




RI TRANSPARENCY REPORT

2013/14

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 2013-14 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. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly 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.

PRI disclaimer

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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	✓	n/a							✓
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	✓	Public		✓					
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 - Property				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PR 01	Breakdown of investments by equity and debt	✓	Public							✓
PR 02	Breakdown of assets by management	✓	Public							✓
PR 03	Largest property types	✓	Public							✓
PR 04	Description of approach to RI	✓	Public	✓					✓	
PR 05	Responsible Property Investment (RPI) policy	✓	Public	✓					✓	
PR 06	Fund placement documents and RI	✓	Public	✓			✓		✓	
PR 07	Formal commitments to RI	✓	Public				✓			
PR 08	Incorporating ESG issues when selecting investments	✓	Public	✓						
PR 09	ESG advice and research when selecting investments	✓	Public	✓			✓			
PR 10	Examples of ESG issues in investment selection process	✓	Public	✓		✓				
PR 11	Types of ESG information considered in investment selection	✓	Public	✓		✓				
PR 12	ESG issues impact in selection process	✓	Public	✓						
PR 13	ESG issues in selection, appointment and monitoring of third-party property managers	✓	Public				✓			
PR 14	ESG issues in post-investment activities	✓	Public		✓					
PR 15	Proportion of assets with ESG targets that were set and monitored	✓	Public		✓	✓				
PR 16	Certification schemes, ratings and benchmarks	✓	Public		✓					
PR 17	Proportion of developments and refurbishments where ESG issues were considered	✓	Public		✓					
PR 18	Proportion of property occupiers that were engaged with	✓	Public		✓					
PR 19	Proportion of green leases or MOUs referencing ESG issues	✓	Public		✓					
PR 20	Proportion of assets engaged with on community issues	✓	Public		✓					
PR 21	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
PR 22	Examples of ESG issues that affected your property investments	✓	Public	✓		✓				
PR 23	Disclosure of ESG information to public and clients/beneficiaries	✓	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

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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 only 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

1418

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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OO 03.1

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ☐ Yes
☒ No

OO 04

Mandatory

Gateway/Peering

General

OO 04.1

Indicate the year end date for your reporting year.

31/12/2013

OO 04.2

Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		182	400	000	000
Currency	AUD				
Assets in USD		164	761	711	510

OO 04.3

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%)

OO 06

Mandatory

Descriptive

General

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

	Internally managed (%)	Externally managed (%)
Listed equity	54.11	0
Fixed income – corporate	6.6	0
Fixed income – government	6.4	0
Fixed income – other	0	0
Private debt	0	0
Private equity	0	0
Property	8.45	0

Infrastructure	1.97	0
Commodities	0	0
Hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	22.47	0
Other (1), specify	0	0
Other (2), specify	0	0

☐ 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)

OO 08	Mandatory to Report Voluntary to Disclose	Peering	General
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OO 08.1	Indicate the breakdown of your organisation's AUM by market.
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Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" 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.

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\$182 billion (as at 31 December 2013) 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, 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

We are also one of Australia's largest full service property investment houses. In Australia, we manage two listed real estate investment trusts (REITs) along with a suite of wholesale property funds and direct property mandates. Each of these investment products is managed utilising our substantial asset and development management capability.

We became a signatory to the UN backed principles for responsible investment in 2007 and since that time have developed a clear strategy and robust governance framework around our responsible investment (RI) activities. 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.

Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
OO 10.1	Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.		
	<input checked="" type="checkbox"/> We incorporate ESG issues into investment decisions on our internally managed assets <input checked="" type="checkbox"/> We engage with companies on ESG issues via our staff, collaborations or service providers <input checked="" type="checkbox"/> We cast our (proxy) votes directly or via service providers <input type="checkbox"/> None of the above		
OO 11	Mandatory	Gateway	General

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
- ☒ Property
- ☒ 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. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, 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. Direct - Fixed Income and Infrastructure are always voluntary.
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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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- ☒ Property
- ☒ Infrastructure

Closing module

- ☒ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

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Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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OA 01.1 Indicate if you have a responsible investment policy.

☒ Yes

☐ No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

☒ Yes

☐ No

OA 01.3

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]

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****OA 02.1**

Indicate if your responsible investment policy is publicly available.

☒ Yes

**OA
02.2**

Provide a URL to your responsible investment policy.

URL

http://www.cfsgam.com.au/au/insto/About_Us/Responsible_investment/Policies/

☐ No

OA 02.3

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

☒ 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.

Policy or document name	URL
Global Stewardship Principles	http://www.firststateinvestments.com/uk/insto/About_Us/Responsible_investment/Stewardship
Direct Infrastructure corporate engagement guidelines	http://www.cfsgam.com.au/au/insto/About_Us/Responsible_investment/Policies/
Climate change position statement	http://www.cfsgam.com.au/au/insto/About_Us/Responsible_investment/Policies/
Cluster Munitions Policy	http://www.cfsgam.com.au/au/insto/About_Us/Responsible_investment/Policies/
Guidelines & principles for corporate engagement	http://www.cfsgam.com.au/au/insto/About_Us/Responsible_investment/Policies/

☐ No

OA 02.5

Additional information. [Optional]

In November 2013 we released our Global Stewardship Principles. Our other policies are scheduled for review in the first half of 2014.

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 Stewardship <input checked="" type="checkbox"/> Other, specify Climate Change Position Statements	<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 a global passive equities team (Real Index) who invests in thousands of companies is 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 divided and included in the KPI 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 twice in 2013 and has four meetings scheduled in 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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OA 06.1

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.

☒ Add responsible investment objective 1

Objective 1	Improve our RI governance, policies and investment processes
Key performance indicators	1. Re-establish global responsible investment committee 2. Review policies and position statements
Describe the progress achieved	1. Established & operating, met twice in 2013. 2. Stewardship principles approved by the GRIC. Policy review is underway. Review of other policies in 1stHalf 2014.

☒ Add responsible investment objective 2

Objective 2	Improve our data sources and analysis tools
Key performance indicators	1. Develop ESG information management plan 2. Review existing information sources and tender if necessary 3. Enhance our ESG data services and IT infrastructure
Describe the progress achieved	1. Complete plan developed and approved by ESG Committee 2. Comprehensive tender process undertaken with two new provider appointed 3. Ongoing, Bloomberg integration 1stHalf 2014

☒ Add responsible investment objective 3

Objective 3	Increase our thought leadership and RI brand
Key performance indicators	1. Contribute to Cambridge University Investment Leaders Group
Describe the progress achieved	1. Started and ongoing as part of multi-year program

OA 06.2	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.
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☒ 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 and position statements 2. RI Culture and HR Plan finalised, short term targets implemented 3. RI principles incorporated into product development process

☒ 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 Bloomberg, Capital IQ and proprietary research systems. 2. Generic ESG dashboards developed as base for team specific reports

☒ 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. Develop a series of stewardship case studies 2. Continued support of the Cambridge Investment leaders Program 3. Strategic review of collaborative initiatives

Governance and human resources

OA 07	Voluntary	Descriptive	General
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Across our organisation we have fourteen investment teams investing in a range of asset classes. 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. 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 and was further enhanced in 2013 through reconstituted responsible investment and ESG committees. The revised terms of reference for both groups are available on our website.

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 twice in 2013 and approved several important initiatives including the HR and Culture plan, communications plan, and the global stewardship principles. The committee also received presentations from two investment teams on their approach to responsible investment and discussed issues like those arising from the UK's Kay Review on short-termism.

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 four times in 2013 and led the selection of two new ESG research providers, established a stranded assets working group, and developed template reports for teams to use when presenting to the GRIC. The group is scheduled to meet every six weeks 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.

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.

☐ 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
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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
 - 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
--	--------

5

OA 09	Voluntary	Additional Assessed	General
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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

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. The incorporation of RI principles into remuneration practices form part of the HR and culture plan described under question 6.2.

Promoting responsible investment

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

Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

☒ Yes

OA 10.2

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

☒ 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 on ACGA governance tours.

☒ 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)

- ☒ 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)

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

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☐ 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, member of property working group.

- ☐ Investor Network on Climate Risk (INCR)/CERES
- ☐ Local Authority Pension Fund Forum
- ☒ 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.

- ☒ 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)
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- ☒ Basic
☐ Moderate
☐ Advanced

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

Signed up to initiative

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

☐ No

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.
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☒ Yes

OA 11.2	Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.
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- ☐ 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 Universities Responsible Investment Leaders Group.

Spoken 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, ASFA magazine, and RepRisk magazine.

OA 12	Voluntary	Additional Assessed	PRI 4,5,6
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OA 12.1	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

OA 12.2	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

OA 12.3	Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.
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☒ Yes, publicly available

provide URL

<http://www.asx.com.au/documents/public-consultations/colonial-first-state-submission-15Nov13.pdf>

provide URL

http://uksif.org/wp-content/uploads/2013/07/Resource-Security-letter-to-Treasury-Select-Committee_July-2013.pdf

☐ No

☐ No

ESG issues in asset allocation

OA 13	Voluntary	Descriptive	PRI 1
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OA 13.1

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

☐ Yes

☒ No

OA 14	Voluntary	Descriptive	PRI 1
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OA 14.1

Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

☒ Yes

OA 14.2

Indicate the percentage of your total AUM invested in environmental and social themed areas.

% of total AUM

1.5

OA 14.3

Please specify which thematic area(s) you invest in and provide a brief description.

Area

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

Asset class invested

- ☒ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Property
- ☐ Infrastructure
- ☐ Cash

Brief description of investment

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

OA 15	Voluntary	Descriptive	General
OA 15.1	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.		
Asset Class	Describe what processes are in place and the outputs or outcomes achieved		
Cash	We have incorporated ESG assessments into all counterparty reviews.		

Innovation

OA 18	Voluntary	Descriptive	General
OA 18.1	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 portfolio level ESG risk tools (underway but not complete)
- Development of a risk assessment and engagement framework for semi-government bond issuers (first engagements completed with NSW and Queensland state governments); and
- Development of solar energy fund which does not rely on government subsidies or a carbon price to deliver commercial returns (currently seeking seed funding)

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.

The CIOs for Fixed Income and Equities and the MDs of the direct Infrastructure and Property businesses also reviewed and approved their respective sections.

☐ 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
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			
<input checked="" type="checkbox"/> Passive			
<div> <div>% of internally managed listed equities</div> <div> <input checked="" type="radio"/> <10% </div> </div>			
Report on your strategies that represent <10% of listed equities			
<input checked="" type="radio"/> Yes			
<input type="radio"/> No			
<input type="radio"/> 10-50%			
<input type="radio"/> >50%			
<input checked="" type="checkbox"/> Active – quantitative (quant)			
<div> <div>% of internally managed listed equities</div> <div> <input checked="" type="radio"/> <10% </div> </div>			
Report on your strategies that represent <10% of listed equities			
<input checked="" type="radio"/> Yes			
<input type="radio"/> No			
<input type="radio"/> 10-50%			
<input type="radio"/> >50%			
<input checked="" type="checkbox"/> Active – fundamental and other active strategies			
<div> <div>% of internally managed listed equities</div> <div> <input type="radio"/> <10% </div> </div>			
<input type="radio"/> 10-50%			
<input checked="" type="radio"/> >50%			
LEI 02	Voluntary	Descriptive	PRI 1

LEI 02.1

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

Across our organisation we have fourteen 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/About_Us/Responsible_investment/Reports/

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 (estimate +/- 10%)

%
98.5

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

Percentage of active listed equity to which the strategy is applied (estimate +/- 10%)	<div> <div></div> <div>%</div> </div> 1.5
--	---

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

Total actively managed listed equities
--

100%

LEI 03.2	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. For this reason governance around responsible investment has been a key focus for many years and was further enhanced in 2013 through a reconstituted responsible investment and ESG committees.

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.

LEI 03.3

If assets are managed using a combination of ESG incorporation strategies, describe briefly how these are used in combination. [Optional]

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.

LEI 03.4

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.

LEI 04

Voluntary

Additional Assessed

PRI 1

LEI 04.1

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

Type of ESG information

- ☒ Raw ESG company data

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
- ☒ 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

LEI 04.2

Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.

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 will be making the following enhancements:

1. Integrate the GMI and Sustainalytics (our two company specific ESG research providers) data into the financial analysis tools and work flows for each team (e.g. Bloomberg, Capital IQ and proprietary databases)
2. Develop a dedicated intranet site which hosts information on how to access each ESG data source and stores other ESG related information
3. Increase access to currently specialist ESG research to other teams who may be interested
4. Work 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

ESG research tender

These enhancements follows a review we performed in 2013 on our existing services followed by a comprehensive tender process for ESG research. The purpose of the tender process was twofold:

5. Provide our investment professionals with the best available third party research and analysis of ESG factors for investee companies and sovereigns.
6. Provide the necessary data for portfolio level reporting and risk assessment which can be used by investment team heads, chief investment officers, and the Global Responsible Investment Committee (GRIC) to better understand the ESG risks, impacts and performance of our portfolios.

Following this process we appointed Sustainalytics for their environmental and social analysis and GMI Ratings for their corporate governance and forensic accounting analysis. We are currently working on integrating these new providers into our investment teams' workflows including via Bloomberg and proprietary databases.

Once this is complete we will develop dashboard reporting at both stock and portfolio levels with the ultimate goal of having the same level of internal governance over ESG factors as we do for financial metrics. Over time we expect this will also lead to improvements in our client and public reporting.

LEI 04.3

Indicate if you incentivise brokers to provide ESG research.

☒ Yes

LEI 04.4	Describe how you incentivise brokers.
-----------------	---------------------------------------

Each team has its own process for selecting and remunerating brokers. Four of the teams have an explicit process for doing so, while two remunerate on an ad-hoc basis, while two do not remunerate brokers for ESG research. 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

LEI 05	Voluntary	Additional Assessed	PRI 1
---------------	------------------	----------------------------	--------------

LEI 05.1	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.
-----------------	---

☒ 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.

LEI 05.2	Additional information. [Optional]
-----------------	------------------------------------

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.

(B) Implementation: Thematic

LEI 09	Mandatory	Descriptive	PRI 1
---------------	------------------	--------------------	--------------

LEI 09.1	Indicate the type of sustainability thematic funds or mandates that your organisation manages.
-----------------	--

- ☐ Environmentally themed funds
- ☐ Socially themed funds
- ☒ Combination of themes

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

LEI 10.1

Describe how you integrate ESG factors into investment decision making processes.

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/About_Us/Responsible_investment/Reports/

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****LEI 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

LEI 12**Voluntary****Descriptive****PRI 1**

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.
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Of the seven active listed equity teams, three 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	Voluntary	Additional 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.
- ☐ Other, specify

LEI 13.3	Additional information.
-----------------	-------------------------

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

Macroeconomic analysis - one team uses ESG information occasionally

Industry analysis - Four teams use ESG information systematically

Analysis of company strategy/quality of management - Five teams use ESG information systematically

Idea generation - Three teams use ESG information systematically and two teams use it occasionally

Portfolio Construction - Two teams use ESG information systematically and three teams use it occasionally

Fair value/fundamental analysis - Three teams use ESG information systematically

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

Two teams make adjustments to income forecasts

Three 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.
-----------------	---

☐ Yes

☒ No

Outputs and outcomes

LEI 15	Voluntary	Descriptive	PRI 1
--------	-----------	-------------	-------

LEI 15.1	Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.
-----------------	---

☒ 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

LEI 15.2 Additional information.

For integration of ESG issues:

All but one team reduces or prioritises the investment universe

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

All but one team overweights or underweights at a stock level (as part of overall analysis); and

All teams buy and sell decisions are influenced.

LEI 16	Voluntary	Descriptive	PRI 1
---------------	------------------	--------------------	--------------

LEI 16.1 Indicate if you believe that incorporating ESG factors has: (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.

a) Impacted funds' financial performance

	Thematic	Integration of ESG issues	
	<input checked="" type="radio"/> Yes	<input checked="" type="radio"/> Yes	
	<input type="radio"/> No	<input type="radio"/> No	

b) Reduced funds' risk or volatility

	Thematic	Integration of ESG issues	
	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	

c) Improved funds' ESG performance

	Thematic	Integration of ESG issues	
	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	

LEI 16.2

Describe how you are able to determine these outcomes and your actual performance.

Our investment teams' bottom up approach to ESG analysis is mostly integrated with other management and business quality considerations which make determining the contribution of ESG issues vs. other factors akin to trying to unscramble an egg.

However, a significant majority of our investment strategies (>75%) are outperforming their benchmarks over the long-term and all investment teams responded that they believed integrating ESG factors makes a contribution to this investment performance.

LEI 16.3

Additional information.

In relation to 16.1 (a) we assume this means positively impacted fund performance.

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>APLNG environmental / water management issues required some additional project work. Safety doesn't feature prominently or regularly in presentations to the market. These factors contributed to concerns about safety and risk management in the analyst's overall stock recommendation. These issues were tabled for ongoing discussion in meetings with management.</p>		
<table border="1"> <tr> <td style="background-color: #cccccc;">ESG incorporation strategy applied</td> </tr> <tr> <td> <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies </td> </tr> </table>	ESG incorporation strategy applied	<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies
ESG incorporation strategy applied		
<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies		
<table border="1"> <tr> <td style="background-color: #cccccc;">Impact on investment decision or performance</td> </tr> <tr> <td>Monitor</td> </tr> </table>	Impact on investment decision or performance	Monitor
Impact on investment decision or performance		
Monitor		

☒ ESG issue 2

ESG issue and explanation		
<p>BLY - deterioration in safety statistics during 2013 could impact on relationships with major clients and contributed to analyst's negative outlook for the stock.</p>		
<table border="1"> <tr> <td style="background-color: #cccccc;">ESG incorporation strategy applied</td> </tr> <tr> <td> <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies </td> </tr> </table>	ESG incorporation strategy applied	<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies
ESG incorporation strategy applied		
<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies		
<table border="1"> <tr> <td style="background-color: #cccccc;">Impact on investment decision or performance</td> </tr> <tr> <td>Downgrade</td> </tr> </table>	Impact on investment decision or performance	Downgrade
Impact on investment decision or performance		
Downgrade		

☒ ESG issue 3

ESG issue and explanation		
<p>BHP - downgrade of sustainability rating from positive to neutral reflecting concerns on a number of sustainability issues including indigenous relations at the Cerro Matoso nickel operations, concentrate spill at Antamina, an ongoing US DOJ corruption investigation, and PNG revisiting the Ok Tedi agreement. We believe BHP has good corporate policies and reporting in place for all of these incidents, but the frequency is worrying. A number of recent sustainability issues make me concerned that BHP will increasingly be exposed to negative press.</p>		
<table border="1"> <tr> <td style="background-color: #cccccc;">ESG incorporation strategy applied</td> </tr> <tr> <td> <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies </td> </tr> </table>	ESG incorporation strategy applied	<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies
ESG incorporation strategy applied		
<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies		
<table border="1"> <tr> <td style="background-color: #cccccc;">Impact on investment decision or performance</td> </tr> <tr> <td>Monitor</td> </tr> </table>	Impact on investment decision or performance	Monitor
Impact on investment decision or performance		
Monitor		

☒ ESG issue 4

ESG issue and explanation		
<p>Arena REIT (ARF AU) Merger of a related Entity at less than ideal terms was recommended by the board. Met with Management and Chairman to discuss their reasoning and decision process, lowered our governance score for company. Considered voting against merger and selling position however discussions with management led to the conclusion that the merger was in long term best interest of company and that merger terms were done at best possible outcome</p>		
<table border="1"> <tr> <td style="background-color: #cccccc;">ESG incorporation strategy applied</td> </tr> <tr> <td> <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies </td> </tr> </table>	ESG incorporation strategy applied	<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies
ESG incorporation strategy applied		
<input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies		
<table border="1"> <tr> <td style="background-color: #cccccc;">Impact on investment decision or performance</td> </tr> <tr> <td>Engage</td> </tr> </table>	Impact on investment decision or performance	Engage
Impact on investment decision or performance		
Engage		

☒ ESG issue 5

ESG issue and explanation
AirTAC International manufactures pneumatic components. Pneumatic systems are driven by air, unlike hydraulics which are driven by oil, making them more energy efficient and less polluting. They are typically used to automate processes in manufacturing, construction and packaging hence AirTAC will benefit from environmental tailwinds.
ESG incorporation strategy applied
<input checked="" type="checkbox"/> Thematic <input type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies
Impact on investment decision or performance
Buy

Communication

LEI 18

Mandatory

Core Assessed

PRI 2,6

LEI 18.1

Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

☒ We disclose it publicly

Provide URL

http://www.cfsgam.com.au/au/insto/About_Us/Responsible_investment/Reports/

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 clients/ beneficiaries and/or the public regarding your approach to ESG incorporation.

Reporting to public	Reporting to clients/beneficiaries
<input checked="" type="radio"/> Broad approach to ESG incorporation <input type="radio"/> Detailed explanation of ESG incorporation strategy used	<input type="radio"/> Broad approach to ESG incorporation <input checked="" type="radio"/> Detailed explanation of ESG incorporation strategy used

**LEI
18.4**

Indicate how frequently you typically report this information.

Reporting to public	Reporting to clients/beneficiaries
<input type="radio"/> Quarterly or more frequently	<input type="radio"/> Quarterly or more frequently
<input checked="" type="radio"/> Between quarterly and annually	<input checked="" type="radio"/> Between quarterly and annually
<input type="radio"/> Less frequently than annually	<input type="radio"/> Less frequently than annually
<input type="radio"/> Other, specify	<input type="radio"/> 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 18.5

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 view 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
LEA 01.1	Provide a brief overview of your organisation's approach to engagement.		

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
LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.		

Type of engagement	Reason for interaction
Individual/Internal staff engagements	<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
Collaborative engagements	<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 checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<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

LEA 02.2	Additional information. [Optional]
-----------------	------------------------------------

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. We were involved in two collaborative engagements in 2013.

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.

Four teams responded that they do have a formal process while two responded that they do not, however it should be noted that as described in the ESG incorporation section all our 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. As each team's analysis and engagement is focused on material issues for the company in question issues are prioritised even where a formal process doesn't exist.

For those that indicated that they did have a formal process two teams confirmed that it was the company analyst's responsibility to identify and assess issues for engagement with an ongoing dialogue being held with all companies and results being logged in a database.

Another team (sector specific) prioritises companies based on portfolio weight for engagement in that they focus the most attention on their largest holdings while still discussing ESG issues with other companies that they meet with.

The final team have site visits as a core part of their investment process and ESG risk assessment. Issues are identified and prioritised based on these site visits, our internal analysis, third party research and discussions with other stakeholders. Engagement is conducted both during these visits and in separate meetings with management or the board.

☐ 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. Adherence to the principles and guidelines is overseen by the Global Responsible Investment Committee.

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)

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

☐ 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 form an engagement committee to have oversight of collaborative engagement opportunities. The committee will focus on 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.

In one case the engagement was monitored through the PRI palm oil working group and was then distributed to other investment teams. On the other occasion monitoring and a follow up letter was sent to conclude the collaborative phase of the engagement. The investment team involved has continued to monitor the issue in question.

When evaluating engagements we consider whether the company has changed the behaviour in question or whether or 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.

☐ 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
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Collaborative engagements	<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 committee will address.

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2
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LEA 10.1	Indicate if you track the number of companies you engage with.
-----------------	--

Type of engagement	Tracking engagements
Individual / Internal staff engagements	<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
Collaborative engagements	<input checked="" 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 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, three 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 currently 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)

We are working on improving our tracking of engagements with two teams including improvements in engagement tracking and follow up in their continuous improvement plans.

Outputs and outcomes

LEA 11

Mandatory to Report Voluntary to Disclose

Core Assessed

PRI 2

**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	1000
Collaborative engagements	4

**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 checked="" type="radio"/> >50% <input 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 during the reporting year. [Optional]

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

**LEA
11.5**

Additional information. [Optional]

See comments under LEA 10.2. Across the organisation we would have engaged with more than 1,000 companies.

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 checked="" 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

100%

Collaborative engagements

100%

LEA 12.3

Additional information.

We do not monitor the split of engagements between E, S, and G.

LEA 13

Voluntary

Descriptive

PRI 2

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 14

Voluntary

Descriptive

PRI 2

LEA 14.1

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

☒ Add Example 1

Topic or ESG issue	Governance (Board Oversight)
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<p>Express concerns around flaws in acquisition due diligence, board transparency and sub-optimal expenditure practices.</p> <p>Seek changes in governance to address identified issues.</p>
Scope and Process	<p>Related to one company.</p> <p>Company meeting</p> <p>Letter sent to chairman</p>
Outcomes	<p>Subsequent to the letter the existing management team was restructured. We have engaged with the new management team on multiple instances and we are actively working with the firm to improve its governance practices</p>

☒ Add Example 2

Topic or ESG issue	Social (Safety)
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<p>Improve workplace health and safety following an increase in fatalities</p>
Scope and Process	<p>Related to one company.</p> <p>Series of company meetings</p> <p>Site visits</p>
Outcomes	<p>Satisfied that management have taken action to address the issue we decided to maintain our position.</p>

☒ Add Example 3

Topic or ESG issue	Governance (remuneration)
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	STI and LTI payments to management set poorly by the Board for the CEO
Scope and Process	Related to one company. Meetings held with chairmen over three year period Letter sent to chairman
Outcomes	Eventually STI and LTI for management were changed to better reflect return on investment/capital, closer to our investment philosophy.

☒ Add Example 4

Topic or ESG issue	Environment
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Implement energy reduction target
Scope and Process	Related to one company. Meetings with the company Email exchange Follow up meetings help subsequent to management consulting the board
Outcomes	The company agreed to work towards an energy target in time for 2014 reporting.

☒ Add Example 5

Topic or ESG issue	Social (Supply chain and human rights)
Conducted by	<input type="checkbox"/> Individual / Internal <input checked="" type="checkbox"/> Collaborative
Objectives	<p>Public statement, improved monitoring and disclosure in relation to Uzbekistan cotton</p> <p>Governance improvements including board oversight over human rights and environmental risks in the supply chain,</p>
Scope and Process	<p>Related to one company.</p> <p>Letter sent by three investors</p> <p>Our investment analyst followed up with the company in a meeting and call.</p> <p>Follow up letter to company following response</p>
Outcomes	<p>The company has undertaken to consider further improvements in the area. We will be monitoring progress and following up after twelve months (either individually or in collaboration) .</p>

- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ 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

please provide URL

http://www.cfsgam.com.au/au/insto/About_Us/Responsible_investment/Reports

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

- ☒ Yes

LEA 15.3	Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.
-----------------	--

Engagement information disclosed

- ☐ 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

LEA 15.4	Indicate how frequently you typically report engagements information.
-----------------	---

- ☐ Disclosed continuously (prior 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

LEA 16	Voluntary	Descriptive	PRI 2
---------------	------------------	--------------------	--------------

LEA
16.1

Provide a brief overview of your organisation's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).

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 2014.

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

- ☐ We use our own research or voting team and make our own voting decisions without the use of service providers.
- ☒ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

Based primarily on

- ☐ the service provider voting policy signed off by us
- ☐ our own voting policy
- ☐ our clients requests or policy
- ☒ other, explain

We provide proxy guidelines and use proxy advisors however decisions are made by the teams. See additional information.

- ☐ 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.
- ☐ We hire service provider(s) which make voting decisions on our behalf.

LEA 17.2	Additional information.[Optional]
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As described above we provide proxy voting guidelines at 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
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LEA 19.1	To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following.
-------------	---

- ☐ Obtain confirmation that votes have been lodged:
- ☒ Participate in projects to improve the voting trail and/or to obtain vote confirmation
- ☐ None of the above

LEA 19.2	Provide additional information on your organisation's vote confirmation efforts.
-------------	--

In In 2012 we participated in a review of the proxy voting system in Australia by Ownership Matters which was commissioned by the Australian Council of Superannuation investors.

Information on the report and its can be downloaded here:

http://www.acsi.org.au/images/stories/ACSIDocuments/detailed_research_papers/12%20Institutional%20Proxy%20Voting%20in%20Australia.Oct%2012.pdf

LEA 20	Voluntary	Additional Assessed	PRI 2
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LEA 20.1	Indicate if your organisation has a securities lending programme.
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- ☐ Yes
- ☒ No

LEA 21	Mandatory	Core Assessed	PRI 2
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LEA 21.1	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.
----------	---

- ☒ 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

LEA 21.2	Additional information. [Optional]
----------	------------------------------------

Four 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

LEA 22	Mandatory	Core Assessed	PRI 2
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LEA 22.1	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.
----------	---

- ☒ We do track or collect this information

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

	%
--	---

100

	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
☐ We do not track or collect this information

LEA 23	Voluntary	Descriptive	PRI 2
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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:
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Voting instructions	Breakdown as percentage of votes cast
For (supporting) management proposals	<div style="display: flex; align-items: center;"> <div style="width: 93%; height: 20px; background-color: #A6A6A6; margin-right: 5px;"></div> <div style="margin-right: 5px;">%</div> <div style="width: 93%; height: 20px; background-color: #A6A6A6; margin-right: 5px;"></div> </div> <div style="display: flex; align-items: center;"> <div style="width: 93%; height: 20px; background-color: #A6A6A6; margin-right: 5px;"></div> <div style="margin-right: 5px;">%</div> <div style="width: 93%; height: 20px; background-color: #A6A6A6; margin-right: 5px;"></div> </div>
Against (opposing) management proposals	<div style="display: flex; align-items: center;"> <div style="width: 6%; height: 20px; background-color: #A6A6A6; margin-right: 5px;"></div> <div style="margin-right: 5px;">%</div> <div style="width: 6%; height: 20px; background-color: #A6A6A6; margin-right: 5px;"></div> </div> <div style="display: flex; align-items: center;"> <div style="width: 6%; height: 20px; background-color: #A6A6A6; margin-right: 5px;"></div> <div style="margin-right: 5px;">%</div> <div style="width: 6%; height: 20px; background-color: #A6A6A6; margin-right: 5px;"></div> </div>
Abstentions	<div style="display: flex; align-items: center;"> <div style="width: 1%; height: 20px; background-color: #A6A6A6; margin-right: 5px;"></div> <div style="margin-right: 5px;">%</div> <div style="width: 1%; height: 20px; background-color: #A6A6A6; margin-right: 5px;"></div> </div> <div style="display: flex; align-items: center;"> <div style="width: 1%; height: 20px; background-color: #A6A6A6; margin-right: 5px;"></div> <div style="margin-right: 5px;">%</div> <div style="width: 1%; height: 20px; background-color: #A6A6A6; margin-right: 5px;"></div> </div>

100%

LEA 23.3	For the reporting year, describe your approach towards voting on shareholder resolutions.
-----------------	---

We vote all resolutions on their merits.

- ☐ No, we do not track this information

LEA 23.4	Additional information.
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We provide annual proxy voting reports which include team by team breakdowns of voting percentages on key issues, our full proxy voting record and case studies.

http://www.cfsgam.com.au/au/insto/About_Us/Responsible_investment/Reports/

LEA 24	Voluntary	Descriptive	PRI 2
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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
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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	Governance (poor track record with acquisitions / CFO on board)
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	To ensure independent oversight of acquisitions.
Scope and Process	We engaged with the company on the issue of the CFO being on board but following an unsatisfactory response decided to vote against.
Outcomes	CFO was returned to the board but retired from the board a year later following further engagement from shareholders.

☒ Add Example 2

Topic or ESG issue	Remuneration (Dilution)
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Ensure remuneration is reasonable and doesn't unduly dilute shareholders.
Scope and Process	We assessed the impact of an equity grant and believed it was both excessive and diluted shareholders and so voted against.
Outcomes	None

☒ Add Example 3

Topic or ESG issue	Governance (Independence)
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Ensure sufficient independent directors with the required skills are on the board.
Scope and Process	We believed the nominees previous employment with a key service provider compromised his independence and so voted against. The issue of board independence has been raised with the company on a number of occasions.
Outcomes	None

☒ Add Example 4

Topic or ESG issue	Governance (remuneration)
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Ensure variable pay is subject to appropriate hurdles.
Scope and Process	The team was not satisfied with long-term equity grants as the hurdle of a single ROE metric is not diverse or strenuous enough to modify or encourage management behaviours.
Outcomes	None

- ☐ Add Example 5
- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

LEA 25.2	Additional information.
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We provide annual proxy voting reports which include team by team breakdowns of voting percentages on key issues, our full proxy voting record and case studies.

http://www.cfsgam.com.au/au/insto/About_Us/Responsible_investment/Reports/

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.
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- ☒ We disclose it publicly

provide URL

http://www.cfsgam.com.au/au/insto/About_Us/Responsible_investment/Reports/

**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 and/or to clients/beneficiaries.

Reporting to the public	Reporting to clients/beneficiaries
<p>Indicate how much of your voting record you disclose</p> <p><input checked="" type="radio"/> All voting decisions</p> <p><input type="radio"/> Some voting decisions</p> <p><input type="radio"/> Only abstentions and opposing vote decisions</p> <p><input type="radio"/> Summary of votes only</p>	<p>Indicate how much of your voting record you disclose</p> <p><input checked="" type="radio"/> All voting decisions</p> <p><input type="radio"/> Some voting decisions</p> <p><input type="radio"/> Only abstentions and opposing vote decisions</p> <p><input type="radio"/> Summary of votes only</p>
<p>Indicate what level of explanation you provide</p> <p><input type="radio"/> Explain all voting decisions</p> <p><input checked="" type="radio"/> Explain some voting decisions</p> <p><input type="radio"/> Only explain abstentions and votes against management</p> <p><input type="radio"/> No explanations provided</p>	<p>Indicate what level of explanation you provide</p> <p><input type="radio"/> Explain all voting decisions</p> <p><input checked="" type="radio"/> Explain some voting decisions</p> <p><input type="radio"/> Only explain abstentions and votes against management</p> <p><input type="radio"/> No explanations provided</p>

**LEA
26.4**

Indicate how frequently you typically report voting information.

Reporting to the public	Reporting to clients/beneficiaries
<p><input type="radio"/> Continuously (primarily before meetings)</p> <p><input type="radio"/> Continuously (soon after votes are cast)</p> <p><input type="radio"/> Quarterly or more frequently</p> <p><input checked="" type="radio"/> Between quarterly and annually</p> <p><input type="radio"/> Less frequently than annually</p> <p><input type="radio"/> Other, specify</p>	<p><input type="radio"/> Continuously (primarily before meetings)</p> <p><input type="radio"/> Continuously (soon after votes are cast)</p> <p><input type="radio"/> Quarterly or more frequently</p> <p><input type="radio"/> Between quarterly and annually</p> <p><input type="radio"/> Less frequently than annually</p> <p><input checked="" type="radio"/> Other, specify</p> <p>As per mandates</p>

**LEA
26.5**

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

Proxy voting reports provided to clients occur in line with the relevant investment management agreement which can range from monthly to not at all (in which case they could still access public disclosures)

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

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%

Report on your strategies that represents <10% of corporate fixed income

☒ Yes

☐ No

☐ 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 02	Mandatory to Report Voluntary to Disclose	Peering	General
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FI 02.1	Provide a breakdown of your internally managed fixed income investments by credit quality.
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Credit quality	Fixed Income - Corporate	Fixed Income - Government
Investment grade	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	<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 type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%	<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%	<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	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%	<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%	<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			
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FI 03	Voluntary	Descriptive	PRI 1
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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.

We have two fixed income and credit teams with one specialising on emerging market (mostly sovereign) debt. The emerging market debt team is much smaller and has only been within the organisation for two years. Like our equity teams our fixed income teams are developing their own approaches to ESG integration which complements their existing investment process.

For corporate debt the Fixed Income and Credit team 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.

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 team 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
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]
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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.

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
- ☐ Issue-specific analysis or ratings
- ☐ Other, specify

(C) Implementation: Integration of ESG factors

FI 10	Voluntary	Descriptive	PRI 1
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We have two fixed income and credit teams with one specialising on emerging market (mostly sovereign) debt. The emerging market debt team is much smaller and has only been within the organisation for two years. Like our equity teams our fixed income teams are developing their own approaches to ESG integration which complements their existing investment processes.

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

The team 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 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.

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.

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 12

Voluntary

Descriptive

PRI 1

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

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]

The fixed income and credit team takes a proactive approach to engaging with government bond issuers in Australia and conduct our own research to assess the ESG risks they face. This assessment forms an input to investment decisions.

☐ No

ESG incorporation in passively managed fixed income

FI 14

Mandatory to Report Voluntary to Disclose

Gateway

PRI 1

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 team 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****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

Fixed Income - Government

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

FI 16**Voluntary****Descriptive****PRI 1****FI 16.1**

Indicate if you believe (by applicable strategy) that incorporating ESG factors has:
 (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.

Fixed Income - Corporate

a) Impacted funds' financial performance

		Integration of ESG issues	
		<input checked="" type="radio"/> Yes <input type="radio"/> No	

	b) Reduced funds' risk or volatility
--	--------------------------------------

		Integration of ESG issues	
		<input checked="" type="radio"/> Yes <input type="radio"/> No	

	c) Improved funds' ESG performance
--	------------------------------------

		Integration of ESG issues	
		<input checked="" type="radio"/> Yes <input type="radio"/> No	

Fixed Income - Government

	a) Impacted funds' financial performance
--	--

	ESG incorporation (for actively managed funds)	
	<input checked="" type="radio"/> Yes <input type="radio"/> No	

	b) Reduced funds' risk or volatility
--	--------------------------------------

	ESG incorporation (for actively managed funds)	
	<input checked="" type="radio"/> Yes <input type="radio"/> No	

	c) Improved funds' ESG performance
--	------------------------------------

	ESG incorporation (for actively managed funds)	
	<input checked="" type="radio"/> Yes <input type="radio"/> No	

FI 16.2	Describe how you are able to determine these outcomes and your actual performance.
---------	--

Our investment teams' bottom up approach to ESG analysis is mostly integrated with other management and business quality considerations which make determining the contribution of ESG issues vs. other factors akin to trying to unscramble an egg.

However, a significant majority of our investment strategies (>75%) are outperforming their benchmarks over the long-term and all investment teams responded that they believed integrating ESG factors makes a contribution to this investment performance.

FI 17	Voluntary	Descriptive	PRI 1
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FI 17.1	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	
China Railway Corp While the company has very strong government support and good market position, corporate governance issues, in particular corruption caused by a regulatory framework with inherent conflict of interest, causes us to view the company default risk to be a marginal investment grade at best. However, we have rejected the bond on the basis of ESG risks, which causes true risk to be difficult to evaluate. The clear conclusion is that if priced at 'BBB+' level, we are not being compensated for the risks we are taking. For this evaluation, financial risk is not a major rating factor	
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	
Declined to invest	

☒ ESG issue 2

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate <input type="checkbox"/> Government	
	ESG issue and explanation
<p>Bumi Resources</p> <p>In 2009 we reviewed Bumi Resources and because of ESG concerns, we did not rate (or invest) in the credit. The main concern related to the owner, Bakrie Group. Bakrie Group defaulted on its US\$2.5b debt during the Asian financial crisis in 1997 and it took over two years to restructure the debt. There was also the issue of the mudflow incident in East Java. Bakrie Group controls PT Lapindo Brantas, the operator responsible for the mudflow incident (Aug 2006).</p> <p>Since that times further problems came to light through 2012-2013 which means the bond now trades at 66c, ie. 43% loss from the issuance we declined to invest in.</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
Declined to invest	

☒ ESG issue 3

Fixed Income - Corporate and/or Government	
<input checked="" type="checkbox"/>	Corporate
<input type="checkbox"/>	Government
ESG issue and explanation	
<p>In 4Q13, we reviewed Adani Abbot Point Terminal (AAPT) which was assigned an internal rating of 'bb-' which meant we did not invest. here's the quick note from the analyst:</p> <p>Credit metrics are sub-investment grade (Debt/Capital 74%, Debt/EBITDA 8.6x, EBITDA/Interest 1.5x), and equate broadly to the bb-rating level. Also, there is no operating history to gauge any trends or volatility in the credit profile over time.</p> <p>EDF of parent/controlling entity (Adani Enterprises Ltd) is 3.34% (B-), and was 12% (CCC-) in mid-2012.</p> <p>Complex corporate structure - became even more so after recent restructure (which saw introduction of Caymans domiciled shell entities).</p> <p>Significant ESG issues (across all pillars, i.e., Environmental, Social, 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	
Declined to invest	

☒ ESG issue 4

Fixed Income - Corporate and/or Government	
<input type="checkbox"/> Corporate <input checked="" type="checkbox"/> Government	
ESG issue and explanation Venezuela - social unrest The situation in Venezuela is deeply concerning. Widespread riots in the capital city of Caracas have resulted in deaths yet they have received little media coverage. The underlying problem is that the country's foreign exchange reserves are falling. This is a major problem for a country in which the majority of food, and many other staple goods, is imported. A significant rise in the country's Scarcity Index indicated that indeed supplies of basic and essential items were becoming stressed. Unless the government can address this it seems certain that social unrest will persist and political stability be compromised as opposition to the government intensifies. This in turn will have a potentially negative impact for the country's government bonds.	
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 Continue to monitor	

☒ ESG issue 5

Fixed Income - Corporate and/or Government	
<input type="checkbox"/> Corporate <input checked="" type="checkbox"/> Government	
ESG issue and explanation Argentina - governance concerns Argentina has over recent years persistently understated inflation levels. In fact this issue dates back to 2007, when just as a sharp increase in inflation due to medical insurance was widely anticipated, data was unexpectedly withheld and the Board of the National Statistics Office replaced overnight; in itself raising clear governance concerns. During visits to the country it has become abundantly clear to us that inflation is being considerably understated. As a result we have applied a higher risk premium to Argentinian debt securities.	
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	

FI 17.2	Additional information.
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Adjusted risk premium

Communication

FI 18	Mandatory	Core Assessed	PRI 2,6
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FI 18.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.
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☒ We disclose it publicly

Provide URL

http://www.cfsgam.com.au/au/insto/About_Us/Responsible_investment/Reports/

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

☐ Yes

☒ No

FI 18.3	Indicate the information your organisation proactively discloses to clients/ beneficiaries and/or the public regarding your approach to ESG incorporation.
----------------	--

Reporting to public	Reporting to clients/beneficiaries
<input checked="" type="radio"/> Broad approach to ESG incorporation <input type="radio"/> Detailed explanation of ESG incorporation strategy used	<input checked="" type="radio"/> Broad approach to ESG incorporation <input type="radio"/> Detailed explanation of ESG incorporation strategy used

FI 18.4	Indicate how frequently you typically report this information.
----------------	--

Reporting to public	Reporting to clients/beneficiaries
<input type="radio"/> Quarterly or more frequently <input checked="" type="radio"/> Between quarterly and annually <input type="radio"/> Less frequently than annually <input type="radio"/> Other, specify	<input type="radio"/> Quarterly or more frequently <input checked="" type="radio"/> Between quarterly and annually <input type="radio"/> Less frequently than annually <input type="radio"/> Other, specify

☐ We disclose it to clients/beneficiaries only

☐ We do not proactively disclose it to the public and/or clients/beneficiaries

Engagement in fixed income investments

Fixed Income - Corporate

FI 19	Voluntary	Descriptive	PRI 2
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FI 19.1	Indicate if you engage with corporate issuers.
----------------	--

☒ Yes

FI 19.2	Describe your organisation's approach to engagement in corporate fixed income.
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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.

☐ No

Fixed Income - Government

FI 20	Voluntary	Descriptive	PRI 2
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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.

☐ No

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

Reported Information

Public version

Direct - Property

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

PR 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

PR 01.1

Provide a breakdown of your organisation's internally managed property investments by equity and debt.

Property investments instruments

☒ Equity investments

Property investment instruments	Percentage of your internally managed property investments (in terms of AUM)
Equity investments	<p><input checked="" type="radio"/> >50%</p> <p><input type="radio"/> 10-50%</p> <p><input type="radio"/> <10%</p>

PR 01.2

Indicate the level of ownership you typically hold in your property investments.

- ☒ a majority stake (>50%)
- ☐ a 50% stake
- ☐ a significant minority stake (between 10-50%)
- ☐ a limited minority stake (<10%)
- ☐ a mix of ownership stakes

☐ Debt investments

Total 100%

☐ N/A, we manage properties, new constructions and/or refurbishments on behalf of our clients, but do not hold equity or debt in property on their behalf

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

During 2013 we managed a number of property funds, including Real Estate Investment trusts which are listed (3 in number) and wholesale or unlisted funds which are open for investment to institutional investors, super funds etc.

Some of our assets held in funds are co-owned by other internal funds, or external owners.

Our assets are generally held for the long term, and assets are only acquired and sold according to the fund strategies, returns and market conditions under our fiduciary obligations.

Please note that following the reporting period the direct property business ceased being managed by Colonial First State Global Asset Management (CFSGAMs) as follows:

CFS Retail Property Trust Group (CFX)

On 7 March 2014, CFX securityholders voted in favour of a proposal to internalise the management of CFX, and for CFX to acquire CFSGAM's retail property asset management business and commence managing a number of wholesale property funds ((Internalisation Proposal). The Internalisation Proposal was implemented on 24 March 2014 and from that date CFX has been managed internally and not by the CBA Group.

Commonwealth Property Office Fund (CPA)

The compulsory acquisition of CPA by DEXUS Property Group and Canada Pension Plan Investment Board (DEXUS Offer) is expected to be completed by no later than 16 April 2014.

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

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

Property assets managed by	Breakdown of your property assets (by number)
Managed directly by your organisation	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed via third-party property managers appointed by you	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%
Managed by other investors or their property managers	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Total	100%

PR 02.2 Additional information. [Optional]

CFSGAM Property is responsible for the management of the assets, sometimes we appoint external property and facility managers, but they will manage according to our policies and procedures.

PR 03	Voluntary	Descriptive	General
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PR 03.1 Indicate up to three of your largest property types by AUM.

Types	Main property types (by AUM)
Largest property type	<input type="radio"/> Industrial <input checked="" type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Second largest property type	<input type="radio"/> Industrial <input type="radio"/> Retail <input checked="" type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Third largest property type	<input type="radio"/> Industrial <input type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify

PR 03.2	Additional information.
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All properties are either commercial office assets or retail shopping centres (which include retail outlets). Broadly, the assets are split in the proportion retail: 70%, and office: 30% by value. All of our properties are standing investments, and any development work is carried out as refurbishment or additions to the assets. We do not build on greenfield sites.

PR 04	Voluntary	Descriptive	PRI 1-6
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PR 04.1

Provide a brief overview of your organisation's approach to responsible investment in property where you have equity stakes.

- Our approach: Experience tells us that environmental, social and governance (ESG) issues have the potential to impact investment returns over time. By fully integrating RPI into our business strategy and asset management practices, we achieve a responsible and sustainable approach to property investment, management and development in line with fiduciary obligations to our clients.
- Through RPI, we are committed to:
 7. reducing our environmental footprint and cost overheads
 8. improving asset quality
 9. maintaining the continued trust, safety and respect of our community
 10. fostering strong tenant and client relationships
 11. engaging with our stakeholders
 12. operating transparently, within a robust governance framework, and
 13. retaining and enhancing value for our investors.

We embed our RPI practices through not only policy, education and engagement, but also through key performance measures for our staff. Our people are proud of our commitment to RPI, and it is only through their thought and leadership, combined with our strong industry participation and stakeholder engagement, that we can continue to make our program world class for the benefit of our investors, tenants and stakeholders.

- In implementing RPI we also have the Policies and Strategies listed below:
 14. CFSGAM Climate Change Position Statement
 15. Direct Property Sustainability Policy

PR 05**Mandatory****Core Assessed****PRI 1-6****PR 05.1**

Indicate if your organisation has a Responsible Property Investment (RPI) policy.

☒ Yes

PR 05.2

Provide a URL if your RPI policy is publicly available. [Optional]

http://www.cfsgam.com.au/au/property/Sustainability/Our_approach/

☐ No

PR 05.3

Additional information. [Optional]

Policy is self-explanatory.

Fundraising of property funds

PR 06**Mandatory****Core Assessed****PRI
1,4,6**

PR 06.1

Indicate if your fund placement documents (private placement memorandums (PPMs) or similar) refer to responsible investment aspects of your organisation.

☒ Yes

PR 06.2

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

- ☒ 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
 - ☒ Always
 - ☐ In a majority of cases
 - ☐ In a minority of cases

PR 06.3

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

- We manage our property funds by adherence to our Direct Property Sustainability Policy, and we adhere to the CFSGAM Responsible Investment Policy Statement.
- Our due diligence process has a comprehensive environment section in it which is completed and evaluated prior to any investment being made.
- Environmental programmes are managed at each property, through evaluation and assessment, monitoring and analysis of data, from which environment programmes are tailor made for each asset and called "Sustainability Improvement Plans". These are then costed, budgeted and implemented to achieve the targets set. In terms of the social aspect each asset has a tenant engagement plan to ensure the social amenity issues are addressed, and that community engagement occurs.

☐ No

PR 07**Voluntary****Additional Assessed****PRI 4**

PR 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 property when requested by clients.
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- ☒ 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 property

PR 07.2	Additional information.
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Commitments are in accordance with the business philosophy and our Responsible Investment Policy statements, which apply across all products. See also our Direct Property Sustainability Policy which applies across all products and assets.

Pre-investment (selection)

PR 08	Mandatory	Gateway	PRI 1
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PR 08.1	Indicate if your organisation typically incorporates ESG issues when selecting property investments.
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- ☒ Yes

PR 08.2	Provide a description of your organisation's approach to incorporating ESG issues in property investment selection. [Optional]
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Our due diligence check-lists allow full investigation into existing ESG aspects of prospective investments. Once these ESG aspects are discovered through due diligence these are fully evaluated and form an aspect of the overall investment decision. It would be seldom found that an ESG issue would dictate that an investment is not made, as once identified we can manage it and improve through our RPI investment processes one acquired. The process followed is documented and the standard checklists are thorough and detailed.

- ☐ No

PR 09	Voluntary	Descriptive	PRI 1,4
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PR 09.1	Indicate whether your organisation typically uses ESG advice and research sourced internally and/or externally when incorporating ESG issues into the property investment selection process.
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- ☒ Internal staff
- ☒ Specify role
 - Sustainability Manager
 - ☒ Specify role
 - Head of Sustainability
 - ☒ Specify role
 - Risk and Insurance Manager
- ☐ External resources
- ☐ No use of internal or external advice on ESG issues

PR 09.2	Additional information.
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Specialist, both internally and external consultants are utilised to ensure all aspects are covered and assessed for input into the overall acquisition process and decision.

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

- ☒ Environmental

List up to three typical examples of environmental issues

Resource efficiency, and use
Contamination issues
Land use and legislation

- ☒ Social

List up to three typical examples of social issues
--

Occupational health and safety
Employees and staffing
Tenants, and community

- ☒ Governance

List up to three typical examples of governance issues
--

Adherence to regulation
Outstanding orders, and disclosures
Structure of and legal use of the land

PR 11	Voluntary	Additional Assessed	PRI 1,3
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PR 11.1	Indicate what type of ESG information your organisation typically considers during your property investment selection process.
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- ☒ Raw data from the target property asset/company
- ☒ Appraisals/audits
- ☒ Benchmarks/ratings against similar property asset
- ☒ Country level data/benchmarks
- ☒ Data aligned with established property reporting standards, industry codes and certifications
- ☒ International initiatives, declarations or standards
- ☒ Data from engagements with stakeholders (e.g. tenants and local community surveys)
- ☒ Information from external advisers
- ☐ Other, specify
- ☐ We do not track this information

PR 11.2	Additional information.
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All information obtained during investment selection is retained and stored as a record.

PR 12	Voluntary	Additional Assessed	PRI 1
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PR 12.1	Indicate if ESG issues impacted your property investment selection process 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

Selection, appointment and monitoring third-party property managers

PR 13	Mandatory	Core Assessed	PRI 4
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PR 13.1	Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.
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- ☒ Yes

PR 13.2

Indicate how your organisation includes ESG issues in your selection, appointment and/or monitoring of third party property managers.

- ☒ Selection process of property managers incorporated ESG issues
 - ☒ For all third party property managers
 - ☐ For a majority of property managers
 - ☐ For a minority of property managers
- ☒ Contractual requirements when appointing property managers includes ESG issues
 - ☒ For all third party property managers
 - ☐ For a majority of property managers
 - ☐ For a minority of property managers
- ☒ Monitoring of property managers covers ESG responsibilities and implementation
 - ☒ For all third party property managers
 - ☐ For a majority of property managers
 - ☐ For a minority of property managers

PR 13.3

Provide a brief description of your organisation's selection, appointment and monitoring of third party property managers. [Optional]

This is through a partnership approach whereby we appoint a (we only have one external party so as to manage effectively) 3rd party property manager to undertake the day-to-day management according to our policies, procedures and practices. The manager is rewarded on a guarantee of cost covered, plus a performance fee, subject to achievement of outcomes in accordance with set objectives. The 3rd party effectively becomes an extension of our operation.

PR 13.4

Describe how your third party property managers contribute to the management of ESG issues for your property investments. [Optional]

Manages in accordance with our policies, and is directed accordingly. Fortnightly meetings are held to monitor progress, between our Head of Sustainability and the sustainability personnel of the manager, as well as other senior staff.

☐ No

Post-investment (monitoring and active ownership)

Overview

PR 14

Mandatory

Gateway

PRI 2

PR 14.1

Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.

☒ Yes

PR 14.2

Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.

- ☒ We consider ESG issues in property monitoring and management
- ☒ We consider ESG issues in property developments and refurbishments
- ☒ We consider ESG issues in property occupier engagements
- ☒ We consider ESG issues in community engagements related to our properties
- ☒ We consider ESG issues in other post-investment activities, specify

PR 14.3

Describe how your organisation, and/or property managers, considers ESG issues in post-investment activities related to your property assets. [Optional]

ESG is an integrated part of management of our assets:

We incorporate RPI at all stages of investment ownership management and development:

1. Invest: Each asset acquired is reviewed through a responsible investment checklist as part of the standard due diligence process. This process investigates the environmental and physical aspects relating to a property (land and buildings), in both its construction and ongoing operation. Social aspects are investigated in relation to how a building is integrated within its local community. In relation to governance, the asset is reviewed for compliance with regulatory controls. These RPI aspects are investigated not as a screening process, but as part of risk identification and mitigation.

2. Manage: The team sets performance targets to improve its assets over time. The day-to-day management of a building is closely guided through the Operational Performance Strategy. This strategy is focused on setting and achieving performance targets for the operation of a building based on an appropriate benchmark for the class and use of each particular building. Once a benchmark is set, the team then actively monitors, manages, analyses and reports on the actual achievement of these targets, and institutes continual improvement. To drive sustained asset performance the team:

- trains operations staff to manage properties more efficiently
- considers life cycle analysis in the replacement of plant and equipment
- considers the needs of a building's occupiers, and
- has a detailed Tenant Engagement Strategy, including a Green Lease Strategy (which includes a green lease schedule, a tenant fit-out guide and house rules, governing the operation of the asset).

3. Enhance: The team seeks to refurbish or redevelop to a high environmental standard when undertaking development works. When undertaking refurbishment or redevelopment works, the team aims to improve the environmental standard of its assets. The team targets a minimum of 5-star Green Star ratings and 5-star NABERS Energy ratings on new developments. The team also takes into account the effects on communities and ensures the buildings are integrated into the social community, and provides the appropriate infrastructure. The procurement policy takes into account ESG in dealing with suppliers.

4. Create value: The team focuses on the sustainability of its assets because it is good business practice: improving the efficiency of assets reduces operational costs. From an owner's perspective, a more sustainable building will typically attract higher income. As such, responsible property investment is a key factor in maintaining property valuations over time, which is aligned with fiduciary responsibility and the long-term interests of unit-holders. The responsible property investment program results in real efficiencies being achieved across many of the assets managed on behalf of investors. For example, in the listed Commonwealth Property Office Fund, the team has been recording results for some time. Since 2006, properties in this fund are 29% more energy efficient, 26% more water efficient, and emit 30% less emissions per square metre. On one particular asset \$3.2 million was spent over a four-year period, replacing equipment with more efficient plant, retrofitting, and introducing a number of management efficiency measures, resulting in a 48.5% reduction in CO₂ and a return of over 14% per

annum.

5. Engage: CFSGAM Property takes a leadership role in working with industry bodies to consistently review and improve the way ESG is practised within the property sphere in Australia and globally. The team assists in providing feedback and guidance to proposed regulation. Memberships and partnerships include:

- Signatory to the United Nations Principles of Responsible Investment (PRI) through CFSGAM
- Member of the Investor Group on Climate Change (IGCC), through CFSGAM, and member of the Property Working Group
- Board member of the Green building Council of Australia (GBCA)
- Member of and prior Co-chairman of the UNEP-FI Property Working Group
- Membership of and current chair of the Property Council of Australia (PCA) National sustainability Round-table
- Board representation on, and corporate donor to the Property Industry Foundation
- Melbourne 1,200 buildings Partnership with Melbourne City Council, and
- Signatory membership to the better building Partnership between owners and the City of Sydney.

6. Through its parent body, CFSGAM Property is also a signatory to the UN Global Compact.

☐ No

Property monitoring and management

PR 15

Mandatory

Core Assessed

PRI 2,3

PR 15.1

Indicate the proportion of property assets for which your organisation, and/or property managers, set and monitored ESG targets (KPIs or similar) during the reporting year.

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

(in terms of number of property assets)

PR 15.2

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

ESG issues

☒ Environmental

List up to three example targets per issue

Emissions and energy reduction targets. See annual report for details: page 39: Annual Report 2013 See additional information tab.

Water reduction targets. See annual report for details (page 39): Annual Report 2013. See additional information tab.

Waste reduction targets, as well as targets to improve recycling, see annual report page 39: Annual Report 2013 See additional information tab.

☒ Social

List up to three example targets per issue

Tenant engagement strategies per office building and per tenant. See page 17 and 41 of the 2013 annual report. See additional information tab.

Formal "materiality framework for ongoing stakeholder engagement. See page 38 and 41 of the annual report: Annual Report 2013. See additional information.

Green Lease for all new leases. See page 38 and 41 of the 2013 annual report. See additional information.

☒ Governance

List up to three example targets per issue

Reporting according to the GRI G4 framework for the 2014 annual report. See page 41 of the annual report:

We maintain independent assurance of sustainability performance data, metrics and processes. See page 412 of the annual report: Annual Report 2013 See additional information tab.

We demonstrate our successes through case studies, see the website: Case studies See additional information tab.

☐ We do not set and/or monitor against targets

Our CFSGAM Property's Operational Performance Strategy (OPS) covers the management and operation of property assets by specifying practices to implement ESG considerations in each building under management. The OPS serves to embed efficiency improvements throughout the assets' operations, for the benefit of all stakeholders. This approach seeks to maintain and enhance asset value, mitigate operational and legislative risk, achieve full operational potential and provide quality accommodation for tenants in conjunction with social and financial objectives, to achieve a balanced outcome. The ESG principles underlying the OPS are to:

- benchmark the environmental footprint of the funds which hold the assets, and the individual properties managed
- responsibly improve the operational performance and efficiency of all assets over time by setting measurable short and long-term targets as appropriate
- explore and implement as appropriate, the adoption of management and design practices, systems and technologies which promote innovative performance solutions
- understand and influence the associated supply chain activities - influence, direct and educate key stakeholders to act in a sustainable manner, and
- report and disclose performance in a format that is tailored to suit the information user (transparent, consistent, relevant and inclusive).

Centres creating communities: The shopping centres that CFSGAM Property manages form an integral part of communities in which they are located and so have the ability to interact with these communities. They are more than just an attractive place for customers to shop and retailers to operate; they help create better communities, by being vibrant focal points for their communities. In this regard, RPI means collaborating to achieve the best outcomes for all stakeholders of the centres. CFSGAM Property provides space, facilities and funds to local community organisations, charities and schools.

Direct property life cycle analysis: CFSGAM Property's life cycle analysis model was borne from the need to find drivers for sustainability across shopping centre assets. Unlike office assets, where there are drivers in the forms of legislation and tenant requirements, retail property doesn't have these drivers. The life cycle analysis model assesses whether the owners will realise a return if additional capital is spent to save on operating costs in the future. This analysis allows for the selection of more efficient items of plant and equipment which otherwise may not have been selected due to capital costs being too high. Life cycle analysis presents opportunities to improve returns to owners, which then flow through various aspects of the property management business. For example, by improving the long-term efficiency and sustainability credentials of the assets and bringing the assets in line with world class standards.

Tenant Engagement Strategy: CFSGAM and the JLL Management Team have developed Property Specific Strategies for engaging with building tenants, regarding all initiatives relative to the delivery of sustainable efficiency improvements, for the benefit of all stakeholders. In line with the recently released Colonial Green Leasing Strategy and the 2009 Sustainability Operational Performance Strategy, we need to encourage tenants and contractors to both take part and be informed, as to what is happening from a sustainability perspective on the site. This Tenant Engagement Strategy aims to provide a framework to Property Management Teams to deliver a consistent message to the Tenants, Contractors and Service Providers. It is expected that the Property management teams will deliver a Sustainable Message every three months or

when appropriate, for their respective site(s). The message is intended to keep tenants engaged and informed on how the property is performing in all facets of sustainability.

PR 16	Voluntary	Additional Assessed	PRI 2
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PR 16.1	List the certification schemes, ratings and/or benchmarks your property assets are assessed against and what proportion of your property assets they apply to.
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☒ Add certification scheme, rating and benchmark 1

Specify	NABERS, GreenStar, Built
Proportion of property assets these apply to	<input checked="" type="radio"/> >90% of property assets <input type="radio"/> 51-90% of property assets <input type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets (in terms of number of property assets)

☒ Add certification scheme, rating and benchmark 2

Specify	NABERS Water
Proportion of property assets these apply to	<input checked="" type="radio"/> >90% of property assets <input type="radio"/> 51-90% of property assets <input type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets (in terms of number of property assets)

☒ Add certification scheme, rating and benchmark 3

Specify	Green Star, Design, Built ratings
Proportion of property assets these apply to	<input type="radio"/> >90% of property assets <input type="radio"/> 51-90% of property assets <input checked="" type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets (in terms of number of property assets)

PR 16.2

Additional information.

All our funds respond to GRESB, and our ratings are world leading. CPA and CFX are rated second and third globally for listed REITS.

Property developments and refurbishments

PR 17**Mandatory****Core Assessed****PRI 2****PR 17.1**

Indicate the proportion of active property developments and refurbishments where ESG issues have been considered.

- ☒ >90% of active developments and refurbishments
- ☐ 51-90% of active developments and refurbishments
- ☐ 10-50% of active developments and refurbishments
- ☐ <10% of active developments and refurbishments
- ☐ N/A, no developments and refurbishments of property assets are active

(by number of active property developments and refurbishments)

PR 17.2

Indicate if the following ESG considerations are typically implemented and monitored in your property developments and refurbishments.

- ☒ Minimum environmental site selection requirements
- ☒ Minimum environmental site development requirements
- ☒ Sustainable construction materials
- ☒ Minimum water efficiency requirements
- ☒ Minimum energy efficiency requirements
- ☐ Energy generation from on-site renewable sources
- ☒ Waste management plans at sites
- ☒ Health and safety management systems at sites
- ☒ Construction contractors comply with sustainability guidelines
- ☐ Other, specify

PR 17.3	Additional information. [Optional]
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All redevelopments we undertake incorporate extensive local community and council consultation prior to commencement.

Development and refurbishment: As part of the 'Enhance' stage of the investment process the team seeks to refurbish or redevelop to a high environmental standard when undertaking development works. When undertaking refurbishment or redevelopment works, the team aims to improve the environmental standard of its assets. The team targets a minimum of 5-star Green Star ratings and 5-star NABERS Energy ratings on new developments. The team also takes into account the effects on communities and ensures the buildings are integrated into the social community, and provides the appropriate infrastructure. The procurement policy takes into account ESG in dealing with suppliers.

Occupier engagement

PR 18	Mandatory	Core Assessed	PRI 2
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PR 18.1	Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year.
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- ☐ >90% of occupiers
- ☒ 51-90% of occupiers
- ☐ 10-50% of occupiers
- ☐ <10% of occupiers

(in terms of number of occupiers)

PR 18.2	Indicate if the following practises and areas are typically part of your, and/or your property managers', occupier engagements.
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- ☒ Distribute a sustainability guide to occupiers
- ☒ Organise occupier events focused on increasing sustainability awareness
- ☒ Deliver training on energy and water efficiency
- ☒ Deliver training on waste minimisation
- ☒ Provide feedback on energy and water consumption and/or waste generation
- ☒ Provide feedback on waste generation
- ☒ Carry out occupier satisfaction surveys
- ☐ Other, specify

PR 18.3	Additional information. [Optional]
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Although the answer in PR 18.1 indicates 51-90%, the engagement at office assets is close to 100%, and retail assets is lower, bringing the average to this answer.

We believe that it is essential for owners and tenants to work together to improve the sustainability credentials and reduce the environmental footprint of buildings. The aim of the CFSGAM Green Lease Strategy is:

1. To allow landlords and tenants to operate buildings to improve sustainability in a way that is commercially feasible,
2. To assist in removing barriers to energy efficiency and sustainability in buildings, and
3. To monitor, manage and reduce demand for resources and utilise them as efficiently as possible to the mutual benefit of all parties, while reducing carbon emissions.

Community programs: The centres we manage form an integral part of communities in which they are located and we have the ability to interact with those communities. They are more than just an attractive place for customers to shop or retailers to operate; they help create better communities. Our shopping centres aim to be a vibrant focal point of their communities that are attractive not only for customers but also for tenants and our staff. PRI means collaborating to ensure we get the best outcomes for all stakeholders of our centres. We have an integrated green transport plan at Chadstone Shopping Centre. We provide space, facilities and funds to local community organisations, charities and schools to raise money. This year, CFX centres donated the equivalent of over \$800,000. In addition, all redevelopments we undertake incorporate extensive local community and council consultation prior to commencement.

PR 19	Voluntary	Additional Assessed	PRI 2
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PR 19.1	Indicate the proportion of all leases signed during the reporting year that used green leases or the proportion of Memoranda of Understandings (MoUs) with reference to ESG issues.
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Indicate the proportion of all leases signed during the reporting year that used green leases or the proportion of Memoranda of Understandings (MoUs) with reference to ESG issues.

- ☐ >90% of leases or MoUs
- ☐ 51-90% of leases or MoUs
- ☒ 10-50% of leases or MoUs
- ☐ <10% of leases or MoUs
- ☐ 0% of leases or MoUs
- ☐ N/A, no leases or MoUs were signed during the reporting year

(in terms of number of leases or MoUs)

PR 19.2	Additional information.
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All our office leases include a green lease schedule, however our retail leases do not yet contain these schedules, as the retail market is as yet not prepared to accept these conditions.

Community engagement

PR 20	Voluntary	Additional Assessed	PRI 2
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PR 20.1

Indicate in respect of what proportion of property assets your organisation, and/or your property managers, engaged with the community on ESG issues during the reporting year.

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

(in terms of number of property assets)

PR 20.2

Indicate if the following areas and activities are typically part of your, and/or your property managers', community engagement.

- ☐ ESG education programmes for the community
- ☒ ESG enhancement programmes for public spaces
- ☒ Research and networking activities focusing on ESG issues
- ☐ Employment creation in communities
- ☒ Supporting charities and community groups
- ☐ Other, specify

Outputs and outcomes

PR 21	Voluntary	Additional Assessed	PRI 1,2
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PR 21.1

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

Financial performance

- ☒ We measure how ESG issues affect financial performance

PR 21.2

Describe the measures your organisation uses to assess the impact of your approach to ESG issues on your property investments' financial performance.

See page 39 and 40 of our CPA annual report: Annual Report 2013

http://www.cfsgam.com.au/uploadedFiles/Content/Property/CPA/Investor_Centre/Reports_and_presentations/130820%20-%20CPA%20annual%20report%20for%20ASX%20FINAL.pdf

and pages 41 and 42 of the CFX annual report: CFX Annual Report

http://www.cfsgam.com.au/uploadedFiles/Content/Property/CFX/Investor_centre/Reports_and_presentations/130820%20-%20CFX%20annual%20report%20for%20ASX%20FINAL.pdf

☐ We do not measure how ESG issues affect financial performance

ESG performance

☒ We measure changes in ESG performance

PR 21.3

Describe the measures your organisation uses to assess the impact of your activities on your property investments' ESG performance.

We use avoided costs as a measure of financial impact on our funds see page 39 of the CFP annual Report as an example: Annual Report 2013

We use intensity metrics to measure the reductions in energy and water, as well as emissions and recycling. Again refer to page 39 of the annual report for an example: Annual Report 2013

☐ We do not measure changes in ESG performance

PR 22**Voluntary****Descriptive****PRI 1,3****PR 22.1**

Provide examples of ESG issues that affected your property investments during the reporting year.

☒ Add Example 1

ESG issue	See below comment
Types of properties affected	
Impact (or potential impact) on investment	
Activities undertaken to influence the investment and the outcomes	

- ☐ Add Example 2
- ☐ Add Example 3
- ☐ Add Example 4
- ☐ Add Example 5

PR 22.2	Additional information. [Optional]
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This is adequately described in our annual reports as indicated elsewhere in this response.

We also have an Adaptation and Resilience Policy guiding our actions to climate change, and our NABERS Energy programme drives our mitigation activities.

Communication

PR 23	Mandatory	Core Assessed	PRI 6
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PR 23.1	Indicate if your organisation proactively discloses ESG information on your property investments.
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- ☒ Disclose publicly

	provide URL
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<http://www.cfsgam.com.au/au/property/Sustainability/Reporting/>

PR 23.2	Indicate if your organisation uses property specific reporting standards to disclose information related to your property investments' ESG performance.
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- ☐ Global Reporting Initiative (GRI) Construction & Real Estate Sector Supplement (CRESS)
- ☒ Other property reporting standards, specify
- GRI-G4 in 2014
- ☐ No property specific reporting standards are used

PR 23.3	Indicate if the level of ESG information you provide to the public is the same as the level you provide to your clients/beneficiaries.
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- ☒ Yes

**PR
23.4**

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

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

**PR
23.5**

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

- ☐ Quarterly or more frequently
- ☐ Semi annually
- ☐ Annually
- ☐ Every two years or less frequently
- ☒ Ad-hoc, specify
during investor updates

**PR
23.6**

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

See the website links and annual reports.

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

PR 23.7

Additional information. [Optional]

See under the "sustainability" tab on the URL's as well as in the Annual Reports in the same URL.

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

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%
Total	100%

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

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 type="radio"/> <10% <input checked="" type="radio"/> 0%
Total	100%

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.
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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
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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/

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.

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. This is done through the active asset management strategy. 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:

16. Environmental and social risks impacting materially on earnings, including contingent liabilities.
17. 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.
18. 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.

INF 05	Mandatory	Core Assessed	PRI 1-6
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INF 05.1	Indicate if your organisation has a responsible investment policy for infrastructure.
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☒ Yes

INF 05.2	Provide a URL if your policy is publicly available. [Optional]
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http://www.cfsgam.com.au/au/insto/About_Us/Responsible_investment/Policies/

☐ No

INF 05.3	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

INF 06	Mandatory	Core Assessed	PRI 1,4,6
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INF 06.1	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

INF 06.2

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

- ☒ 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
 - ☐ 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

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

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

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

Voting rights (control/negative control)
Independence on board structures
Remuneration and incentives

INF 10.2 Additional information. [Optional]

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 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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INF 11.1 Indicate what type of ESG information your organisation typically considers during your infrastructure investment selection process.

- ☒ 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

INF 11.2	Additional information.
-----------------	-------------------------

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.

INF 12	Voluntary	Additional Assessed	PRI 1
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INF 12.1	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

INF 12.2	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.
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☒ 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

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

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

Performance incentives

Board structure (diversity, independence)

Reporting and transparency

☐ We do not set and/or monitor against targets

INF 15.3 Additional information. [Optional]

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.

INF 16

Mandatory

Additional Assessed

PRI 2

INF 16.1

Indicate if you track the proportion of your infrastructure investees that have an ESG/sustainability-related policy (or similar guidelines).

☒ Yes

INF 16.2

Indicate the proportion of your infrastructure investees that have an ESG/sustainability-related policy (or similar guidelines).

- ☐ >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****INF 18.1**

Indicate the proportion of active infrastructure maintenance projects where ESG issues have been considered.

- ☐ >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]

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.

Stakeholders engaged

☒ Regulators

Percentage of infrastructure assets these apply to

- ☒ >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

- ☒ >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
--	--

- ☒ >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
--	--

- ☐ >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.
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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.

For example, the CEO of our regulated water utility in the UK has been directly engaged with regulators and politicians on corporate governance and environmental operational outcomes over the last 6 months or so to ensure appropriate outcomes for the business.

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.

Outputs and outcomes

INF 20	Voluntary	Additional Assessed	PRI 1,2
INF 20.1	Indicate whether your organisation measures how your approach to ESG issues in infrastructure investments has affected financial and/or ESG performance.		

Financial performance

- ☉ We measure how ESG issues affect financial performance

INF 20.2

Describe the measures your organisation uses to assess the impact of your approach to ESG issues on your infrastructure investments' financial performance.

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.

- We do not measure how ESG issues affect financial performance

ESG performance

- ☉ We measure changes in ESG performance

INF 20.3	Describe the measures your organisation uses to assess the impact of your activities on your infrastructure investments' ESG performance.
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Measures include:

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

☐ We do not measure changes in ESG performance

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.
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
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.enwl.co.uk/sustainability>

**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 and/or your clients/beneficiaries.

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

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
22.4**

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

Public

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

Clients/Beneficiaries

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

INF 22.5	Describe the ESG information and how your organisation proactively discloses it to the public and/or clients/beneficiaries. [Optional]
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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
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INF 23.1	Describe your organisation's approach to disclosing ESG incidents in infrastructure investments to your investor clients.
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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.