PRI Principles for Responsible Investment

RI TRANSPARENCY REPORT

2013/14

Legg Mason Asset Management Australia Limited

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

This document is based on information reported by signatories and responses have not been independently audited by the PRI Secretariat, PRI working groups, or any other third party. While this information is believed to be reliable, no representations or warranties are made as to its accuracy and no responsibility or liability can be accepted for any error or omission.

Copyright © 2013 PRI Association. All rights reserved

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	✓	Public							✓
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	-	n/a							✓
OA 07	Governance, management structures and RI processes	-	n/a							✓
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	-	n/a				✓	✓	✓	
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	-	n/a							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

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	🔒	n/a	✓						
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	🔒	n/a	✓						
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		✓				✓	

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

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	-	n/a		✓					
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	🔒	n/a		✓					
LEA 06	Objectives for engagement activities	🔒	n/a		✓					
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	✓	Private		✓					
LEA 14	Examples of ESG engagements	✓	Public		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Private		✓					
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	-	n/a		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

Legg Mason Asset Management Australia Limited

Reported Information

Public version

Organisational Overview

PRI disclaimer

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

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

Basic Information

OO 01	Mandatory	Gateway/Peering	General

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

% of assets under management (AUM) in ranges

- ○ <10%
- ◉ 10-50%
- ○ >50%

☐ Other, specify

☐ Execution and advisory only services

OO 02	Mandatory	Peering	General

OO 02.1 Select the location of your organisation's headquarters.

United States

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

- ○ 1
- ○ 2-5
- ○ 6-10
- ◉ >10

OO 03.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

34

OO 03	Mandatory	Descriptive	General

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

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		3	124	646	611
Currency	AUD				
Assets in USD		2	822	489	712

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 04.4 Additional information. [Optional]

Legg Mason Asset Management Australia Limited comprises an asset management fund business ("Legg Mason Australia") that offers investment strategies across Australian and global equities, bonds and alternative investments, and an Australian equities asset management business ("Legg Mason Australian Equities") that manages assets across a range of Australian equity strategies. Legg Mason Asset Management Australia is owned by Legg Mason, Inc. which is a holding company and is one of the largest publicly traded asset managers in the United States. Its common stock is traded on the New York Stock Exchange (symbol: LM US Equity)

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 broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	10-50%	10-50%
Fixed income – corporate	0	<10%

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

Fixed income – government	0	<10%
Fixed income – other	0	0
Private debt	0	0
Private equity	0	0
Property	<10%	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	<10%	<10%
Other (1), specify	0	0
Other (2), specify	0	0

○ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png,.bmp and .gif)

OO 07	Mandatory to Report Voluntary to Disclose	Peering	General

OO 07.1	Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds.

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

	% of externally managed assets
Segregated mandate(s)	◉ 0% ○ <10% ○ 10-50% ○ >50 %
Pooled fund(s)	○ 0% ○ <10% ○ 10-50% ◉ >50 %
Total externally managed assets	*100%*

OO 07.2 Indicate the proportion of your externally managed assets in fund-of-funds.

	% of externally managed assets
Fund-of-funds	○ 0% ○ <10% ◉ 10-50% ○ >50 %

OO 08	Mandatory to Report Voluntary to Disclose	Peering	General

OO 08.1 Indicate the breakdown of your organisation's AUM by market.

Market breakdown	**% of AUM**
Developed Markets	○ 0% ○ <10% ○ 10-50% ◉ >50 %
Emerging, Frontier and Other Markets	◉ 0% ○ <10% ○ 10-50% ○ >50 %

OO 09	Voluntary	Descriptive	General

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

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.

Legg Mason, is a diversified group of global asset management firms ("affiliates") who are recognized for their proven investment expertise and long-term performance. The principal investment affiliates of Legg Mason are among the industry leaders in their respective areas of specialization, with unique investment approaches that have been developed over decades. The distinctive Legg Mason "multi-affiliate" business model provides clients with a broad spectrum of Equity, Fixed Income, Liquidity and Alternatives solutions, from mutual funds to college savings plans to variable annuities to separately managed accounts.

Legg Mason affiliates operate with investment autonomy, with each affiliate pursuing its own unique investment philosophy and process and maintaining its own investment culture, in order to create sustainable value for its clients. Legg Mason provides global distribution and invests in growth through core strategic services including capital allocation for product development, investing in our existing affiliates and making new acquisitions.

Legg Mason has served investors for over 110 years. Today as a pure global asset manager, we remain steadfast in our commitment to helping investors achieve their long-term financial goals. Throughout our history, Legg Mason has developed a strong culture and sense of purpose that has guided generations of employees and helped us to succeed across market cycles. Integral to our success as a firm and to delivering value for our clients is our vision: "Our vision is to be a proven leader in global asset management by delivering specialized investment solutions that meet our clients' objectives and by rewarding our shareholders and employees." Our fundamental values include Integrity, Collaboration, Passion for results, Empowerment and Commitment to our Profession.

Legg Mason is committed to being a responsible corporate citizen and is working with leading partners in industry, government and the non-profit world to ensure that our sustainability practices meet global standards. Legg Mason believes that investment performance can be combined with sustainability objectives and that sound environmental, social and governance practices are indicators of long term economic viability. Via the investment affiliates there is a long history of providing investment solutions that integrate environment , social and governance concerns into the portfolio construction process for both the institutional and individual investors. Via the investment affiliates Legg Mason manages socially responsible mutual funds which fund boards oversee.

Legg Mason has a Code of Conduct which applies to all officers, directors and employees. Legg Mason expects its employees to follow the highest standards of honest conduct and business ethics, applying both the knowledge of rules and regulations as well as common sense and personal integrity in all aspects of business.

Key areas of Compliance include:

Compliance with Laws and regulations

Conflicts of Interest Gifts and Entertainment Related to Company

Insider Trading

Fair Dealing

Business Confidential Information

Our fundamental beliefs are straightforward: Legg Mason must deal with our clients fairly and in good faith. Legg Mason must never put the firm's interests ahead of those of our clients. Legg Mason must never compromise our personal ethics or integrity, or even give the appearance that Legg Mason may have done so. For further detail please refer to the following website:

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

http://www.leggmason.com/about/mission_strategy.aspx

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.

- ☑ We incorporate ESG issues into investment decisions on our internally managed assets
- ☐ We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes
- ☑ We engage with companies on ESG issues via our staff, collaborations or service providers
- ☑ We cast our (proxy) votes directly or via service providers
- ☐ None of the above

OO 11	Mandatory	Gateway	General

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.

- ☑ Property
- ☐ Cash
- ☐ None of the above

OO 11.2 Indicate if in the reporting year you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes in the following externally managed asset classes.

- ☐ Fixed income – corporate
- ☐ Fixed income – government
- ☐ Cash
- ☑ None of the above

OO 12	Mandatory	Gateway	General

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.

Core modules

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

RI implementation directly or via service providers

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

Direct - Listed Equity incorporation

☑ Listed Equity incorporation

Direct - Listed Equity active ownership

☑ Engagements

☑ (Proxy) voting

Direct - Other asset classes with dedicated modules

☐ Property

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.

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

Legg Mason Asset Management Australia Limited

Reported Information

Public version

Overarching Approach

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.

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General

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

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

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]

Legg Mason Australian Equities believes that our primary duty is to act in the best interests of clients. In managing investment portfolios, we believe that this duty is met by achieving the highest rate of return within the scope of the mandate.

Our research philosophy is that all elements of risk and value should be incorporated in company valuations. These factors include Environment, Social& Governance (ESG) issues. We believe that ESG factors impact the long term intrinsic value of companies in our investment universe. By incorporating these factors into our company valuations we are enhancing our ability to deliver sustainable, long term investment performance.

We recognise that ESG issues represent risks and opportunities for companies which need to be captured in valuations. We don't see ESG as a tool to negative screen stocks out of our portfolios; instead can help us identify companies who we believe can improve their ESG position or whose ESG issues are overly discounted to the market.

We actively engage with companies with regular meetings throughout the year, giving opportunities to discuss any ESG issues. We also engage with ISS, corporate governance and proxy voting provider.

Proxy Voting is an important example of active ownership. We have a policy that documents how we are to vote on all meetings taking into consideration corporate governance and shareholder's rights.

Legg Mason Australia believes that ESG factors impact the sustainability, quality and performance of our firm. As such, we have improved our performance in relation to these factors through staff engagement, through leadership and improved corporate and social responsibility. We are also initiating measurement of the ESG practices of our affiliate fund managers and third party providers. The outcome is a strengthened Legg Mason Australia form a corporate responsibility standpoint.

Reflecting the importance of ESG issues, we are a signatory to the Principles of Responsible Investment.

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.

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

	URL

http://www.leggmason.com.au/en/pdf/news/2012_Responsible_Investments_Policy.pdf

○ No

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

○ Yes

◉ No

OA 03	Mandatory	Core Assessed	PRI 1,2

OA 03.1	Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
☑ Policy setting out your overall approach	◉ Applicable policies cover all AUM
☑ (Proxy) voting policy	○ Applicable policies cover a majority of AUM
☐ Engagement/active ownership policy	○ Applicable policies cover a minority of AUM
☐ Specific guidelines on corporate governance	
☐ Specific guidelines on environmental issues	
☐ Specific guidelines on social issues	
☐ Asset class-specific guidelines	
☐ Screening/exclusion policy	
☐ Other, specify	
☐ Other, specify	

OA 03.2	Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]

To supplement the offiical Responsible Investment Policy at Legg Mason Asset Management Australia of which is available publically, we also have various other policies which cover differing aspects of investment which is an integral part of our processes. This includes Proxy Voting policy, Investment Structure Policy and Process Policy. Both of which incorporate areas of Responsible Investment within them.

OA 04	Mandatory	Core Assessed	General

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

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]

Legg Mason Asset Management Australia Limited's (LMAMAL) has a specific approach to managing conflicts of interest and is designed to address the obligation under the Corporations Act and SIS to have in place adequate arrangements for the management of conflicts of interest.. LMAMAL's policies and processes ensure that it has a robust infrastructure for managing conflicts which apply to the entirety of its business operations.

○ 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

Governance and human resources

OA 08 | **Mandatory** | **Gateway/Core Assessed** | **General**

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

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

	Roles present in your organisation

☑ Board members or trustees

- ☑ Oversight/accountability for responsible investment
- ☐ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☑ 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

☑ 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

- ☐ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☐ Other role, specify

☐ Other role, specify

OA 08.2	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

	Number
1	

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

OA 08.3	Additional information. [Optional]

While Legg Mason Australia has one dedicated staff member within the Investment team who is responsible for oversight of ESG implementation, we consider our ESG processes to be another aspect of investment implementation of ESG and so subsequently we consider all of our investment team to be dedicated towards responsible investment acting in the best interests of our clients to achive this.

OA 09	Voluntary	Additional Assessed	General

OA 09.1	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.

Board members/Board of trustees

- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

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

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

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

☐ 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

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

☐ Association for Sustainable & Responsible Investment in Asia

☐ Australian Council of Superannuation Investors

☑ CDP Climate Change

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

☑ Basic

☐ Moderate

☐ Advanced

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

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

The 2013 CDP S&P 500 Climate Change Report, which measures the quality of

climate change data submitted to the global marketplace through CDP, named

Legg Mason to their prestigious 2013 Climate Disclosure Leadership Index (CDLI).

☐ CDP Forests
☐ CDP Water
☐ CFA Institute Centre for Financial Market Integrity
☐ Council of Institutional Investors (CII)
☐ Eumedion
☐ Extractive Industries Transparency Initiative (EITI)
☐ Global Investors Governance Network (GIGN)
☐ Global Real Estate Sustainability Benchmark (GRESB)
☐ Institutional Investors Group on Climate Change (IIGCC)
☐ Interfaith Center on Corporate Responsibility (ICCR)
☐ International Corporate Governance Network (ICGN)
☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)
☐ 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

☐ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
☐ Shareholder Association for Research and Education (Share)
☐ United Nations Environmental Program Finance Initiative (UNEP FI)
☐ 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

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

OA 11.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

◉ Yes

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

☐ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations

☑ Provided financial support for academic or industry research on responsible investment

☐ Encouraged better transparency and disclosure of responsible investment practices across the investment industry

☐ Spoke publicly at events and conferences to promote responsible investment

☐ Wrote and published in-house research papers on responsible investment

☐ Encouraged the adoption of the PRI

☐ Other, specify

○ No

ESG issues in asset allocation

OA 13	Voluntary	Descriptive	PRI 1

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 13.3	Additional information.

We consider ESG issues as a collective process in the investment space and we incorporate this accordingly.

OA 14	Voluntary	Descriptive	PRI 1

OA 14.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

○ Yes

◉ No

Asset class implementation not reported in other modules

OA 15	Voluntary	Descriptive	General

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

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
Property	For the Property asset class we incorporate ESG issues as we would for our other classes.As an asset management business, Legg Mason Australian Equities believes that environmental, social and governance factors can impact the long term intrinsic value of companies in the Australian equities investment universe. Accordingly, our investment process incorporates environmental, social and governance factors directly into company valuations. We consider these factors to be an integral part of the investment process, as opposed to their use as a negative screen to constrain an investment universe. Incorporating environmental, social and governance factors into company valuations enhances our ability to deliver sustainable long term investment performance and improves the investment process.

Assurance of responses

OA 19	Voluntary	Additional Assessed	General

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.

The reported information has been collated by a Legg Mason Australia ESG committee incorporating Board members and CIO and validated internally

○ No

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

Legg Mason Asset Management Australia Limited

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.

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

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

☐ Passive

☑ Active – quantitative (quant)

	% of internally managed listed equities

○ <10%

◉ 10-50%

○ >50%

☑ Active – fundamental and other active strategies

	% of internally managed listed equities

○ <10%

○ 10-50%

◉ >50%

LEI 02	Voluntary	Descriptive	PRI 1

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

LEI 02.1	Provide a brief overview of how you incorporate ESG issues in listed equity investments.

As an asset management business, Legg Mason Australian Equities believes that environmental, social and governance factors can impact the long term intrinsic value of companies in the Australian equities investment universe. Accordingly, our investment process incorporates environmental, social and governance factors directly into company valuations. We consider these factors to be an integral part of the investment process, as opposed to their use as a negative screen to constrain an investment universe. Incorporating environmental, social and governance factors into company valuations enhances our ability to deliver sustainable long term investment performance. Reflecting the importance of environmental, social and governance issues, we are a signatory to the Principles for Responsible Investment.

Why Environment, Social and Governance considerations matters

Legg Mason Australian Equities believes that environmental, social and governance issues can impact a company's normalised earnings and intrinsic value, and therefore its long term performance. Specifically, we believe that environmental, social and governance factors can increase or reduce the risk of companies not delivering the cashflows that our analysts have forecast. Environmental, social and governance factors are one of a number of factors considered in determining company valuation - these factors alone do not exclude a company from the investment universe.

How we rate companies on Environment, Social and Governance considerations

Legg Mason Australian Equities incorporates environmental, social and governance considerations into its fundamental Australian equity research effort, which values companies by focussing on normalised earnings and intrinsic value. MSCI raw data is fed into our analyst models, this is updated regularly by a dedicated member of the investment team, which rates a company under coverage on each of its environmental, social and governance factors. For our governance measures, we also source data from Riskmetrics (ISS), Bloomberg and Reuters. These specific ratings on environmental, social and governance feed into an overall Quality rating for each company. The ESG specialist in the investment team is also responsible for highlighting any broker research or publically available information to the specific sector analyst in relation to ESG which can impact the Quality score of companies.This Quality score then becomes an important component of a company's specific discount rate. From a portfolio management perspective, we are willing to take larger positions in stocks with a higher Quality rating.

More specifically, the environmental, social and governance criteria are rated on the following:

• Environmental: environmental impact of products and services; environmental policies reporting; environmental management; potential penalties for non compliance; environmental awards; and other areas of sustainability related to company's industry.

• Social: community relations and philanthropy; human rights; indigenous issues; products associated with social problems (gaming, alcohol, tobacco); supply chain issues (including stakeholder/customer relations); responsible investing, bribery; and employee relations.

• Governance: board/committee structure and independence; legal and compliance procedures (corporate governance, trade practices, fair trading); instances of organised shareholder activism; governance awards and commentaries; and executive, director and auditor remuneration levels.

How Environment, Social and Governance considerations impact the Quality Rating

The Quality rating for each company directly impacts our fundamental valuation of each company in the investment universe. The Quality rating is updated by our analysts each time they update a company valuation. Our Quality rating is an explicit fundamental assessment of each company with a

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

focus on:

• management and environmental, social and governance issues;

• balance sheet and liquidity;

• cash returns and their resilience; and

• business model and overall business strength.

With regard to management and environmental, social and governance issues, the main questions upon which we are rating each company are:

• is it a good corporate citizen?;

• where is the company's alignment of interests?; and

• does it have a good corporate culture?

How Environmental, Social and Governance influences stock selection

Valuation is a key component of the stock selection process for each Legg Mason Australian Equities investment strategy. The valuations are derived by forecasting cash flows; the most important forecast is normalised earnings. Valuations are then discounted at a rate that reflects how likely these forecasts are to be achieved. We believe that environmental, social and governance considerations can impact a company's valuation in two main ways:

• Quality rating (and therefore its discount rate), as discussed; and

• normalised earnings.

How Environmental, Social and Governance impacts Normalised Earnings

• We consider all aspects of a company's "licence to operate": corporate governance; treatment of all stakeholders (including employees and shareholders); impact on the community and environment; and operational sustainability.

• Normalisation of earnings includes an estimate of the economic impact of sustainability issues.

• We assess each aspect from a functionality perspective; e.g. whether/how a company considers issues, the depth of consideration and cost of rectification as it impacts normalised earnings and returns:

o corporate governance including: board structure (degree of independence on boards to ensure protection of minority shareholders), remuneration, appropriate management and corporate reporting systems, business conduct guidelines (to guard against conflicts of interest, insider trading and other issues such as financial inducements, bribery and political contributions);

o treatment of stakeholders including: employee compensation and protection, community initiatives, environmental awareness and details on rehabilitation programs, consideration of applicable government policies, awareness of impact at a wider regional level and shareholders financial interests; and

o community issues including: human rights, community relationships, integration and corporate foundation initiatives, environmental impacts (issues of environmental management and systems, closure planning, climate change and biodiversity).

• Quantified examples in our research include:

normalisation of commodity prices using full life cycle costing of new entrants and cost curve analysis with sustainability overlay, rehabilitation costs of mining and mineral processing operations, property

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

environmental compliance, etc.

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%)	% 100

☐ Screening + Integration strategies

☐ Thematic + integration strategies

☐ 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.

We believe ESG processes are another aspect of analysing companies which feeds into the Quality rating and incorporate them accordingly.

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

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
☐ Screened stock list
☐ Issue-specific analysis or ratings
☐ 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.

MSCI data, broker research

LEI 04.3 Indicate if you incentivise brokers to provide ESG research.

◉ Yes

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

LEI 04.4	Describe how you incentivise brokers.

Brokerage is paid for specific ESG related research and is inucded in budgets as would any other reserach.

○ 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.

(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.

Legg Mason Australian Equities incorporates environmental, social and governance considerations into its fundamental Australian equity research effort, which values companies by focussing on normalised earnings and intrinsic value. MSCI raw data is fed into our analyst models, this is updated regularly by a dedicated member of the investment team, which rates a company under coverage on each of its environmental, social and governance factors. For our governance measures, we also source data from Riskmetrics (ISS), Bloomberg and Reuters. These specific ratings on environmental, social and governance feed into an overall Quality rating for each company. The ESG specialist in the investment team is also responsible for highlighting any broker research or publically available information to the specific sector analyst in relation to ESG which can impact the Quality score of companies.This Quality score then becomes an important component of a company's specific discount rate. From a portfolio management perspective, we are willing to take larger positions in stocks with a higher Quality rating.

LEI 11	Mandatory	Core Assessed	PRI 1

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

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	◉ We systematically review the potential significance of environmental issues and investigate them accordingly ○ We occasionally review the potential significance of environmental issues and investigate them accordingly ○ We do not review environmental issues
Social	◉ We systematically review the potential significance of social issues and investigate them accordingly ○ We occasionally review the potential significance of social issues and investigate them accordingly ○ We do not review social issues
Corporate Governance	◉ We systematically review the potential significance of corporate governance issues and investigate them accordingly ○ We occasionally review the potential significance of corporate governance issues and investigate them accordingly ○ We do not review corporate governance issues

LEI 11.2	Additional information. [Optional]

Through using raw data (MSCI ratings) which feed directly into analysts models as well as any broker research and/or publically available information on ESG we are able to capture specific ESG isues accordinlgy as we would any other factor in stocks.

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

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

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 13	Voluntary	Additional Assessed	PRI 1

LEI 13.1	Indicate into which aspects of investment analysis you integrate ESG information.

☐ (Macro) economic analysis

☐ Industry analysis

☑ Analysis of company strategy and quality of management

- ◉ Systematically
- ○ Occasionally

☐ Idea generation

☐ Portfolio construction

☑ 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

☐ Other, specify

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.

☑ Integration of ESG issues

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

	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 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

Integration of ESG issues
◉ Yes ○ No

	b) Reduced funds' risk or volatility

Integration of ESG issues
◉ Yes ○ No

	c) Improved funds' ESG performance

Integration of ESG issues
◉ Yes ○ No

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

We believe that environmental, social and governance factors can impact the long term intrinsic value of companies in the Australian equities investment universe. Accordingly, our investment process incorporates environmental, social and governance factors directly into company valuations. We consider these factors to be an integral part of the investment process and by incorporating environmental, social and governance factors into company valuations we can enhance our ability to deliver sustainable long term investment performance.

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

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
- ◉ We disclose it to clients and/or beneficiaries only

LEI 18.3 Indicate the information your organisation proactively discloses to clients/ beneficiaries regarding your approach to ESG incorporation.

- ◉ Broad approach to ESG incorporation
- ○ Detailed explanation of ESG incorporation strategy used

LEI 18.4 Indicate how frequently you typically report this information.

- ○ Quarterly or more frequently
- ◉ Between quarterly and annually
- ○ Less frequently than annually
- ○ Other, specify

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

LEI 18.5 Additional information. [Optional]

This information is disclosed on request and on annual surveys for our clients

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

Legg Mason Asset Management Australia Limited

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.

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

Engagement

Overview

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	☑ To support investment decision-making (e.g. company research) ☐ To influence corporate practice (or identify the need to influence) on ESG issues ☑ To encourage improved ESG disclosure ☐ Other, specify ☐ We do not engage via internal staff
Collaborative engagements	☐ To support investment decision-making (e.g. company research) ☐ To influence corporate practice (or identify the need to influence) on ESG issues ☐ To encourage improved ESG disclosure ☐ Other, specify ☑ We do not engage via collaborative engagements
Service provider engagements	☐ To support investment decision-making (e.g. company research) ☐ To influence corporate practice (or identify the need to influence) on ESG issues ☐ To encourage improved ESG disclosure ☐ Other, specify ☑ We do not engage via service providers

Process

Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

LEA 03.1	Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

- ○ Yes
- ◉ No

LEA 04	Mandatory	Core Assessed	PRI 2

LEA 04.1	Indicate if you define specific objectives for your engagement activities.

- ○ Yes
- ◉ 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.

Monitoring the actions that companies take following engagements is done by specific analysts and/or Portfolio Managers within the Investment team on an ad hoc basis where applicable. This is done by further discussions with the company and/or evidence of changes to the areas of concerns (eg changes to board composition, remuneration policies, safety practices& policies, environmental practices & policies) and any other relevant ESG factor that we engaged the company on.

- ○ 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.

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

Type of engagement	Insights shared
Individual/Internal staff engagements	○ Yes, systematically ◉ Yes, occasionally ○ No

LEA 09.2 Additional information.

Insights gained from enagements can be considered to affect the Quality Rating of companies which in turn becomes important component of a company's specific discount rate. From a portfolio management perspective, we are willing to take larger positions in stocks with a higher Quality rating. Through engagement of companies insight is ascertained as to the quality and transparency of management which in turn highlights issues/risks to our specific investments.These are shared with the investment team through presentations by the analyst and/or portfolio manger.

LEA 10 | **Mandatory** | **Gateway/Core Assessed** | **PRI 2**

LEA 10.1 Indicate if you track the number of companies you engage with.

Type of engagement	Tracking engagements
Individual / Internal staff engagements	○ Yes, we track the number of our engagements in full ○ Yes, we partially track the number of our engagements ◉ No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers ○ No, we do not track and cannot estimate our engagements

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	2

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

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	○ > 50% ○ 10-50% ○ <10% ◉ None

LEA 12	Voluntary	Additional Assessed	PRI 2

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	☐ Environmental ☐ Social ☑ Corporate Governance ☐ We do not track this information

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

	Individual / Internal staff engagements

	% Corporate Governance only
	100

100%

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

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

Topic or ESG issue	Governance - engagement on remuneration practices
Conducted by	☑ Individual / Internal
Objectives	During the year we have engaged with 2 companies voicing our concerns over remuneration policies. Our concerns were around the fact that they were not a true reflection on what we would consider a good corporate citizen to do nor were these inline with their respective peers.
Scope and Process	Specific phone calls and meetings occured with our analysts and the companies voicing our concerns over these remuneration policies/practices.
Outcomes	One of the companys concerned consquently changed a proposal for an upcoming meeting reflecting these changes. Another company had their remuneration policy voted down in a meeting and have since indicated significant changes to this.

☐ Add Example 2

☐ Add Example 3

☐ Add Example 4

☐ Add Example 5

☐ Add Example 6

☐ Add Example 7

☐ Add Example 8

☐ Add Example 9

☐ Add Example 10

Communication

LEA 15	Mandatory	Core Assessed	PRI 2,6

LEA 15.1 Indicate whether your organisation proactively discloses information on its engagements.

○ We disclose it publicly

◉ We disclose it to clients and/or beneficiaries only

LEA 15.3 Indicate what engagement information your organisation proactively discloses to clients/beneficiaries.

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

	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

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

This information is disclosed on request from clients or via surveys

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

LEA 15.6	Additional information. [Optional]

This information is available on request from clients or via surveys

(Proxy) voting and shareholder resolutions

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.

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

	Based primarily on

○ the service provider voting policy signed off by us

◉ our own voting policy

○ our clients requests or policy

○ other, explain

○ 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 19	Voluntary	Descriptive	PRI 2

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:

◉ for a majority of votes

○ for a minority of votes

☐ 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.

Our votes are lodged with ISS who provide us with a detailed report on votes lodged and confirmed. Our compliance department conducts a monthy audit on all items voted on

LEA 20	Voluntary	Additional Assessed	PRI 2

LEA 20.1	Indicate if your organisation has a securities lending programme.

○ Yes

◉ No

LEA 21	Mandatory	Core Assessed	PRI 2

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

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:

- ☐ votes in selected markets
- ☑ votes on certain issues (all markets)
- ☐ votes for significant shareholdings (all markets)
- ☐ other, explain

○ No

○ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

LEA 21.2	Additional information. [Optional]

We will always participate in active discussions with management where we feel appropriate in acting in our client's best interests.

Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2

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

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

LEA 23.1	Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.

◉ Yes, we track this information

LEA 23.2	Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management proposals	% 95
Against (opposing) management proposals	% 5
Abstentions	% 0

100%

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

Shareholder resolutions are treated the same way as any other resolutions.
We see these votes cast in a way designed to ensure that proxies are voted in the best interests of clients.
Voting decisions are made on a case by case basis by an assessment of the matter at hand and after taking into consideration the recommendation made by our voting advisory service (ISS)

○ No, we do not track this information

LEA 24	Voluntary	Descriptive	PRI 2

LEA 24.1	Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.

○ Yes

◉ No

Communication

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment

LEA 26	Mandatory	Core Assessed	PRI 2,6

LEA 26.1 Indicate if your organisation proactively discloses information on your voting activities.

- ○ We disclose it publicly
- ◉ We disclose it to clients/beneficiaries only

LEA 26.3 Indicate the voting information your organisation proactively discloses to clients/beneficiaries.

Indicate how much of your voting record you disclose

- ◉ All voting decisions
- ○ Some voting decisions
- ○ Only abstentions and opposing vote decisions
- ○ Summary of votes only

Indicate what level of explanation you provide

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

LEA 26.4 Indicate how frequently you typically report voting information.

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

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

Copyright © 2013 PRI Association. All rights reserved

PRI Principles for Responsible Investment