets currently sitting on the balance sheet</li> <li>• defer construction of a new terminal (since the returns from this segment were below their cost of capital), and</li> <li>• refrain from making expensive acquisitions in non-core markets.</li> </ul>
Outcomes	<p>The airport operator responded to us in writing, acknowledging the points that had been raised.</p> <p>While no immediate change of strategy was forthcoming, the episode provides us with a solid platform from which we can continue to lobby the company to pursue a shareholder-friendly strategic direction, and to keep shareholder returns front of mind when this company makes decisions about capital allocation.</p>

☒ Add Example 4

Topic or ESG issue	Global Property Securities Team - Westfield Group and Westfield Retail Trust. Governance, related party transactions
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Improve the terms of the offer. Improve governance arrangements
Scope and Process	<p>December 2013 Westfield Group and Westfield Retail Trust announced their intention to merge Westfield Retail Trust with Westfield Group's Australian and New Zealand Business. We were positive on the long term strategic merits of the restructure proposal, which will see Westfield Group spin out its Australian and New Zealand Portfolio and Management Platform to merge with Westfield Retail Trust, creating a new entity named Scentre Group.</p> <p>However, we had concerns relating to the terms of the restructure. Specifically we had concerns in relation to the calculation of the merger ratios of 51.4% and 48.6%, being Westfield Retail Trust's and Westfield Group's ownership interest in Scentre Group respectively. We also had issues with the very high leverage of Westfield Group's Australian and New Zealand business that is proposed to be merged with Westfield Retail Trust.</p> <p>We met with [BP1] the CEO and Independent Directors of Westfield Retail Trust several times to communicate our concerns with the restructure and to gain further clarity on the details of the proposed deal. We also met with the Chairman and CEO of Westfield Group.</p>
Outcomes	<p>Subsequent to these meetings Westfield Group and Westfield Retail Trust announced in early May 2014 their intention to improve the merger terms, by reducing the Net Debt contributed by Westfield Group's Australian and New Zealand Business. Although the \$300 million reduction improved the deal terms to Westfield Retail Trust's unit holders, it did little to address the price being paid for Westfield Group's Management Platform or reduce the leverage of Westfield Group's Australian and New Zealand business to prudent levels.</p> <p>Even after taking into account the marginally improved restructure terms outlined in early May, from our engagements with management of both companies, as well as through our review of the security holder booklets and their supplements, we cannot find any material new information that justifies the price being paid by Westfield Retail Trust shareholders for the debt-laden Australian and New Zealand assets of Westfield Group. For these reasons, we voted against the merger proposal at the coming deferred meeting.</p>

☒ Add Example 5



Topic or ESG issue	Australian Equities Growth team. Origin energy, renewable energy.
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	For the company to take a more active position in the renewable generation space.
Scope and Process	<p>Over the past year, CFSGAM has been actively engaging with Origin Energy regarding what we feel is a necessity to take a more active position in the renewable generation space.</p> <p>Origin to date has primarily relied on traditional generation (albeit with a higher tilt towards gas fired generation than the broader market) when the main gains in generation share have occurred with rooftop solar where Origin's positioning is weak.</p> <p>Given the cost reduction in solar generation combined with advances in battery storage technology traditional generation looks set to become increasingly marginalised. We feel, and have communicated strongly, that Origin need to carve out a position in this market rather than just defend an incumbent traditional generation position that is being competed away.</p>
Outcomes	Origin recently announced significant plans to improve it's penetration and access to the roof top solar market.

☒ Add Example 6

Topic or ESG issue	Australian Equities Growth team.Sino Gas and Energy. Board governance.
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Improve board governance and composition.
Scope and Process	<p>We were concerned about the conflict of interest surrounding the position of Bernie Ridgeway on the company board. Mr Ridgeway was a foundation shareholder in Sino via his executive CEO role at Imdex which was a significant shareholder in the company. This created a large overhang in Sino Gas and general uncertainty for Sino shareholders.</p> <p>We believed it was inappropriate that the Imdex CEO remain on the board and while running another public company. We thought in the best interests of Sino shareholders that Mr Ridgeway leave the Sino board. Our dissatisfaction with the board composition was communicated to the Chairman on a number of occasions.</p> <p>The team conducted a site visit to China in May and was able to meet and discuss our issues with a potential new director, Phil Bainbridge, ex Oil Search. Mr Bainbridge impressed us on the trip and gave us the confidence that he would join the board and provide much needed expertise, while the issues with the board structure was resolved.</p>
Outcomes	Ultimately, Imdex sold out their holding. While Mr Ridgeway remains on the board, we were able to assist in instituting board improvement by communicating our unhappiness with the existing structure. Mr Bainbridge is now Chairman and as such our assessment of the company's governance and management has improved significantly.

☒ Add Example 7

Topic or ESG issue	Australian Equities Core Team - Wesfarmers - Sustainability reporting
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Improve the company's sustainability reporting.
Scope and Process	<p>As long-term investors, we were pleased to hear about Wesfarmers' intention to improve the quality and transparency of its reporting around ESG issues during a management meeting in 2014. CFSGAM was invited to provide feedback on the new report.</p> <p>An improved and more comprehensive Sustainability Report was published by Wesfarmers in November 2014. The company has identified 10 principles, which provide a framework for its approach to sustainability. As well as covering traditional ESG factors such as water usage, community engagement and corporate governance, we are pleased to see that relationships with suppliers are explicitly included within the new principles. Wesfarmers has experienced some issues with supplier-sourcing in its Coles supermarkets business, which were acknowledged by the Chairman at the 2014 AGM.</p> <p>From a shareholder perspective, it is imperative that companies maintain strong and respectful relationships with their suppliers. It is also pleasing to see Wesfarmers striving to source products in a more responsible manner and using its influence to encourage suppliers to improve their own social and environmental practices.</p> <p>Members of the Australian Equities, Core team have since met with Wesfarmers in order to provide formal feedback on the report and suggest areas where it could be further improved to meet global best practice standards. We applaud Wesfarmers' initiative in improving its reporting of sustainability issues but believe further improvements can be made, particularly around sourcing and relationships with suppliers. We look forward to seeing these improvements incorporated in future reports.</p>
Outcomes	Ongoing, the company has indicated it will take a number of suggested improvements on board and we wait for the 2015 sustainability report to assess progress.

☒ Add Example 8

Topic or ESG issue	Disclosure by Australian Banks on financed emissions
Conducted by	<input type="checkbox"/> Individual / Internal <input checked="" type="checkbox"/> Collaborative
Objectives	Improve Disclosure by Australian Banks on financed emissions
Scope and Process	<p>We participated in a multistage engagement with Australia's four largest banks to encourage them to improve their disclosure of financed emissions. We believed that the Australian banks could become global leaders in financed emissions disclosure.</p> <p>The engagement included:</p> <ul style="list-style-type: none"> <li>• A work shop with three of the four banks and group of investors</li> <li>• Meetings help with the chairmen of the banks by our Australian equities core and growth teams.</li> <li>• Investor conference calls to agree further engagements;</li> <li>• Letters written through investor groups to all four banks</li> </ul>
Outcomes	All four banks have made commitments to improve their disclosure practices.

☐ Add Example 9

☐ Add Example 10

## Communication

LEA 15	Mandatory	Core Assessed	PRI 2,6
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**LEA 15.1** Indicate whether your organisation proactively discloses information on its engagements.

☉ We disclose it publicly

provide URL

[http://www.cfsgam.com.au/au/insto/responsible\\_investment/reports\\_and\\_policies/](http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/)

**LEA 15.2** Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☉ Yes

<b>LEA 15.3</b>	Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.
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	Engagement information disclosed
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- ☐ Details of the selections, priorities and specific goals of engagement
- ☐ Number of engagements
- ☐ Breakdown of engagements by type/topic
- ☐ Breakdown of engagements by region
- ☐ An assessment of the current status of the engagement
- ☐ Outcomes that have been achieved from the engagement
- ☒ Other information

Approach to engagement by team

Engagement examples including information above

<b>LEA 15.4</b>	Indicate how frequently you typically report engagements information.
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- ☐ Disclosed continuously (prior to and post engagements)
- ☐ Disclosed quarterly
- ☐ Disclosed annually
- ☐ Disclosed every two years or less
- ☒ Other, specify  
Six-monthly
- ☐ No
- ☐ We disclose it to clients and/or beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries.

## (Proxy) voting and shareholder resolutions

### Overview

<b>LEA 16</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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<b>LEA 16.1</b>	Provide a brief overview of your organisation's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).
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#### Proxy Voting

Proxy voting rights are an important part of shareholder responsibility and CFSGAM seeks to vote on all possible resolutions at company meetings.

Prior to voting, the relevant investment manager and analyst carefully consider each resolution, with guidance provided by CFSGAM's 'Guidelines and principles for corporate engagement on governance, environment and social issues'.

Recommendations from a selection of independent corporate governance research providers are also sought. Our investment teams retain full control over their proxy voting decisions, however, and do not necessarily follow the guidance provided by third party governance research providers.

We see proxy voting as an extension of our engagement activities and will take the company's individual circumstances and willingness to engage into account when making decisions. We do not require different teams to vote the same way on specific resolutions.

We have not filled or co-filled a shareholder resolution but would consider such measures should we believe it was the most effective way to bring about change in an investee company.

The Indonesian Equities team and the Realindex team are not covered in this report. For the Indonesian team this due to the voting system in Indonesia where insufficient information is provided to shareholders prior to meeting to make informed decisions and data availability as they do not currently use the voting platform used by the rest of the firm. We are hoping to enhance the teams proxy voting during 2015.

As a passive investor with many hundreds of companies in their portfolio Realindex currently vote in line with CGI Glass Lewis recommendations.

Process			
LEA 17	Mandatory	Descriptive	PRI 2
LEA 17.1	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.		
	Approach		
	<input type="radio"/> We use our own research or voting team and make our own voting decisions without the use of service providers.		
	<input checked="" type="radio"/> We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.		
	Based primarily on		
	<input type="radio"/> the service provider voting policy signed off by us		
	<input type="radio"/> our own voting policy		
	<input type="radio"/> our clients requests or policy		
	<input checked="" type="radio"/> other, explain		
	We provide proxy guidelines and use proxy advisers however decisions are made by the teams. See additional information.		
	<input type="radio"/> We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.		
	<input type="radio"/> We hire service provider(s) which make voting decisions on our behalf.		
LEA 17.2	Additional information.[Optional]		
As described above we provide proxy voting guidelines at a firm level however will take the company's individual circumstances and willingness to engage into account when making decisions. We do not require different teams to vote the same way on specific resolutions. With oversight from the head of each investment team we believe this is the best way to conduct long-term and ongoing engagement with companies.			
LEA 19	Voluntary	Descriptive	PRI 2

<b>LEA 19.1</b>	To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following.
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- ☐ Obtain confirmation that votes have been received by the company:
- ☒ Participate in projects to improve the voting trail and/or to obtain vote confirmation
- ☐ None of the above

<b>LEA 19.2</b>	Provide additional information on your organisation's vote confirmation efforts.
-----------------	--

Due to the external administrative processes to deliver proxy votes to companies we not currently receive explicit confirmation that a company has counted our votes, although we do receive confirmation that the votes have been properly lodged. Should a voting outcome seem incorrect we would engage with the company on the vote to understand what had occurred.

<b>LEA 21</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>LEA 21.1</b>	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.
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- ☒ Yes, in most cases
- ☐ Sometimes, in the following cases:
- ☐ No
- ☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

<b>LEA 21.2</b>	Additional information. [Optional]
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Five investment teams reported that they inform companies in all cases of reasons for against or abstain votes while two teams reported that they inform companies in some cases, in particular on certain issues. Importantly as we view proxy voting as an extension of each investment team's engagement activities issues which result in negative votes are generally addressed in regular interactions with companies rather than as a separate formal process.

## Outputs and outcomes

<b>LEA 22</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>LEA 22.1</b>	For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
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- ☒ We do track or collect this information

	Votes cast (to the nearest 1%)
--	--------------------------------

	%
--	---

97

Specify the basis on which this percentage is calculated

- ☒ of the total number of ballot items on which you could have issued instructions
- ☐ of the total number of company meetings at which you could have voted
- ☐ of the total value of your listed equity holdings on which you could have voted

**LEA 22.2**

If there are specific reasons why you did not vote certain holdings, explain these, and if possible, indicate the percentage of holdings affected by these factors. [Optional]

Historically we have not voted proxies in shareblocking and power of attorney (POA) markets, which is common practice in the industry. Shareblocking markets are markets where a shareholder is prevented from trading a company's shares for a period after they have lodged their proxy votes, while POA markets are markets where POA's must be lodged in order for the votes made to be exercised.

During 2014 we reviewed the practice of not voting in these meetings and are currently implementing the following changes:

- We will be lodging POAs for markets where we hold shares in order to vote in these markets
- We will provide portfolio managers with the option to vote in shareblocking markets so that they can balance the benefits of voting with any risks of not being able to trade on a case by case basis.

☐ We do not track or collect this information

**LEA 23**

**Voluntary**

**Descriptive**

**PRI 2**

**LEA 23.1**

Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.

☒ Yes, we track this information

**LEA 23.2**

Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management recommendations	<div> <div></div> <div>%</div> </div> <div>92</div>
Against (opposing) management recommendations	<div> <div></div> <div>%</div> </div> <div>7</div>
Abstentions	<div> <div></div> <div>%</div> </div> <div>1</div>

100%



**LEA 23.3**

For the reporting year, describe your approach towards voting on shareholder resolutions.

Each team vote all shareholder resolutions individually and on their merits. In 2014 we supported 22% of shareholder resolutions.

☐ No, we do not track this information

**LEA 24****Voluntary****Descriptive****PRI 2****LEA 24.1**

Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.

☐ Yes

☒ No

**LEA 25****Voluntary****Descriptive****PRI 2****LEA 25.1**

Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.

☒ Add Example 1

Topic or ESG issue	Director elections - PTT Public Company Limited
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	
Scope and Process	
Outcomes	We voted against three directors as we believed they had failed to act in the interests of shareholders and one had questionable independence. (in line with proxy advisor)

☒ Add Example 2

Topic or ESG issue	Director attendance - China Resources Gas Group Ltd
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	
Scope and Process	
Outcomes	We voted against three directors who had failed to attend 75% of meetings. (in line with proxy advisor)

☒ Add Example 3

Topic or ESG issue	62 Companies - Authority to Issue Shares w/o Preemptive Rights
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	
Scope and Process	
Outcomes	<p>For a variety of reasons we voted against companies ability to issue new shares without preemptive rights. Some of the reasons included:</p> <ul style="list-style-type: none"> <li>• Track record of excessive issuances</li> <li>• Excessive maximums or discounts</li> <li>• Lack of information provided</li> </ul>

☒ Add Example 4

Topic or ESG issue	Equity grants for CEO - Billabong International
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	
Scope and Process	
Outcomes	<p>We are voting AGAINST the grant of performance rights to the CEO because the EPS targets were not disclosed leaving investors unable to determine if they are sufficiently demanding. The notice of meeting discloses that the EPS targets will be "aligned with the company's turnaround strategy and focus on earnings growth" and that the targets will be disclosed retrospectively at the end of the performance period (ie 2017).</p> <p>(in line with proxy advisor)</p>

☒ Add Example 5

Topic or ESG issue	Executive remuneration - Plum Creek Timber Co., Inc.
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	
Scope and Process	
Outcomes	<p>Concerned that the compensation committee granted the CEO a grant of effectively \$2m (44,445 shares) with no performance conditions to extend his contract. The CEO last year was compensated to the tune of \$8m, well above his peers for no superior performance.</p> <p>(in line with proxy advisor)</p>

☒ Add Example 6

Topic or ESG issue	Newcrest Mining - New CEO remuneration
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	
Scope and Process	
Outcomes	<p>CEO pay is significantly above predecessor and key benchmarks, including BHP and Rio Tinto. In addition, NCM has historically had significant issues related to the structure of STI and LTI payments and the board has not gone far enough to resolve this.</p> <p>Against proxy adviser recommendation.</p>

☒ Add Example 7

Topic or ESG issue	Director election - Cipla Ltd.
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	
Scope and Process	
Outcomes	<p>Voted against the reelection of the chairman as he was 78 years old, on board 25 years and didn't make 75% of meetings.</p> <p>Against proxy adviser recommendation.</p>

☒ Add Example 8

Topic or ESG issue	NewSat Ltd - Director election
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	
Scope and Process	
Outcomes	Voted AGAINST the re-election of Richard Green (item 6) as he is an affiliated director on a board that is not majority independent. Against proxy adviser recommendation.

☒ Add Example 9

Topic or ESG issue	Director election - Kingsgate Consolidated Ltd.
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	
Scope and Process	
Outcomes	We are voting against Peter Warren, because, although the company considers Mr Warren to be independent this report classifies him as affiliated, pursuant to his recent (two years ago) service as an executive and continuous employment as a consultant in the intervening period. Additionally Mr Warren holds performance shares contingent on a successful IPO of the company's Thai subsidiary. An independent chair of the Audit committee is preferred at a crucial time for the company. Against proxy adviser recommendation.

☒ Add Example 10

Topic or ESG issue	Westfield Retail Trust - Merger/related party transaction
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	
Scope and Process	
Outcomes	Merger Proposal Not in the best interest of WRT shareholders. Implied price for WDCANZ business above fair market value and does not appropriately compensate WRT for exposure to increased financial risk under proposed new structure  Against proxy adviser recommendation.

## Communication

LEA 26	Mandatory	Core Assessed	PRI 2,6
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**LEA 26.1** | Indicate if your organisation proactively discloses information on your voting activities.

- ☒ We disclose it publicly

provide URL

[http://www.cfsgam.com.au/au/insto/responsible\\_investment/reports\\_and\\_policies/](http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/)

**LEA 26.2** | Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- ☐ Yes  
☒ No

**LEA 26.3** | Indicate the voting information your organisation proactively discloses to the public.

Indicate how much of your voting record you disclose

- ☒ All voting decisions  
☐ Some voting decisions  
☐ Only abstentions and opposing vote decisions  
☐ Summary of votes only

Indicate what level of explanation you provide

- ☐ Explain all voting decisions
- ☒ Explain some voting decisions
- ☐ Only explain abstentions and votes against management
- ☐ No explanations provided

**LEA 26.4**

Indicate how frequently you typically report voting information to the public.

- ☐ Continuously (primarily before meetings)
- ☐ Continuously (soon after votes are cast)
- ☐ Quarterly or more frequently
- ☒ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify

**LEA 26.5**

Indicate the voting information your organisation proactively discloses to clients/beneficiaries.

Indicate how much of your voting record you disclose

- ☒ All voting decisions
- ☐ Some voting decisions
- ☐ Only abstentions and opposing vote decisions
- ☐ Summary of votes only

Indicate what level of explanation you provide

- ☐ Explain all voting decisions
- ☒ Explain some voting decisions
- ☐ Only explain abstentions and votes against management
- ☐ No explanations provided

**LEA 26.6**

Indicate how frequently you typically report voting information to clients/beneficiaries.

- ☐ Continuously (primarily before meetings)
- ☐ Continuously (soon after votes are cast)
- ☐ Quarterly or more frequently
- ☐ Between quarterly and annually
- ☐ Less frequently than annually
- ☒ Other, specify

Reporting as per mandate requirements.

**LEA 26.7**

Describe any other differences in the information being disclosed. [Optional]

Proxy voting reports provided to clients occur in line with the relevant investment management agreements which can range from monthly to not at all (in which case clients are advised of public disclosures as they occur)

Some clients receive notifications of votes as they are submitted and prior to the deadline so they can override them should they choose to. Other clients request information specific votes including the rationale for our voting decision.

Most clients require information on proxy voting for their regular assessment process/questionnaires.

- ☐ We disclose it to clients/beneficiaries only
- ☐ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries



# Colonial First State Global Asset Management (including First State Investments)

## Reported Information

### Public version

#### Direct - Fixed Income

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

FI 01	Mandatory to Report	Voluntary to Disclose	Gateway/Peering	PRI 1
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### FI 01.1

Provide a breakdown of your internally managed fixed income investments by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your fixed income investments, indicate if you would still like to report your activities.

#### Fixed income – corporate

#### Strategies

☒ Passive

#### Percentage of internally managed fixed income - corporate

- ☐ <10%  
☒ 10-50%  
☐ >50%

☐ Active – quantitative (quant)

☒ Active - fundamental and other active strategies

#### Percentage of internally managed fixed income - corporate

- ☐ <10%  
☐ 10-50%  
☒ >50%

#### Fixed income – government

#### Strategies

☒ Passive

#### Percentage of internally managed fixed income - government

- ☐ <10%  
☒ 10-50%  
☐ >50%

☐ Active – quantitative (quant)

☒ Active - fundamental and other active strategies

Percentage of internally managed fixed income - government

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

FI 01.2

Additional information. [Optional]

We have four fixed income and credit teams:

- Global Fixed Income and Credit
- Emerging market Debt,
- Asian Fixed Income and Credit and
- USA Fixed Income and Credit

Like our equity teams our fixed income teams are developing their own approaches to ESG integration which complements their investment processes. The Asian and USA FI&C teams share significant elements of their investment process with the Global team, including analyst resources. The US team joined the firm in 2014 are yet to start investing client monies as they wait for regulatory approvals.

In order to complete this assessment each team was sent a survey to complete.

FI 02

Mandatory to Report Voluntary to Disclose

Peering

General

FI 02.1

Provide a breakdown of your internally managed fixed income investments by credit quality.

Credit quality	Fixed Income - Corporate
Investment grade	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
High yield	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Distressed	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%

Credit quality	Fixed Income - Government
Investment grade	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
High yield	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Distressed	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%

**FI 02.2**

Provide a breakdown of your fixed income investments between primary and secondary market.

Market	Fixed Income - Corporate
Primary market (new issues)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Secondary market	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

Market	Fixed Income - Government
Primary market (new issues)	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Secondary market	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

**ESG incorporation in actively managed fixed income**

FI 03	Voluntary	Descriptive	PRI 1
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FI 03.1	Provide a brief overview of how you incorporate ESG issues in fixed income investments.
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	Fixed Income - Corporate
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We believe that ESG issues have a direct impact upon a company's risk and therefore its probability of default. Poor management of ESG risks can harm the business and increase the company's reputational risk, which could in turn hurt a company's access to financial markets. As risk turns into a liability for company, it impacts cash flow and therefore both its debt cost and credit ratings. These issues are important considerations in assessing default risk.

For corporate debt the Fixed Income and Credit teams ESG factors are incorporated in the following way:

The team assigns an internal credit rating (ICR) to every bond they invest in. The ICR is a forward looking measure of default risk and one of the key outputs of the team's credit research process. It reflects all risks relevant for that issue including ESG risks. The ICR is on the same scale as rating assigned by the rating agencies but is often materially different for individual issuers.

The ICR is used by all the portfolio managers when making their decision to buy or sell bonds, and to determine position size for the funds we manage. The Head of Credit Research is responsible for ensuring the quality of ESG inputs into the credit research process.

ICR are also used by the passive funds when making decisions to invest in bonds so that even in our passive funds, we are integrating ESG issues.

	Fixed Income - Government
--	---------------------------

ESG issues can impact on a sovereign's ability to generate sustainable revenues or potentially increase its future costs, affecting its ability to repay bond holders.

For the Fixed Income and Credit teams ESG factors are incorporated in the following way:

The team is still at an initial stage of incorporating ESG issues into our assessment for sovereign issuers. Many of the indicators and data the team use to arrive at their assessment of ESG risks do not apply for certain sovereign issuers. For instance, country or corporate criteria for assessing ESG risks do not apply for supranationals. These issuers have a social or sustainable policy objective but there is limited reporting on ESG performance to enable bond investors to assess and monitor these risks. The challenge is to find the appropriate data in order to assess the risks for a range of sovereign issuers and to understand how ESG risks impact the risk of default for these issuers.

For the emerging market debt team ESG factors are incorporated in the following way.

Issues are identified and considered in the course of the team's investment analysis. At the core of their process is the Key Factor Model (KFM). The KFM is comprised of six factors, or angles, from which we approach the analysis of the issuers in the team's investment universe. Three of these factors are intimately related to RI and stewardship: fiscal policy, politics, and structural reform.

The team seeks to monitor the investment restrictions put in place by the national and supranational entities relevant to their universe including: national foreign policy measures, United Nations sanctions, European investment restrictions, among others.

The majority of information the team needs in order to analyse sovereign issuers is publicly available through National Statistics Offices. However, it is important for the analysts to spend time on the ground and observe country conditions first-hand to verify whether the statistics or the news is giving the full picture. This time spent on the ground can include meetings with government officials, but a great deal can also be gauged simply by observing the surrounding environment.

## Fixed Income - Corporate

## Implementation processes

FI 04	Mandatory	Gateway/Core Assessed	PRI 1
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### FI 04.1

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed corporate fixed income investments; and, (2) the breakdown of your actively managed corporate fixed income investments by incorporation strategy or combination of strategies.

#### ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☒ Integration alone (i.e. not combined with any other strategies)

Percentage of active corporate fixed income to which the strategy is applied (estimate +/- 10%)	<div> <div></div> <div>%</div> </div>
	100

- ☐ Screening + Integration strategies
- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

Total actively managed fixed income - corporate

100%

### FI 04.2

Describe your primary reasons for choosing a particular incorporation strategy.

We believe that ESG issues have a direct impact upon a company's risk and therefore its probability of default. Poor management of ESG risks can harm the business and increase the company's reputation risk, which could in turn hurt a company's access to financial markets. As risk turns into a liability for company, it impacts cash flow and therefore both its debt cost and credit ratings. These issues are important considerations in assessing default risk.

### FI 04.4

Additional information. [Optional]

We have a cluster munitions policy which prohibits investment in companies involved in the manufacture of cluster munitions. This exclusion is managed through pre and post trade compliance systems. As the only exclusion applied we have elected not to select 'screening' as our incorporating strategy.

FI 05	Voluntary	Additional Assessed	PRI 1
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FI 05.1

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

**Type of ESG information**

☒ Raw ESG company data

Describe who provides this information.

Bloomberg, Brokers, Company disclosures

☒ Issuer-related analysis or ratings

Describe who provides this information.

Sustainalytics, GMI, RepRisk , Brokers, Company disclosures

☒ Sector-related analysis or ratings

Describe who provides this information.

Bloomberg, Sustainalytics, RepRisk , Brokers, Company disclosures

☒ Country-related analysis or ratings

Describe who provides this information.

Bloomberg, Sustainalytics, GMI, RepRisk , Brokers, publicly available information from credible sources e.g. The World Bank or OECD.

☐ Screened bond list

☒ ESG issue-specific analysis or ratings

Describe who provides this information.

Bloomberg, Sustainalytics, GMI, RepRisk , Brokers, publicly available information from credible sources e.g. The World Bank or OECD.

☐ Other, specify

**(C) Implementation: Integration of ESG factors**

FI 10

Voluntary

Descriptive

PRI 1

**FI 10.1**

Describe how you integrate ESG issues into investment decision-making processes.

For corporate debt the Fixed Income and Credit teams ESG factors are incorporated in the following way:

The teams assigns a proprietary internal credit rating (ICR) to every bond they invest in. The ICR is a forward looking measure of default risk and one of the key outputs of the teams' credit research process. It reflects all risks relevant for that issue including ESG risks. The ICR is on the same scale as rating assigned by the rating agencies but is often materially different for individual issuers.

The ICR is used by all the portfolio managers when making their decision to buy or sell bonds, and to determine position size for the funds we manage. The Head of Credit Research is responsible for ensuring the quality of ESG inputs into the credit research process.

ICR are also used by the passive funds when making decisions to invest in bonds so that even in our passive funds, we are integrating ESG issues.

The teams are still at an initial stage of incorporating ESG issues into our assessment for sovereign issuers. Many of the indicators and data the team use to arrive at their assessment of ESG risks do not apply for certain sovereign issuers. For instance, country or corporate criteria for assessing ESG risks do not apply for supranationals. These issuers have a social or sustainable policy objective but there is limited reporting on ESG performance to enable bond investors to assess and monitor these risks. The challenge is to find the appropriate data in order to assess the risks for a range of sovereign issuers and to understand how ESG risks impact the risk of default for these issuers.

For the emerging market debt team ESG factors are incorporated in the following way.

Issues are identified and considered in the course of the team's investment analysis. At the core of their process is the Key Factor Model (KFM). The KFM is comprised of six factors, or angles, from which we approach the analysis of the issuers in the team's investment universe. Three of these factors are intimately related to RI and stewardship: fiscal policy, politics, and structural reform.

The team seeks to monitor the investment restrictions put in place by the national and supranational entities relevant to their universe including: national foreign policy measures, United Nations sanctions, European investment restrictions, among others.

The majority of information the team needs in order to analyse sovereign issuers is publicly available through National Statistics Offices. However, it is important for the analysts to spend time on the ground and observe country conditions first-hand to verify whether the statistics or the news is giving the full picture. This time spent on the ground can include meetings with government officials, but a great deal can also be gauged simply by observing the surrounding environment.

**FI 11****Mandatory****Core Assessed****PRI 1****FI 11.1**

Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.



ESG issues	Coverage/extent of review on these issues
Environmental	<input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

**FI 11.2** Additional information. [Optional]

Three teams responded that they systematically review environmental and social issues, while one team reported that they occasionally do. All teams responded that they systematically review governance issues.

FI 12	Voluntary	Descriptive	PRI 1
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**FI 12.1** Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☐ Company information and/or ratings on ESG are updated regularly
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

**FI 12.2** Describe how ESG information is held and used by your portfolio managers.

- ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☒ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☒ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify
- ☐ None of the above

FI 12.3

Additional information.

Three teams responded that ESG information is held within centralised databases and that ESG information or analysis is a standard section or aspect of all company research notes. Two teams responded that systematic records are kept that capture how ESG information and research was incorporated.

All teams are in the process of developing a shared data base for investment opinions, at which point ESG information will also be housed in the one database.

## Fixed income - Government

FI 13

Mandatory

Core Assessed

PRI 1

FI 13.1

Indicate if you incorporate ESG issues in investment analysis and decision making for your government fixed income investments.

☒ Yes

FI 13.2

Indicate for what percentage of your government fixed income investments you incorporate ESG issues in investment analysis and decision making.

- ☐ <10%
- ☒ 10-50%
- ☐ 51-90%
- ☐ >90%

FI 13.3

Indicate if in active strategies, E, S and G issues are reviewed while researching government issuers.

ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

FI 13.4	Describe your approach to incorporating ESG issues in government fixed income investments. [Optional]
---------	---

Two teams responded that they systematically review the potential significance of these issues, one team responded that they occasionally do and one team responded that they do not currently consider ESG issues for sovereign issuers.

☐ No

## ESG incorporation in passively managed fixed income

FI 14	Mandatory to Report	Voluntary to Disclose	Gateway	PRI 1
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FI 14.1	Indicate if you manage passive fixed income funds that incorporate ESG issues in the index construction methodology.
---------	--

### Fixed Income - Corporate

☐ Yes

☒ No

### Fixed Income - Government

☐ Yes

☒ No

FI 14.4	Additional information. [Optional]
---------	------------------------------------

For the fixed income and credit teams the proprietary internal credit ratings are used by the passive funds when making decisions to invest in bonds. The ICR factors in ESG risks so even in our passive funds, we are integrating ESG issues.

## Outputs and outcomes

FI 15	Voluntary	Descriptive	PRI 1
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FI 15.1	Indicate how your ESG incorporation strategies have influenced the composition of your fixed income portfolio(s) or investment universe.
---------	--

### Fixed Income - Corporate

☒ Narrow down or prioritise the investment universe

☒ Buy / sell / weight decisions

☒ Other, specify

Two teams responded that they under/overweight at a sector and bond level.

<b>FI 15.1</b>	Indicate how your ESG incorporation strategies have influenced the composition of your fixed income portfolio(s) or investment universe.
----------------	--

#### Fixed Income - Government

- ☒ Narrow down or prioritise the investment universe
- ☒ Buy / sell / weight decisions
- ☒ Other, specify

Two teams responded that they under/overweight at a sector and bond level.

<b>FI 16</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>FI 16.1</b>	Indicate whether your organisation measures how your approach to ESG issues in Fixed Income investments has affected financial and/or ESG performance.
----------------	--

- ☐ We measure whether our approach to ESG issues impacts funds' financial performance
- ☐ We measure whether our approach to ESG issues impacts funds' risk or volatility
- ☐ We measure whether our approach to ESG issues impacts funds' ESG performance
- ☒ None of the above

<b>FI 16.2</b>	Describe how you are able to determine these outcomes.
----------------	--

One team responded that ESG integration impacts fund financial performance, all teams responded that it reduced funds' risk or volatility, and one team responded that it improved funds' ESG performance, however we do not measure this as we do not believe it can be reliably proven to be causal given that the integration of ESG factors are only one part of the overall assessment and so can not easily be isolated as performance drivers.

Over the next one to two years we intend to include assessment of the ESG quality and performance of our portfolios into our newly formed investment assurance process. The assessment will use independent research as a way to test each investment team's consideration of ESG issues.

<b>FI 17</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>FI 17.1</b>	Provide examples of ESG issues that affected your fixed income investment view and/or performance during the reporting year.
----------------	--

- ☒ ESG issue 1

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate <input type="checkbox"/> Government	
	ESG issue and explanation
<p>One company which the team has not invested in which was at least in part due to ESG issues: - An underweight position was taken in Petrobras when weak corporate governance and fraud saw rising speculation. - This was identified via external research providers and news reports. - Actions taken were to reduce exposure to the company's bonds. - The issue had a material influence on the investment decision. - Bond spreads widened and the underweight position led to out-performance versus the benchmark. - A systematic process of corruption was reported and is being investigated by various authorities. - The executive and senior management has been replaced and the company is investing heavily to improve its corporate governance.</p>	
	ESG incorporation strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment view or performance
<p>The issue had a material influence on the investment decision. - Bond spreads widened and the underweight position led to out-performance versus the benchmark.</p>	

☒ ESG issue 2

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate <input type="checkbox"/> Government	
	ESG issue and explanation
<p>The emerging market debt team has avoided a number of sectors due to ESG issues, particularly bribery and corruption including: Indonesian HY corporates - Brazilian construction companies - Chinese HY property companies and industrials.</p>	
	ESG incorporation strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment view or performance
<p>Avoided companies in these sectors.</p>	

☒ ESG issue 3

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate <input type="checkbox"/> Government	
	ESG issue and explanation
<p>Aurizon Holdings Ltd - Ali Khan Environmental, Governance Aurizon ESG risk reassessed to high after a review which was triggered through news of draft proposal for regulated revenue determination. Even though the business is largely exposed to take-or-pay contract, ie. no volume risk, with large investment grade counterparties, the bulk of its revenue and cash flow is exposed to the coal sector which faces risk of "stranding" by policy changes which limit their use or where their investment value takes a huge hit if the world increasingly limits carbon emissions and moves to alternative energy sources. The internal rating reflects the high ESG risk and is below the rating by the rating agencies.</p>	
	ESG incorporation strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment view or performance
<p>Reduced Internal credit rating requires higher returns to be investable and effects the maximum amount of a security that can be help.</p>	

☒ ESG issue 4

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate <input type="checkbox"/> Government	
	ESG issue and explanation
<p>Alibaba - Governance, Business ethics, Social The ESG risk for Alibaba was assessed as Very High at initial review in Nov 2014 highlighting the company's weak disclosure and policies, with poor governance and high social risks relating to the internet. In Jan 2015, a white paper by the government was critical about the company's governance and process, eg. lack of control in terms of approval of new seller accounts, poor surveillance of merchandise with fake and illegal products sold on the platform, misleading promotion activities, flawed credit rating system and lack of internal compliance control. This piece of information which highlighted the political risk faced by the company, together with the complex corporate structure and high ESG risk, led to a decision to sell the bonds.</p>	
	ESG incorporation strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment view or performance
<p>Bonds sold.</p>	

☒ ESG issue 5



	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate <input type="checkbox"/> Government	
	ESG issue and explanation
<p>Our main engagement efforts continued with counterparties, semi-government and supranational issuers. The engagement with counterparties is part of our annual counterparty review and the ESG scorecard is always an interesting point of discussion. As well as evaluating our counterparty's ESG risk, we let them know that we'd like to understand how the bank evaluates, monitor and manages the indirect environmental and social risks through their lending operations and in their loan book. We believe banks can do better to disclose and the big four Australian banks commitment to better disclose its carbon emissions from their project finance and lending business leads the way.</p>	
	ESG incorporation strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment view or performance
<p>The amount of trades allocated to counter parties is influenced by ESG assessment. While not impacting investment decisions this engagement is targeted at improving the ESG performance of counter parties.</p>	

## Communication

FI 18	Mandatory	Core Assessed	PRI 2,6
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<b>FI 18.1</b>	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.
----------------	--

☒ We disclose it publicly

	Provide URL
--	-------------

[http://www.cfsgam.com.au/au/insto/responsible\\_investment/reports\\_and\\_policies/](http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/)

<b>FI 18.2</b>	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
----------------	---

☐ Yes

☒ No

<b>FI 18.3</b>	Indicate the information your organisation proactively discloses to the public regarding your approach to ESG incorporation.
----------------	--

- ☐ Broad approach to ESG incorporation
- ☒ Detailed explanation of ESG incorporation strategy used

<b>FI 18.4</b>	Indicate how frequently you typically report this information to the public.
----------------	--

- ☐ Quarterly or more frequently
- ☒ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify

<b>FI 18.5</b>	Indicate the information your organisation proactively discloses to clients/ beneficiaries regarding your approach to ESG incorporation.
----------------	--

- ☐ Broad approach to ESG incorporation
- ☒ Detailed explanation of ESG incorporation strategy used

<b>FI 18.6</b>	Indicate how frequently you typically report this information to clients/beneficiaries
----------------	--

- ☐ Quarterly or more frequently
- ☒ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ We disclose it to clients/beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries

<b>FI 18.7</b>	Additional information. [Optional]
----------------	------------------------------------

For the most part reporting to clients and the public are the same, however some of our clients request additional reporting and information regarding our ESG practices.

## Engagement in fixed income investments

### Fixed Income - Corporate

<b>FI 19</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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<b>FI 19.1</b>	Indicate if you engage with corporate issuers.
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- ☒ Yes

**FI 19.2**

Describe your organisation's approach to engagement in corporate fixed income.

For the fixed income and credit team their key engagement is with banks and counterparties to understand their ESG risks and their approach to managing those risks eg climate change and other environmental risks relating to the bank's loan book and financing, and aspects of their lending policies.

The team has also engaged with primary corporate issuers.

☐ No

## Fixed Income - Government

**FI 20****Voluntary****Descriptive****PRI 2****FI 20.1**

Indicate if you engage with government issuers such as government departments (national or local), agencies and other entities in order to influence their approach to ESG issues that may affect creditworthiness.

☒ Yes

**FI 20.2**

Please describe your organisation's approach to engagement in government fixed income.

The fixed income and credit team engages at a senior level with Australian semi-government issuers (to date with NSW and Qld,) to discuss the ESG issues facing the state which could impact on their ability to generate sustainable revenues or potentially increase their future costs, and discuss their decision framework for managing these risks. In 2015 we intend to expand this program.

☐ No

# Colonial First State Global Asset Management (including First State Investments)

## Reported Information

### Public version

#### Direct - Infrastructure

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

INF 01	Mandatory to Report Voluntary to Disclose	Gateway/Peering	General
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**INF 01.1** Provide a breakdown of your organisation's internally managed infrastructure investments by equity and debt.

Infrastructure investment instruments	Percentage of your internally managed infrastructure investments (in terms of AUM)
Equity investments	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Debt investments	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
<b>Total</b>	<b>100%</b>

**INF 01.2** Indicate the level of ownership you typically hold in your infrastructure investments.

- ☐ a majority stake (>50%)
- ☐ a 50% stake
- ☒ a significant minority stake (between 10-50%)
- ☐ a minority stake (<10%)
- ☐ a mix of ownership stakes
- ☐ N/A, we hold 100% debt investments

**INF 01.3** Additional information. [Optional]

In some instances we take a 100% stake in an investment, but typically we take enough of a stake to ensure we have at least one board seat on the investment board and negative control of the decisions of the investors (this is usually 20-50% of the equity value).

We are long term investors in each of the assets we buy (typically longer than 10 years) allowing us to take a long term view on business cases involving ESG issues that will have a positive impact on the value of an investment. This is advantageous as a longer term view is useful in approving business bases on ESG issues (such as resource use (energy and water), which have a longer term pay back (generally greater than 7-8 years).

INF 02	Mandatory to Report Voluntary to Disclose	Gateway/Peering	General
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**INF 02.1**

Provide a breakdown of your organisation's infrastructure assets based on who manages the assets.

Infrastructure assets managed by	Breakdown of your infrastructure assets (by number)
Managed directly by your organisation/companies owned by you	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed via third-party operators appointed by your organisation/companies owned by you	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Managed by other investors/their third-party operators	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%
<b>Total</b>	<b>100%</b>

**INF 02.2**

Additional information. [Optional]

Most of the investments are managed by management teams imbedded in the operations company in the investment structure.

**INF 03**

Voluntary

Descriptive

General

**INF 03.1**

Indicate up to three of your largest infrastructure sectors by AUM.

Sector	Main infrastructure sectors (by AUM)
Largest infrastructure sector	<input type="radio"/> Transportation <input type="radio"/> Energy infrastructure <input type="radio"/> Conventional energy <input type="radio"/> Renewable energy <input checked="" type="radio"/> Water management <input type="radio"/> Waste management <input type="radio"/> Communication <input type="radio"/> Social infrastructure <input type="radio"/> Other, specify
Second largest infrastructure sector	<input checked="" type="radio"/> Transportation <input type="radio"/> Energy infrastructure <input type="radio"/> Conventional energy <input type="radio"/> Renewable energy <input type="radio"/> Water management <input type="radio"/> Waste management <input type="radio"/> Communication <input type="radio"/> Social infrastructure <input type="radio"/> Other, specify
Third largest infrastructure sector	<input type="radio"/> Transportation <input checked="" type="radio"/> Energy infrastructure <input type="radio"/> Conventional energy <input type="radio"/> Renewable energy <input type="radio"/> Water management <input type="radio"/> Waste management <input type="radio"/> Communication <input type="radio"/> Social infrastructure <input type="radio"/> Other, specify

#### INF 03.2

Additional information.

A significant proportion of our investments are in brownfields assets with an operational history. Significant greenfields investments are only made in the context of business cases developed within these brownfield investments.

The business is able to invest in greenfields assets where appropriate.

INF 04

Voluntary

Descriptive

PRI 1-6

As one of Australia's first unlisted infrastructure investment managers, CFSGAM Infrastructure has long been a driving force in implementing ESG issues into investment strategies, particularly as they relate to risk mitigation and value creation.

Our corporate engagement document summarises the CFSGAM Infrastructure Guidelines that consider ESG issues across the investment process and practices for our direct infrastructure business. The document is the 'Guidelines for corporate engagement on the implementation of the United Nations Principles for Responsible Investment - Environment, Social and Governance issues' (the Guidelines). This can be found at

[http://www.cfsgam.com.au/au/insto/About\\_Us/Responsible\\_investment/Policies/](http://www.cfsgam.com.au/au/insto/About_Us/Responsible_investment/Policies/)

### Pre Investment

Prior to an investment being made in an asset, the team looks to consider all the relevant ESG issues for the asset. No checklist can appropriately cover all the possible issues, so considerations are made on a case by case basis.

Risk assessment tools are used to help in this analysis. These tools also provide opportunities for benchmarking against similar assets. One example of such a tool, is the Infrastructure Sustainability of Australia IS Tool. This tool provides a risk and opportunity assessment and benchmarking framework across relevant ESG issues.

### Ongoing asset management

Once an acquisition is made, the team undertakes ongoing active asset management as part of a continuous improvement process to value-add to asset performance and effectively manage risk. CFSGAM Infrastructure specialist fund managers and asset managers meet regularly with infrastructure business management teams to discuss various matters, including ESG issues. They also visit business sites in their capacity as shareholder, board member and/or board committee member. To add value, CFSGAM Infrastructure actively seeks to build relationships at various management levels within the business during the life cycle of the investment. Such relationships provide the opportunity for the open exchange of information and constructive debate of risks and opportunities including ESG issues which materially impact on the value of the investment.

In addition, CFSGAM Infrastructure seeks to ensure that management provides an appropriate level of information to the board to ensure the approach management takes in managing potential risks and realising opportunities is understood by the board. Examples of the types of reporting requested include:

6. Environmental and social risks impacting materially on earnings, including contingent liabilities.
7. Governance policies and procedures for assuring compliance with internal ESG policies, improving performance and mitigating risks across operations, the supply chain and products and services.
8. Human capital processes including:
  - retention programs
  - workplace health and safety performance
  - staff turnover
  - succession planning, and
  - training and development programs.

### 4. Performance reporting on measurable environmental factors, for example:

- energy use
- water use, and
- greenhouse gas emissions.

### Valuations

Appropriate management of ESG considerations is undertaken as part of the ongoing valuation of assets and is a consideration in decisions whether to divest an investment. Notably in the appointment of a valuation panel, its ability to include ESG factors into valuations is a key consideration.



<b>INF 05.1</b>	Indicate if your organisation has a responsible investment policy for infrastructure.
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☒ Yes

<b>INF 05.2</b>	Provide a URL if your policy is publicly available. [Optional]
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[http://www.cfsgam.com.au/au/insto/responsible\\_investment/reports\\_and\\_policies/](http://www.cfsgam.com.au/au/insto/responsible_investment/reports_and_policies/)

☐ No

<b>INF 05.3</b>	Additional information. [Optional]
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The policy provides guidance on how CFSGAM engages with investment companies to ensure an appropriate ESG risk assessment framework is in place to manage emerging ESK risks and opportunities.

## Fundraising of infrastructure funds

<b>INF 06</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1,4,6</b>
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<b>INF 06.1</b>	Indicate if your fund placement documents (private placement memorandums (PPMs) or similar) refer to responsible investment aspects of your organisation.
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☒ Yes

<b>INF 06.2</b>	Indicate how your fund placement documents (PPMs or similar) refer to the following responsible investment aspects of your organisation:
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☒ Policy and commitment to responsible investment

☐ Always

☒ In a majority of cases

☐ In a minority of cases

☒ Approach to ESG issues in pre-investment processes

☐ Always

☒ In a majority of cases

☐ In a minority of cases

☒ Approach to ESG issues in post-investment processes

	how your fund placement documents (PPMs or similar) refer to the following responsible investment aspects of your organisation:
--	---

☐ Always

☒ In a majority of cases

☐ In a minority of cases

**INF 06.3**

Describe how your organisation refers to responsible investment for infrastructure funds in fund placement documents (PPMs or similar). [Optional]

The material describes our ESG policies and commitment to ESG implementation in our business and our investments. We also include membership details of ESG related organisations such as ISCA and the UN PRI.

In some cases the material may contain examples of ESG initiatives that our investments have undertaken and the outcomes achieved from those initiatives.

- ☐ No
- ☐ Not applicable as our organisation does not fundraise

**INF 07****Voluntary****Additional Assessed****PRI 4****INF 07.1**

Indicate whether your organisation makes formal commitments in fund formation contracts, Limited Partnership Agreements (LPAs) or in side letters relating to responsible investment in infrastructure when requested by clients.

- ☒ We always make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☐ In a majority of cases we make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☐ In a minority of cases we make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☐ We do not make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☐ Our clients do not request us to make formal commitments to responsible investment in infrastructure

**INF 07.3**

Additional information.

Whenever clients query or require inclusion of responsible investment detail in our agreements we are more than happy to clarify what our approach is and adjust that approach if the client has a specific request that does not contradict our existing policies.

Given CFSGAM's approach is relatively advanced in the market place clients are usually comfortable with us leading the discussion and piggy back any additional client requirements onto our approach.

**Pre-investment (selection)****INF 08****Mandatory****Gateway****PRI 1****INF 08.1**

Indicate if your organisation typically incorporates ESG issues when selecting infrastructure investments.

- ☒ Yes

**INF 08.2**

Describe your organisation's approach to incorporating ESG issues in infrastructure investment selection. [Optional]

CFSGAM's pre-investment ESG assessment approach incorporates the following elements:

- costs and benefits are attributed to ESG issues over the life cycle of an investment (value attribution). This enables the net benefit (either quantitatively or qualitatively) to be monitored over the life of the investment. This information will assist in maximising portfolio returns over time by capturing a full

spectrum of risks and opportunities in the investment. A broad risk assessment framework is used to identify the potential issues and opportunities for each infrastructure investment (for example, the ISCA IS tool framework for Australian based assets);

- to have the risk and opportunity assessment based approach embedded in the responsibilities of a number of individuals across the internal infrastructure investment team to ensure a broad and continuous focus on the ESG issues. This also facilitates a sharing of knowledge and ideas across the broader group and across asset responsibilities;
- to be aware of potential regulatory or industry requirements with ESG implications (e.g. the introduction of a carbon tax/market scheme in a particular jurisdiction) via industry contacts and industry participation; and
- to incorporate learnings from existing investments on ESG issues into new investment assessments (experience is the best education). These include learnings from the impact of issues such as global warming (rising sea levels, drought, etc.), changes in social behaviour (consumption patterns, population growth, ageing demographics, technological change, etc), and also provides opportunity to add value by identifying opportunities and taking steps to mitigate potential risks at the portfolio and infrastructure business level.

☐ No

INF 09	Voluntary	Descriptive	PRI 1,4
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INF 09.1	Indicate whether your organisation typically uses ESG advice and research sourced internally and/or externally when incorporating ESG issues into the infrastructure investment selection process.
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- ☒ Internal staff
- ☒ Specify role
- Asset Managers - accredited ISCA IS
- ☐ Specify role
- ☐ Specify role
- ☒ External resources
- ☒ Environmental advisors
- ☒ Social advisors
- ☐ Corporate governance advisors
- ☒ Regulatory and/or legal advisors
- ☐ Other, specify type of advisors/roles
- ☐ No use of internal or external advice on ESG issues

INF 09.2	Additional information.
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Internal staff have the ultimate responsibility to make the final recommendation to the CFSGAM infrastructure investment committee on investments but will take a range of advice in forming that recommendation including external advice on environmental and social issues associated with an investment opportunity.

The typical due diligence process associated with a large infrastructure investment will involve environmental and technical advisors on environment impacts and asset condition. Additional advice may be sought on legal liability issues or on social licence to operate issues should they be relevant to the particular asset.

Internal staff at CFSGAM are also trained in ESG issue identification to ensure appropriate ownership of ESG issues is embedded in the internal investment team.

INF 10	Mandatory	Core Assessed	PRI 1,3
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INF 10.1	Indicate which E, S and/or G issues are typically considered by your organisation in the investment selection process and list up to three typical examples per issue.
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#### ESG issues

☒ Environmental

	List up to three typical examples of environmental issues
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Pollution issues (air, noise and water typically)

Lifecycle carbon issues

Resource use (particularly energy and water)

☒ Social

	List up to three typical examples of social issues
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Social licence to operate (operational envelope)

Use of local labour and local procurement

Stakeholder management (e.g. community engagement)

☒ Governance

	List up to three typical examples of governance issues
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Voting rights (control/negative control)

Independence on board structures

Remuneration and incentives

INF 10.2	Additional information. [Optional]
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For example, coal export terminals in Australia have become available for investment recently and due diligence has focused on the future of the coal markets in the world, sovereign policy approach to carbon management and the credibility of the long term coal market story.

As way of an additional example, a recent due diligence on a greenfields investment opportunity (a new runway at an existing airport) in an existing brownfields investment looked at sea levels, storm surges and flood events associated with the assets location on the coast (in a bay) and whether additional measures needed to be taken to protect the future operation of that asset to protect it from more frequent and severe events and sea level rise.

INF 11	Voluntary	Additional Assessed	PRI 1,3
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<b>INF 11.1</b>	Indicate what type of ESG information your organisation typically considers during your infrastructure investment selection process.
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- ☒ Raw data from the target infrastructure asset/company
- ☒ Benchmarks/ratings against similar infrastructure asset
- ☒ Sector level data/benchmarks
- ☒ Country level data/benchmarks
- ☒ Reporting standards, infrastructure sector codes and certifications
- ☒ International initiatives, declarations or standards
- ☒ Engagements with stakeholders (e.g. contractors and suppliers)
- ☒ Advice from external sources
- ☐ Other, specify
- ☐ We do not track this information

<b>INF 11.2</b>	Additional information.
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CFSGAM has a relatively significant amount of stored information from many and varied due diligence undertakings as an investor in the infrastructure space since 1996. Whilst much of this information dates (due to the long term nature of investments) benchmarking over time is a very useful component of judging investment performance and ultimately success.

CFSGAM also incorporates what current information is available into the investment process sourced from internal team efforts and via external consultants engaged on the due diligence process.

In some instances CFSGAM will commission work (regulatory assessments, environmental and asset condition assessments etc.) to gain a better understanding of particular risks associated with assets it is looking to acquire.

<b>INF 12</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>INF 12.1</b>	Indicate if ESG issues impacted your infrastructure investment selection processes during the reporting year.
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- ☒ ESG issues helped identify risks and/or opportunities for value creation
- ☒ ESG issues led to the abandonment of potential investments
- ☐ ESG issues impacted the investment in terms of price offered and/or paid
- ☐ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ☐ ESG issues were considered but did not have an impact on the investment selection process
- ☐ Other, specify
- ☐ We do not track this potential impact

<b>INF 12.2</b>	Additional information.
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Investments which contain a particularly large carbon influence have been difficult to justify in the past reporting year and in the absence of clearly defined and effectively functioning carbon markets difficult to price.

## Post-investment (monitoring and active ownership)

## Overview

INF 14	Mandatory	Gateway	PRI 2
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**INF 14.1**

Indicate if your organisation, and/or operators, consider ESG issues in post-investment activities relating to your infrastructure assets.

☒ Yes

**INF 14.2**

Indicate how your organisation, and/or operators, considers ESG issues in the following post-investment activities relating to your infrastructure assets.

- ☒ We consider ESG issues in the monitoring and operation of infrastructure
- ☒ We consider ESG issues in infrastructure maintenance
- ☒ We consider ESG issues in stakeholder engagements related to our infrastructure
- ☐ We consider ESG issues in other post-investment activities, specify

**INF 14.3**

Describe how your organisation, and/or operators, considers ESG issues in post-investment activities related to your infrastructure investments. [Optional]

The boards of our infrastructure investments drive management to set meaningful and appropriate ESG targets for their annual performance scorecards:

One example includes - the procurement process for one of our regulated utilities which has specific targets on the reduction of embedded carbon in all new hardware associated with the business. This has led to a significant fall in the level of embedded carbon in these new assets and is forcing the supply to think of innovative ways to further reduce embedded carbon in a cost effective way.

Another example includes the provision of funding to assess energy consumption across the business to find business case solutions to a reduction in energy use.

☐ No

## Infrastructure monitoring and operations

INF 15	Mandatory	Core Assessed	PRI 2
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**INF 15.1**

Indicate the proportion of infrastructure assets where your organisation, and/or operators, included ESG performance in investment monitoring during the reporting year.

- ☒ >90% of infrastructure assets
- ☐ 51-90% of infrastructure assets
- ☐ 10-50% of infrastructure assets
- ☐ <10% of infrastructure assets

(in terms of number of infrastructure assets)

**INF 15.2**

Indicate ESG issues for which your organisation, and/or operators, typically sets and monitors targets (KPIs or similar) and provide examples per issue.

- ☒ Environmental

	List up to three example targets per issue
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Resource use and reuse  
 Pollution generation  
 Carbon targets (including embedded carbon)

☒ Social

	List up to three example targets per issue
--	--

Community engagement (complaints)  
 Procurement targets (local procurement)  
 Success of education programs

☒ Governance

	List up to three example targets per issue
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Performance incentives  
 Board structure (diversity, independence)  
 Reporting and transparency  
☐ We do not set and/or monitor against targets

<b>INF 15.3</b>	Additional information. [Optional]
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All of CFSGAM's larger infrastructure investments include ESG components to their annual performance reporting scorecard.

Typically, Board meetings are held monthly or quarterly and the reporting for these meetings incorporates significant requirement to report against scorecards which include ESG components.

Exit is an option if the identified ESG issue affects value to a significant extent and value can be achieved on exit.

<b>INF 16</b>	<b>Mandatory</b>	<b>Additional Assessed</b>	<b>PRI 2</b>
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<b>INF 16.1</b>	Indicate if you track the proportion of your infrastructure investees that have an ESG/sustainability-related policy (or similar guidelines).
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☒ Yes

<b>INF 16.2</b>	Indicate the proportion of your infrastructure investees that have an ESG/sustainability-related policy (or similar guidelines).
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- ☐ >90% of infrastructure investees
- ☒ 51-90% of infrastructure investees
- ☐ 10-50% of infrastructure investees
- ☐ <10% of infrastructure investees
- ☐ 0% of infrastructure investees

(in terms of number of infrastructure investees)

**INF 16.3**

Describe how your organisation, and/or your operators, contribute to the infrastructure investees' management of ESG issues. [Optional]

CFSGAM provides information sessions on both the ESG issues facing the assets it manages and its approach to managing ESG issues within these assets.

☐ No

**INF 17****Voluntary****Descriptive****PRI 2,3****INF 17.1**

Indicate the type and frequency of reports you request and/or receive from infrastructure investees covering ESG issues.

**Type of Reporting**

☒ Overarching portfolio asset/company reports or similar where management disclosure, financial and ESG data are integrated

Typical reporting frequency

- ☒ Quarterly or more frequent
- ☐ Semi annually
- ☐ Annually
- ☐ Every two years or less
- ☐ Ad-hoc, specify

☒ Standalone reports highlighting targets and/or KPIs covering ESG issues

Typical reporting frequency

- ☐ Quarterly or more frequent
- ☐ Semi annually
- ☒ Annually
- ☐ Every two years or less
- ☐ Ad-hoc, specify

☐ Other, specify

☐ No reporting on ESG issues requested and/or provided by infrastructure investees

**INF 17.2**

Additional information.

By having board representation on the investment companies CFSGAM invests in we receive board information that contains a raft of ESG information, including performance data for ESG targets.

For example, companies report on energy and water use, embodied carbon reduction performance, safety performance, pollution and other environment compliance outcomes and other targets as set by the board.

Annual reporting documentation from a majority of our companies also provides summary outcomes of ESG performance available for a broader stakeholder audience.

**Infrastructure maintenance**



INF 18	Mandatory	Core Assessed	PRI 2
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INF 18.1	Indicate the proportion of active infrastructure maintenance projects where ESG issues have been considered.
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- ☐ >90% of active maintenance projects
- ☒ 51-90% of active maintenance projects
- ☐ 10-50% of active maintenance projects
- ☐ <10% of active maintenance projects
- ☐ N/A, no maintenance projects of infrastructure assets are active

(in terms of number of active maintenance projects)

INF 18.2	Describe your approach to ESG considerations for infrastructure maintenance projects. [Optional]
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Recent focus has been on supply chain improvements in the ESG space for supply contractors to our businesses, particularly in relation to energy use and embodied carbon. Our regulated water utility in the UK, for example, is on track to reduce embodied carbon on all new capital investments by 50%. This will be a significant achievement and has been achieved without significant escalation of input costs to the maintenance programs.

Setting up the procurement process to drive ESG outcomes allows contractors to innovate in their contract delivery to ensure cost efficient ESG outcomes. These procurement processes generally reward contractors for better ESG outcomes via incentive payments or sharing of company financial benefits.

INF 18.3	Additional Information. [Optional]
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Another focus has been on full life cycle ESG impacts and managing the individual assets over their lifecycle. This may or may not involve a higher upfront cost to asset replacement or maintenance but delivers whole of life savings on things such as resource use (energy for example) and better environmental outcomes (such as reduced carbon output or embodied carbon).

## Stakeholder engagement

INF 19	Voluntary	Additional Assessed	PRI 2
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INF 19.1	Indicate which stakeholders your organisation, and/or operators, engaged with on ESG issues in relation to your infrastructure assets during the reporting year and what proportion of your investments they apply to.
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	Stakeholders engaged
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☒ Regulators

	Percentage of infrastructure assets these apply to
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- ☒ >90% of infrastructure assets
- ☐ 51-90% of infrastructure assets
- ☐ 10-50% of infrastructure assets
- ☐ <10% of infrastructure assets

(in terms of number of infrastructure assets)

☒ Communities

	Percentage of infrastructure assets these apply to
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- ☒ >90% of infrastructure assets
- ☐ 51-90% of infrastructure assets
- ☐ 10-50% of infrastructure assets
- ☐ <10% of infrastructure assets

(in terms of number of infrastructure assets)

☒ Other stakeholder, specify

Supply chain contractors

	Percentage of infrastructure assets these apply to
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- ☒ >90% of infrastructure assets
- ☐ 51-90% of infrastructure assets
- ☐ 10-50% of infrastructure assets
- ☐ <10% of infrastructure assets

(in terms of number of infrastructure assets)

☒ Other stakeholder, specify

Politicians and interest lobby groupsNGOs

	Percentage of infrastructure assets these apply to
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- ☐ >90% of infrastructure assets
- ☒ 51-90% of infrastructure assets
- ☐ 10-50% of infrastructure assets
- ☐ <10% of infrastructure assets

(in terms of number of infrastructure assets)

**INF 19.2**

Describe your approach to stakeholder engagements in relation to your infrastructure assets.

Each asset generally has dedicated resources that engage with stakeholders on ESG issues and it is in almost all instances incorporate into line management responsibility to engage all stakeholders on ESG issues. For example, CEO's of investment companies often present to community groups and engage directly with regulators and politicians on ESG issues.

In many instances our companies have formal community engagement forums set up that provide communities with an opportunity to communicate directly with the upper management of the company about concerns they may have on the operation of our assets. These engagement forums are either set up through open invitation or via formal regulator appointment mechanisms are attempt to find representative contact with the local community.

CFSGAM is also a member of, or engaged in, a number of forums that bring us in contact with various stakeholders in our investment space. This includes the Investor Group on Climate Change, the Roundtable Discussion with the Clean Energy Regulator and the Australian Sustainable Built Environment Council.

**Outputs and outcomes****INF 20**

Voluntary

Additional Assessed

PRI 1,2

**INF 20.1**

Indicate if your organisation measures whether your approach to ESG issues in Infrastructure investments has affected financial and/or ESG performance.

☒ We measure whether our approach to ESG issues impacts funds' financial performance

Describe the impact on:	Impact
Funds' financial performance	<input checked="" type="radio"/> Positive <input type="radio"/> Negative <input type="radio"/> No impact

☒ We measure whether our approach to ESG issues impacts funds' ESG performance

Describe the impact on:	Impact
Funds' ESG performance	<input checked="" type="radio"/> Positive <input type="radio"/> Negative <input type="radio"/> No impact

☐ None of the above

**INF 20.2**

Describe how you are able to determine these outcomes.

Several measures are used across the range of our businesses to assess financial performance from ESG initiatives, including:

Business case assessments focused on return on capital - for example a water saving initiative which has an upfront capital cost will also provide a reduction in the amount of potable water consumed by the assets which will have a direct financial benefit in a reduction of operational costs. This cost/benefit can then provide a return on investment measure for each business case.

Achievement of an ESG outcome for no net increase in unit cost - for example the reduction in embodied carbon in concrete used in the construction of new assets for no net increase in supply cost of that asset (benchmarked against previous provision of similar assets) reduces the carbon exposure of the business at no additional cost to

the delivery of the infrastructure.

Reduction in pollution of other regulatory compliance events - each event has a cost to the business to rectify (usually in a very definitive financial outcome). The reduction of the occurrence of these events provides a direct and definable reduction in this response cost to the business.

Time delay outcomes - ensuring that projects can be delivered on time because of good community engagement and appropriate regulatory compliance ensures on time delivery of investment outcomes. Financial metrics can be applied to the time cost of financial returns on invest ensuring that good community and regulatory engagement has a direct cost associated with it. If a project is delivered early then this will have a direct benefit to the financial performance of the business.

For ESG performance measures include:

- Resources use (water, energy, materials)
- Waste generation
- Carbon generation
- Safety performance
- Days of operational interruption (from protests, strikes, regulatory intervention)

INF 21	Voluntary	Descriptive	PRI 1,3
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INF 21.1	Provide examples of ESG issues that affected your infrastructure investments during the reporting year.
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☒ Add Example 1

ESG issue	Climatic events (storms, floods etc)
Types of infrastructure affected	Transport, utilities
Impact (or potential impact) on investment	Financial cost due to damaged assets and impacted delivery of service provision. Increases in insurance premiums.
Activities undertaken to influence the investment and the outcomes	Incident response procedures and business continuity plans

☒ Add Example 2

ESG issue	Carbon policy changes
Types of infrastructure affected	Australian carbon intensive infra investments
Impact (or potential impact) on investment	Uncertainty over approach to carbon reduction
Activities undertaken to influence the investment and the outcomes	Contingency planning and business case adjustments to proposed investments

☒ Add Example 3

ESG issue	Policy changes to governance requirements
Types of infrastructure affected	UK regulated utility investments
Impact (or potential impact) on investment	Changes to company structure and board voting processes
Activities undertaken to influence the investment and the outcomes	Alignment with new corporate governance codes whilst maintaining compliance with existing Investment Agreements.

☒ Add Example 4

ESG issue	Changes to pollution compliance hurdles
Types of infrastructure affected	Generation, utility assets
Impact (or potential impact) on investment	Requirements for new investment in abatement technology or changes to work procedures
Activities undertaken to influence the investment and the outcomes	Amendments to regulatory business case submissions, business

☒ Add Example 5

ESG issue	Community complaints new asset developments
Types of infrastructure affected	All (particularly airports, utility assets and road/rail)
Impact (or potential impact) on investment	Delays to projects, or inability to proceed with a project.
Activities undertaken to influence the investment and the outcomes	Strong stakeholder engagement and genuine ability to address real community concerns

## Communication

INF 22	Mandatory	Core Assessed	PRI 6
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### INF 22.1

Indicate if your organisation proactively discloses ESG information on your infrastructure investments.

☒ Disclose publicly

please provide URL

<http://www.anglianwater.co.uk/corporate-responsibility/>

please provide URL

<http://www.bne.com.au/sites/all/files/content/files/BAC%202014%20Annual%20Report%20311014.pdf>

### INF 22.2

Indicate if the level of ESG information you provide to the public is the same as the level you provide to your clients/beneficiaries.

☐ Yes

☒ No

### INF 22.3

Indicate the type of ESG information that your organisation proactively discloses to the public.

- ☐ ESG information on how you select infrastructure investments
- ☐ ESG information on how you monitor and manage infrastructure investments
- ☒ Information on your infrastructure investments' ESG performance
- ☐ Other; specify

**INF 22.4**

Indicate your organisation's typical frequency of disclosing ESG information to the public.

- ☐ Quarterly or more frequently
- ☐ Semi annually
- ☒ Annually
- ☐ Every two years or less frequently
- ☐ Ad-hoc; specify

**INF 22.5**

Indicate the type of ESG information that your organisation proactively discloses to your clients/beneficiaries.

- ☒ ESG information on how you select infrastructure investments
- ☒ ESG information on how you monitor and manage infrastructure investments
- ☒ Information on your infrastructure investments' ESG performance
- ☐ Other; specify

**INF 22.6**

Indicate your organisation's typical frequency of disclosing ESG information to your clients/beneficiaries.

- ☒ Quarterly or more frequently
- ☐ Semi annually
- ☐ Annually
- ☐ Every two years or less frequently
- ☐ Ad-hoc; specify

**INF 22.7**

Describe the ESG information and how your organisation proactively discloses it to the public and/or clients/beneficiaries. [Optional]

As we invest in the unlisted infrastructure space, our investment companies interact with the public in two ways - via annual reporting and via specific community forums (usually focused on particularly issues or new projects). The links provided are to the sustainability reports of the asset companies.

There are no specific issues that clients have mandated us not to report on.

For clients, there is usually full disclosure of a range of ESG performance issues as outlined in other parts of this report. This information is provided in accordance with the board reporting cycle the frequency of which depends on the asset.

- ☐ Disclose to clients/beneficiaries only
- ☐ No proactive disclosure to the public or to clients/beneficiaries

**INF 23****Voluntary****Descriptive****PRI 6****INF 23.1**

Describe your organisation's approach to disclosing ESG incidents in infrastructure investments to your investor clients.

Any ESG issues that have a material impact on the investment performance of a particular company are reported to the client immediately if they are significantly material or in the course of the normal quarterly reporting cycle.

If the particular issue has the potential to involve media attention or significant community or regulatory attention (even if it has low financial impact) then the shareholders will also be notified.

The shareholders will be provided with a brief overview of the issue as it arises and this is then followed up with a more detailed analysis (including any impact on the financial performance of the asset) when that detail is made available from the management team of the company. Full coverage of the issue is then provided in the next

quarterly report to ensure the client is fully aware of the issue, the reasons it arose and the impact it has had on the business (financially and otherwise).

Investors also request briefings on issues that arise (for example a change in government policy response to carbon pricing) on a case by case basis and CFSGAM also prepares specific topical briefing papers on issues, even if they won't have a material impact on the business.