Stewart Investors Global Emerging Markets Leaders Sustainability Fund (CFSIL)

2023 Annual Review - Fund Data

Stewart Investors

For institutional clients and adviser use in Australia only
Issued by Colonial First State Investment Limited (CFSIL)

Contents

This report should be read in conjunction with the Stewart Investors 2023 Annual Review

	Page
Sharing the stories of all companies – Portfolio Explorer	3
Human development pillars – positive social outcomes	4
Climate change solutions – positive environmental outcomes	5
Harmful or controversial products, services or practices	6
Engagement and proxy voting	8
Climate data	9

Sharing the stories of all companies - Portfolio Explorer

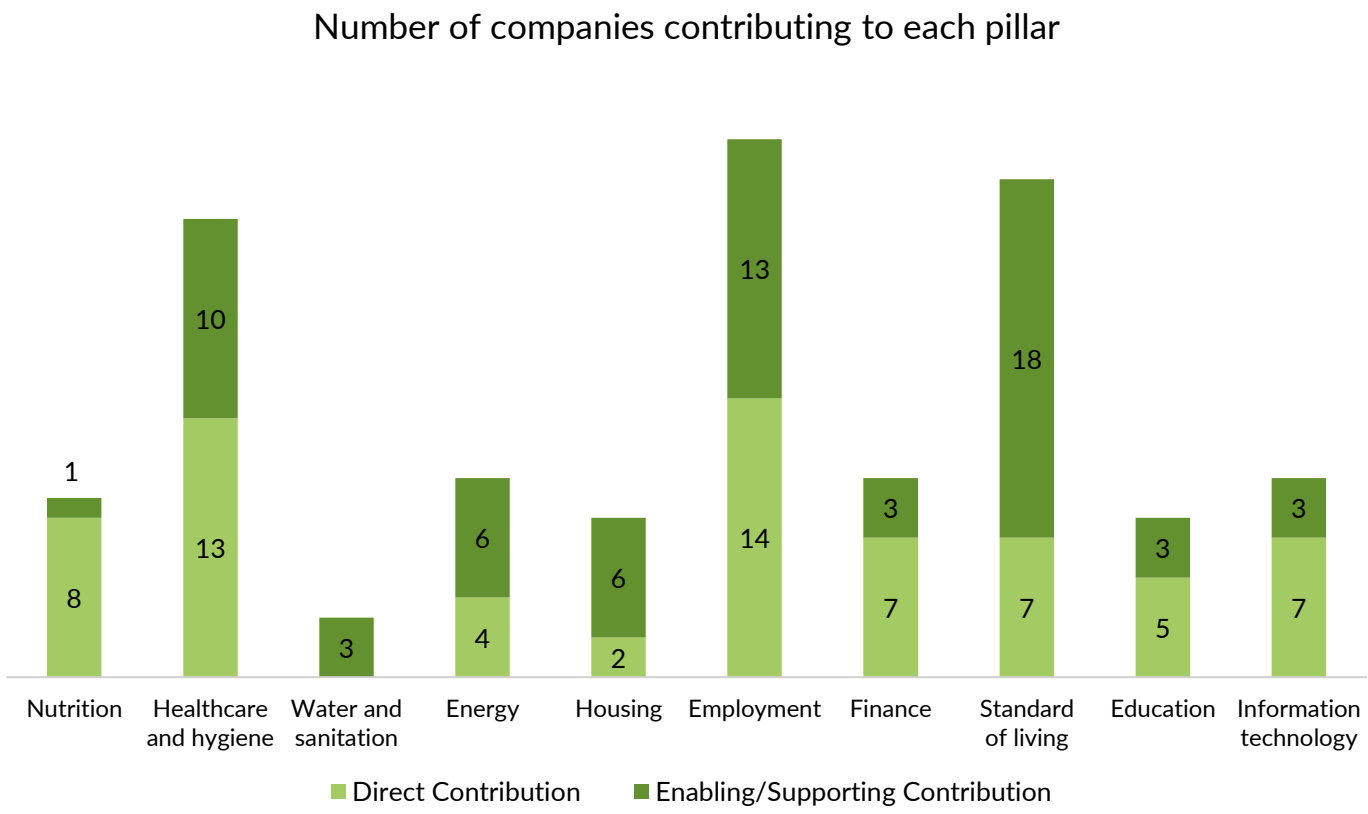
Full website address: https://www.stewartinvestors.com/all/how-we-invest/our-approach/portfolio-explorer.html

Human development pillars – positive social outcomes

Adapted from the three components of the United Nations Human Development Index (income, education and health), we have determined 10 pillars within four broad themes that encapsulate the essence of human development and can be mapped to companies. Each investee company must contribute tangibly to at least one of the pillars.

- Health and well-being – improved access to and affordability of nutrition, health care, hygiene, water and sanitation
- Physical infrastructure – improved access to and affordability of energy and housing
- Economic welfare – safe employment offering a living wage and opportunities for advancement, access to finance and improved standards of living
- Opportunity and empowerment – improved access to and affordability of education and information technology

As at 31 December 2023, the Fund held 47 companies. All companies (100%) were contributing to at least one human development pillar and, in total, were making 133 contributions to the pillars.



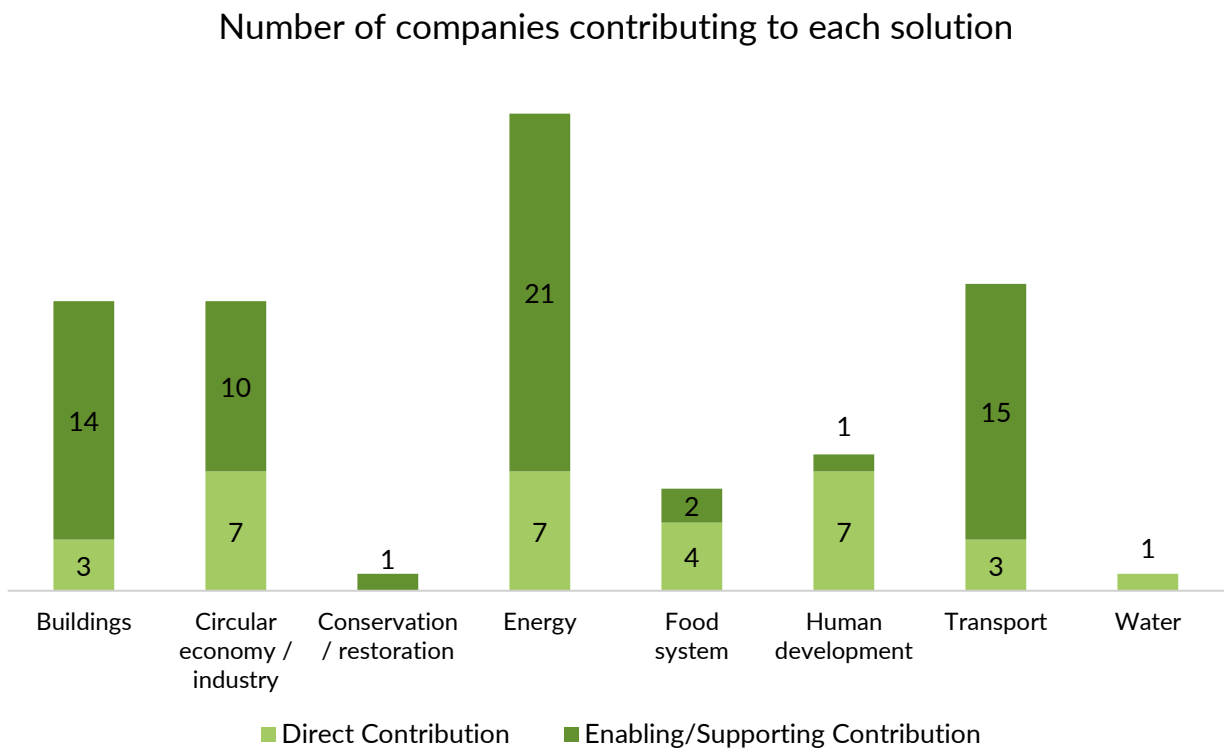
Visit our website to read more on this topic: stewartinvestors.com

Source: Stewart Investors and company data. Number of pillars and companies as at 31 December 2023 for the Stewart Investors Global Emerging Markets Leaders Sustainability Fund (CFSIL). The Human Development Index (HDI) is a broad measure of human development created for the United Nations inspired by economist Amartya Sen and his concept of 'development as freedom.' It includes metrics related to income, education, and health. Contributions are defined by the team as demonstrable contributions to any solution, either direct (directly attributable to products, services or practices provided by that company), or enabling (supported or made possible by products or technologies provided by that company).

Climate change solutions - positive environmental outcomes

Project Drawdown is a non-profit organisation founded in 2014, which has mapped, measured and modelled over 90 different solutions that it believes will contribute to reaching 'drawdown', – i.e. the future point in time when levels of greenhouse gases in the atmosphere stop climbing and start to steadily decline. We have captured the solutions across eight broader categories:

- Food system – sustainable farming, food production and the distribution of products and services
- Energy – adoption of renewable energy and other clean energy and related technologies
- Circular economy and industries – improved efficiency, reduced waste, and new business models for closing resource loops in linear value chains and production processes
- Human development – advancement of human rights and education that drive environmental conservation and sustainable use of resources
- Transport – efficient transport technologies and growth in fossil fuel-free transportation options
- Buildings – products and services which reduce the environmental footprint of the built environment, including energy efficiency, electrification, improved design, and use of alternative materials
- Water – less energy-intensive methods for treating, transporting and heating water
- Conservation and restoration – supporting deforestation-free and environmentally regenerative supply chains, operations and end-of-life impacts



As at 31 December 2023, the Fund held 47 companies. 30 companies (64%) were contributing to climate change solutions. These companies were contributing to 31 different solutions and, in total, were making 96 contributions to the solutions.

Visit our website to read more on this topic: stewartinvestors.com

Source: Stewart Investors, company data and © Project Drawdown (drawdown.org). Number of solutions and companies as at 31 December 2023 for the Stewart Investors Global Emerging Markets Leaders Sustainability Fund (CFSIL). Contributions are defined by the team as demonstrable contributions to any solution, either direct (directly attributable to products, services or practices provided by that company), or enabling (supported or made possible by products or technologies provided by that company). It is not to be read as implying that Project Drawdown has reviewed or otherwise endorsed the Stewart Investors framework.

Harmful or controversial products, services or practices

Our position statement on harmful and controversial products, services or practices

- We invest in the shares of companies we consider to be of high-quality and that we believe are well positioned to contribute to, and benefit from, sustainable development
- We believe that fully incorporating sustainability considerations into our investment process is the best way to protect and grow our client's capital. Subject to any exceptions, we do not invest in companies with material exposure to harmful or controversial products, services or practices
- The Fund's exposure to harmful or controversial products, services or practices is monitored on at least a quarterly basis. For harmful products and services which are revenue-generating, we apply a 5% revenue threshold (controversial weapons and tobacco production are 0%)
- In other areas where harmful or controversial activities are not attributable to revenue (for example, employee or supply chain issues) we use internal analysis and research from external providers to monitor and assess companies
- The assessment includes checks for compliance with the OECD Guidelines for Multinational Enterprises and the United Nations (UN) Guiding Principles on Business and Human Rights, UN global norms and exposure to high-risk sectors
- We disclose any exceptions to the position statement on our website and explain why we continue to own these companies

Visit our website to read our position statement in more detail: stewartinvestors.com

The OECD is the Organisation for Economic Co-operation and Development, an intergovernmental organisation.

Harmful or controversial products, services or practices

Our position statement on harmful and controversial products, services or practices

> During 2023 the Fund included the following holdings which flagged against the position statement. Below we provide our rationale for continuing to own each company:

Tata Consultancy Services (TCS)

UN Global Compact Principle 2 (Breach): Businesses should make sure that they are not complicit in human rights abuses

Reason for exception/holding: TCS has no direct involvement in nuclear weapons or energy, however our external research provider considers the company to be involved because its parent company, Tata Sons, owns greater than 50% of TCS

Tata Sons involvement is due to the company owning Tata Advanced Systems which acquired Tata Power's Strategic Engineering Division. The Strategic Engineering Division provides control systems for the Indian Navy's nuclear missile submarines

As India has not signed the Treaty on the Non-Proliferation of Nuclear Weapons, the external data provider considers Tata Sons and by extension TCS to be in support of the nuclear weapons programme of India

We disagree with this assessment and do not see anything in the activities or conduct of the company to question its sustainability positioning or the investment case

WEG

Activity exposure >5% revenue: Supporting Oil & Gas and Supporting Thermal Coal

Reason for exception/holding: The company manufactures and sells renewable energy solutions used in solar and wind power generation, hydroelectric power plants and biomass helping society to shift away from fossil fuel energy production. WEG also manufacture and sell energy efficient electric motors, which help their customers reduce their energy requirements and greenhouse gas emissions. Revenues derived from oil and gas supporting products and services, and thermal coal supporting products and services accounted for an estimated 2.5% per activity (5% in total) of the company's overall revenue in FY2022, according to the external research provider

Thermal coal exposure for supporting products and services was added by the external research provider in early 2023 and we contacted the company directly to check the 2.5% revenue estimates provided. Given that coal is not a strategic market segment for their products or customers, the company estimate that <1% revenues to be a more accurate reflection of their exposure

Visit our website to read our position statement in more detail: stewartinvestors.com

Source: Stewart Investors, external environmental, social and corporate governance (ESG) research provider data and company data. Company flag(s) against the position statement are for 2023 for the Stewart Investors Global Emerging Markets Leaders Sustainability Fund (CFSIL). Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell the same. All securities mentioned herein may or may not form part of the holdings of Stewart Investors' portfolios at a certain point in time, and the holdings may change over time.

Engagement and proxy voting

No company is perfect, and engagement and voting are key responsibilities for us as long-term shareholders in companies. We believe that engagement is a means to mitigate business risks, protect against potential headwinds (challenges) and improve sustainability outcomes. Engagement is fully integrated into the responsibilities of the investment team and contributes invaluable insights into their understanding of each company

Over the period and across our funds, we engaged on issues such as:

- Pollution, natural resource degradation, biodiversity and climate change – packaging, plastic pellets, deforestation, sustainability of supply chains (soy, palm oil and coffee), fossil fuel versus renewables, water, waste and energy efficiency
- Aligned remuneration and incentives – living wage, gender pay gap and complexity of incentives
- Animal testing/welfare – animal testing exposure
- Human rights and modern slavery – conflict minerals in the supply chains of semiconductors, trafficking, forced labour and child labour in the Asia Pacific region and public health
- Diversity, equity and inclusion – diversity, particularly gender, in senior management and on boards
- Addictive products – indirect exposure to tobacco, chemicals, gaming, adult entertainment, and sugar content in food
- Governance – corporate strategy and legal structure

Proxy voting is an extension of our engagement activities. It is not outsourced to an external provider or separate proxy voting/engagement team. We consider each proxy vote individually and on its own merits in the context of our knowledge about that particular company

- We provide voting rationales and have a live proxy tool on our website

During 2023 we engaged with 62% of Fund companies split by:

- Environmental issues 32%
- Social issues 23%
- Governance issues 45%

Fund voting activity: 2023	Count
Total proposals to vote on	536
Number of meetings to vote at	69
Number of companies that held voting meetings	44
Number of votes against management proposals	22
Number of votes abstained from voting	5
Number of shareholder proposals to vote on	0
Number of shareholder proposals to vote against	0
Number of shareholder proposals abstained from voting	0

Visit our website to read more on our engagement: stewartinvestors.com

Source: Stewart Investors. Engagement and voting records are for 2023 for the Stewart Investors Global Emerging Markets Leaders Sustainability Fund (CFSIL). Engagements may relate to one or multiple environmental, social or governance issues.


Climate data

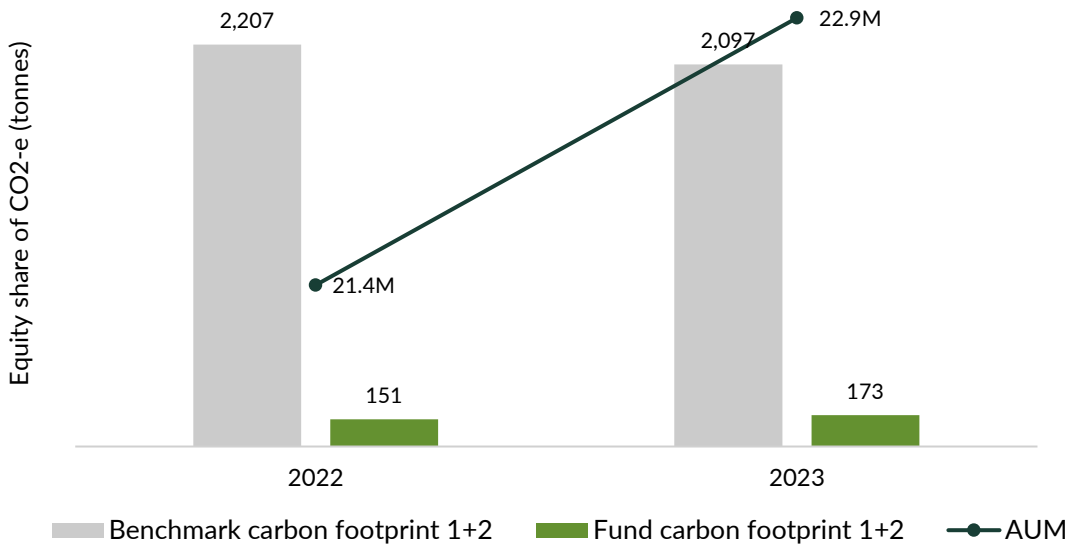
Climate change data considerations

Climate change is a complex issue. Attempting to measure the implications of climate change is impossible to do in a single metric and there are various limitations with the available data. The following pages include some of the most requested climate and carbon data measures that we are asked for by our clients. We highlight the following issues to be mindful of:

- Data quality and availability – while this has been improving, many companies do not report their emissions. This means that estimates are used instead
- Timing of data – data has a lag. Our external data provider updates data once all companies in a given year have reported. This is currently 2022 data. This results in a mismatch between holdings data (which is up to date) and carbon data sourced from the external provider. Regular updates during the year may also change current and historic data, which again could result in a mismatch of data depending on when the report is produced
- Methodology – we use the Partnership for Carbon Accounting Financials (PCAF) methodology to calculate the carbon footprints for our funds. Like all individual metrics it has limitations and needs to be considered alongside other relevant information
- Emissions intensity - is calculated as emissions divided by sales (revenue) and is intended to allow for comparison between companies of different sizes. While it is recommended by the Taskforce for Climate Related Financial Disclosures (TCFD), revenue can be influenced by unrelated factors like currency or commodity prices
- Emission scopes – we currently provide reporting for Scope 1 and Scope 2 emissions. Scope 1: All direct GHG emissions. Direct GHG emissions are emissions from sources that are owned or controlled by the reporting entity. Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam. The carbon emissions of a company's supply chain or the use of their products and services (Scope 3) is not included in carbon footprints and is difficult to measure. Stewart Investors does not invest in fossil fuel companies and considers Scope 3 emissions when investing and engaging with companies
- Other risks - including physical risks and the ability of company to transition to zero emissions are not captured in fund carbon footprints

Carbon footprint

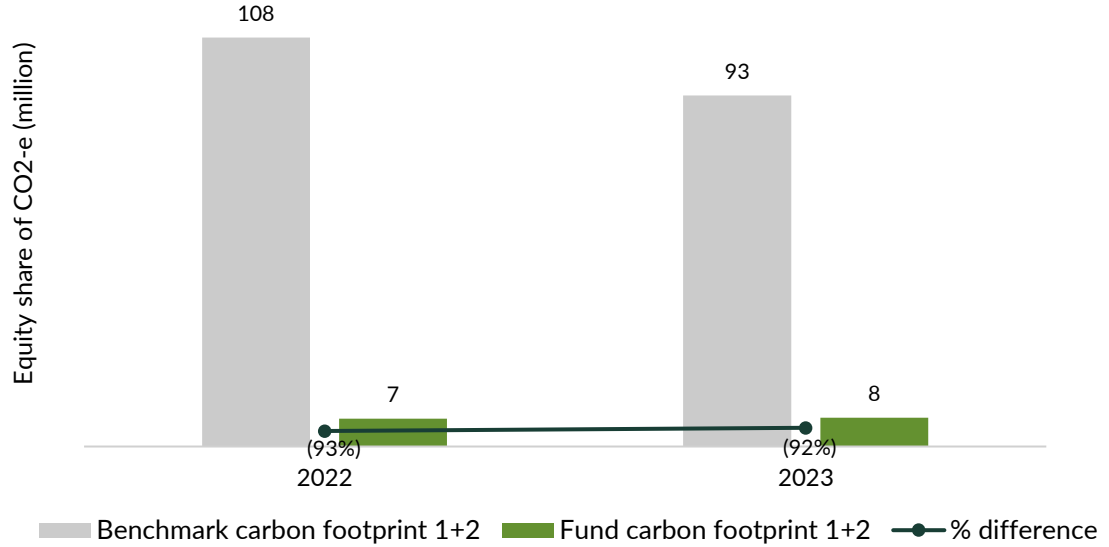
Total carbon footprint (Scope 1 + 2) vs benchmark



This metric measures the absolute greenhouse gas (GHG) emissions associated with a fund (Scope 1 and 2) expressed in tonnes of carbon dioxide emissions (tCO2e). Scope 1 and 2 emissions are allocated to investors based on an equity ownership approach (if an investor owns 10% of a company's total enterprise value, then they are allocated 10% of the company's emissions). This is sometimes called 'financed' or 'equity share' of emissions. Assets under management (AUM) is provided as, all other things being equal, higher AUM results in higher emissions. The benchmark value is calculated by assuming the benchmark has the same total value of investments as the fund

Uses: measure the carbon footprint of a fund over time and compare to benchmark emissions

Carbon footprint (Scope 1 + 2) per million invested



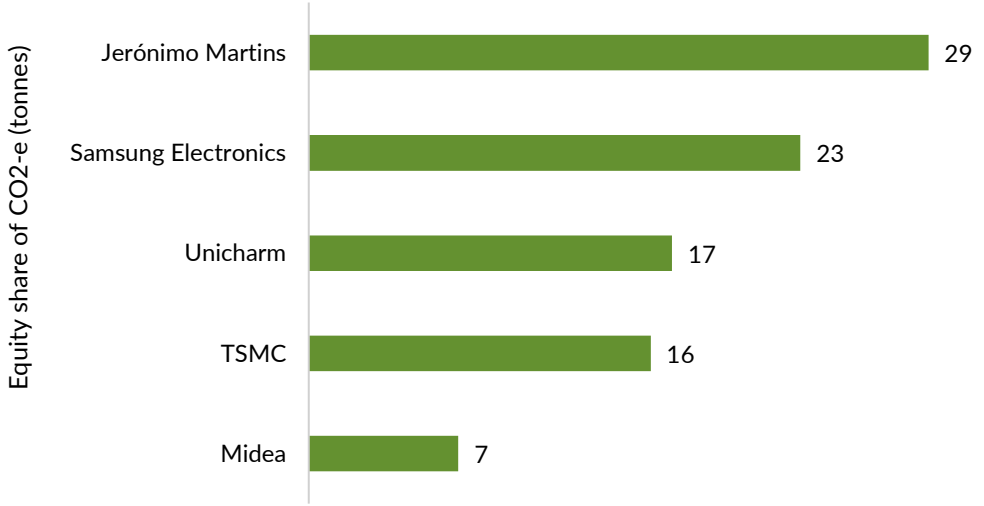
This metric measures the carbon emissions of a fund per million invested. Scope 1 and 2 emissions are allocated to investors in the same way as the total carbon footprint and is then normalised by fund value

Uses: this metric normalises the measure of a fund's contribution and is useful to compare funds of any size

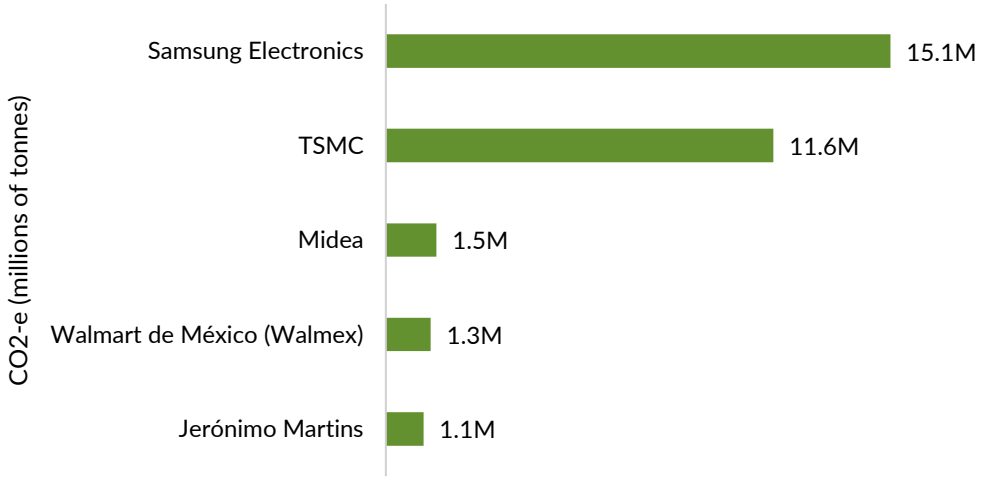
Fund: Stewart Investors Global Emerging Markets Leaders Sustainability Fund (CFSIL). AUM in AUD.
Benchmark: MSCI Emerging Markets Index.
Please note: Fund and benchmark holdings data up to 31 December 2023. Please see sources, data methodology and data reliability for further information.

Carbon footprint

Top 5 companies contributing the most to the total carbon footprint



Top 5 companies emitting the most carbon



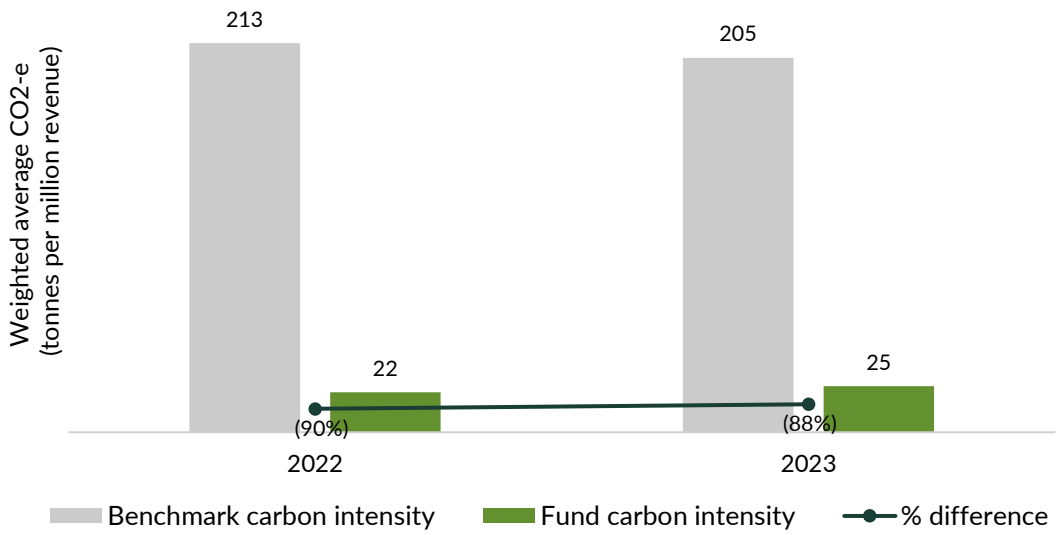
The companies contributing most to the fund carbon footprint (left chart) are different to the highest emitters overall (right chart) because they are calculated based on what percentage of the company the fund holds. This means a substantial holding in a relatively low emitting company can make a larger contribution than a small holding in a high emitting company. Company size also plays a role as the same amount of money invested results in different ownership percentages

Uses: because of these differences both measures are important for understanding the overall impact, and for prioritising company engagement activities

Fund: Stewart Investors Global Emerging Markets Leaders Sustainability Fund (CFSIL). Please note: Fund holdings data as at 31 December 2023. Please see sources, data methodology and data reliability for further information. Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell the same. All securities mentioned herein may or may not form part of the holdings of Stewart Investors' portfolios at a certain point in time, and the holdings may change over time.

Carbon intensity

Carbon intensity (Scope 1 + 2) vs benchmark

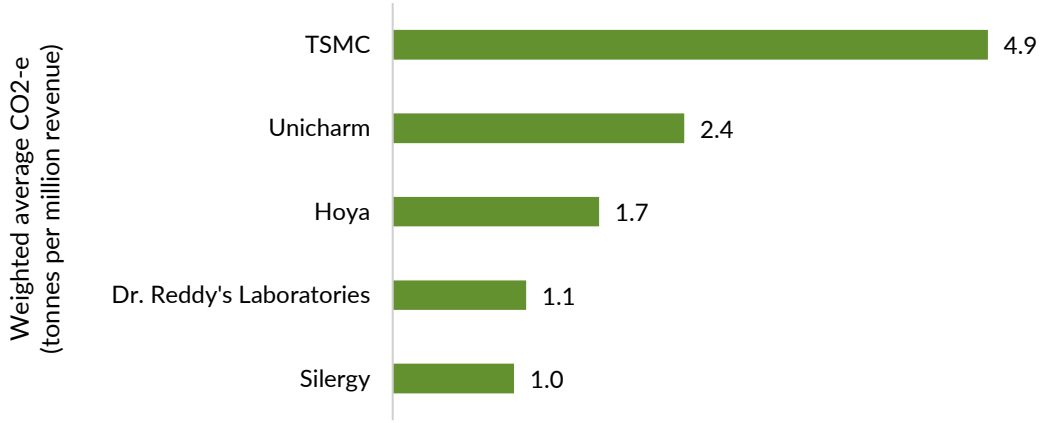


This metric captures each company's greenhouse gas emissions intensity (Scope 1 & 2) by dividing emissions by million sales. The emissions intensity is then averaged, weighted by the value of each holding in the fund. Intensity normalises company emissions by total sales, which means larger companies (with more revenues and emissions) can be compared to smaller companies. It should show which company is more efficient

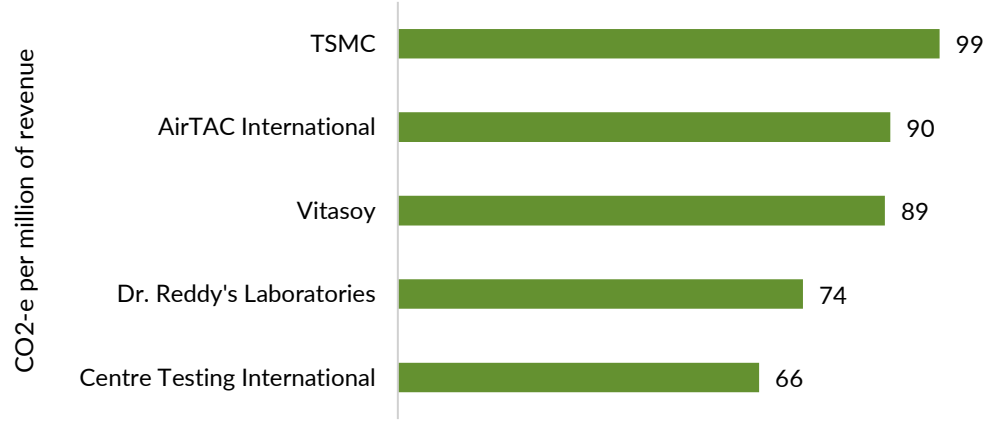
Largest company contributors to carbon intensity and highest intensity companies overall uses the same method as for the carbon footprint

Uses: to compare emissions intensity against a benchmark or other fund

Top 5 companies contributing the most to the total carbon intensity



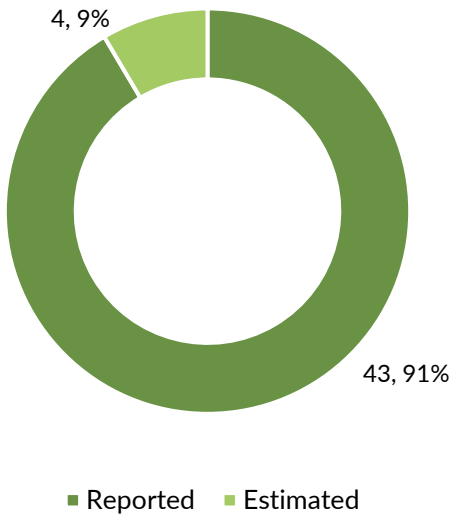
Top 5 companies with the highest intensity



Fund: Stewart Investors Global Emerging Markets Leaders Sustainability Fund (CFSIL). Benchmark: MSCI Emerging Markets Index. Please note: Fund and benchmark holdings data up to 31 December 2023. Please see sources, data methodology and data reliability for further information. Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell the same. All securities mentioned herein may or may not form part of the holdings of Stewart Investors' portfolios at a certain point in time, and the holdings may change over time.

Emissions disclosures

Fund companies with reported versus estimated emissions (count and %)



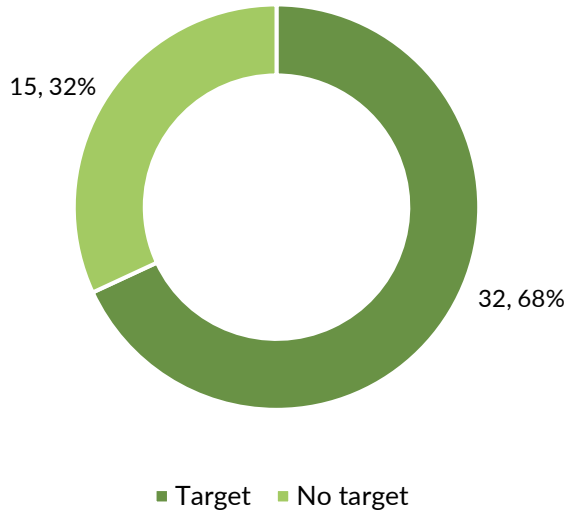
The carbon footprint and carbon intensity data on the previous pages includes estimates (by the external data provider) for companies who do not disclose emissions

We engage with companies and encourage them to disclose emissions as we do not believe emissions estimates (by any provider) are accurate. We do not validate the estimates provided

Fund: Stewart Investors Global Emerging Markets Leaders Sustainability Fund (CFSIL).
Please note: Fund holdings data as at 31 December 2023. Please see sources, data methodology and data reliability for further information.

Climate targets

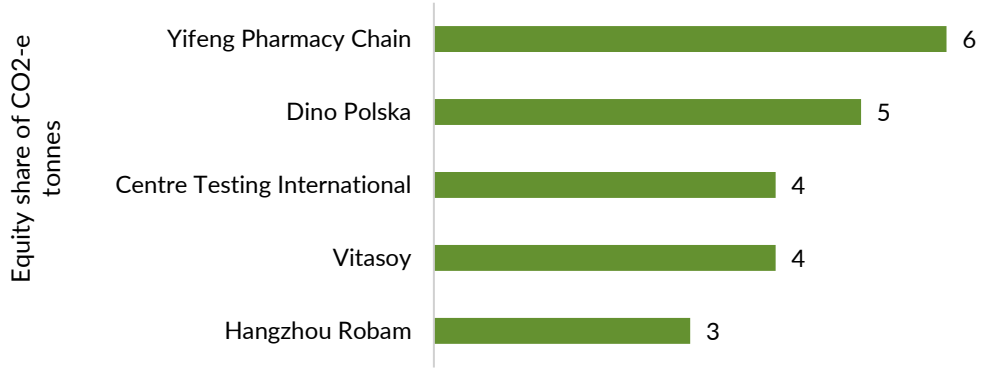
Fund companies with targets (count and %)



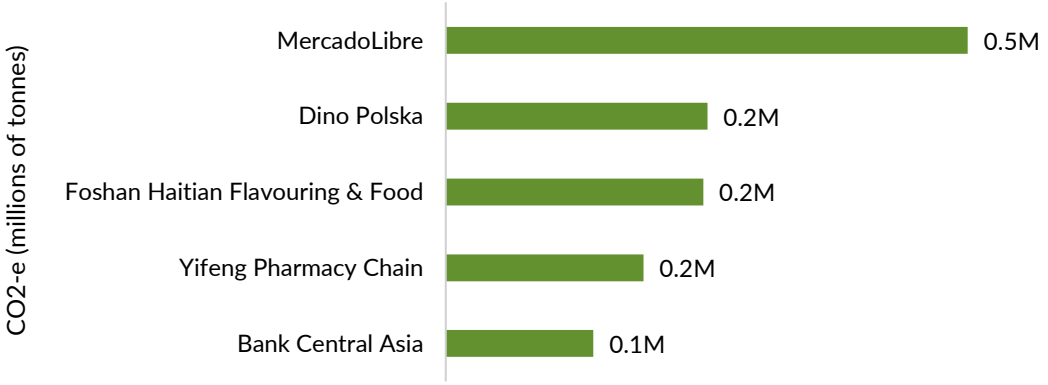
We commission research provider Net Purpose to collect and categorise carbon targets for all companies. We engage with companies and encourage them to set climate targets, preferably higher quality targets such as absolute emissions reduction targets including those certified by the Science Based Targets initiative (SBTi). The charts on the right are the companies contributing most to the fund carbon footprint (top right chart) and the highest emitters overall (bottom right chart) per the carbon footprint page but only showing companies that have not set climate targets

Uses: both measures are important for understanding where target gaps exist and for prioritising company engagement activities

Top 5 companies contributing the most to the total carbon footprint without targets



Top 5 companies emitting the most carbon without targets



Fund: Stewart Investors Global Emerging Markets Leaders Sustainability Fund (CFSIL). Please note: Fund holdings data as at 31 December 2023. Please see sources, data methodology and data reliability for further information. Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell the same. All securities mentioned herein may or may not form part of the holdings of Stewart Investors' portfolios at a certain point in time, and the holdings may change over time.

Sources, data methodology and data reliability

Carbon data. Source: ISS ESG Solutions. Fund data is updated to 31 December 2023. Carbon footprint data is the latest annual data available from the external provider and is provided once a year in January once emissions data for all companies in a given year have been reported (latest data available 2022). Regular updates during the year can impact latest and historic values. This data includes estimates for companies who do not disclose emissions.

AUM. Source: Stewart Investors. Figures have been converted from the base currency of each account using the WM Reuters 4pm exchange rate as at report date. All AUM figures are unaudited and may differ from final audited AUM figures when published. The AUM data provided is for information purposes only and should not be used for any other purpose.

Company target data sourced from Stewart Investors and Net Purpose as at 31 December 2023 holdings data. Underlying company data is based on the latest published and public company information.

For **emissions (footprint)** reporting we have used the Partnership for Carbon Accounting Financials (PCAF) methodology which calculates a shareholder's or lender's share of scope 1 and 2 emissions for each company it invests in. Scope 1 covers all direct greenhouse gas (GHG) emissions from sources that are owned or controlled by the reporting entity. Scope 2 covers indirect GHG emissions from the consumption of purchased electricity, heat or steam. An investor's share is based on the amount invested over the Enterprise Value including Cash (EVIC). For example, if a shareholder owns 10% of the company, it is allocated 10% of the company's emissions. For shareholders this is sometimes called 'financed' or 'equity share' of emissions. To calculate the benchmark comparisons we have used the same approach by assuming benchmarks hold the same total value of investments as comparable funds. We provide the total footprint, which is influenced by the size of the total value of the investment strategy (shown in 1000s of tonnes of CO2-e) and on a 'per 1 million invested' basis, which is useful for comparison purposes.

Carbon intensity is calculated as the weighted average of Scope 1 and 2 emissions per million of revenue of investee companies. The measure is commonly used to assess the carbon efficiency of an investment portfolio, however, there are many factors (e.g. commodity prices, currencies etc.) that will influence company revenues and consequently its carbon intensity by revenues. The measure is most useful for companies in the same industry that generate revenues in the same currency. For most companies an activity or output-based intensity measure is a better indicator of efficiency, however, this data is not commonly available.

Data reliability. We have made best efforts to ensure the data in this report is accurate and reliable. This has included comparing two different sources of information for emissions data (ISS) and company targets (Net Purpose). However, a significant number of companies still do not disclose their emissions or their disclosures are not consistent with widely adopted reporting standards like the Greenhouse Gas Protocol. There will also be a lag between information provided by data providers and the most recent published by companies. Where emissions information is not available, we have relied on estimates provided by the data providers. Estimates require assumptions that do not match individual companies' circumstances in the real world. We engage with companies to disclose emissions as we do not believe emissions estimates (by any provider) are accurate.

Important information

This material is for general information purposes only. It does not constitute investment or financial advice and does not take into account any specific investment objectives, financial situation or needs. This is not an offer to provide asset management services, is not a recommendation or an offer or solicitation to buy, hold or sell any security or to execute any agreement for portfolio management or investment advisory services and this material has not been prepared in connection with any such offer. Before making any investment decision you should conduct your own due diligence and consider your individual investment needs, objectives and financial situation and read the relevant offering documents for details including the risk factors disclosure. Any person who acts upon, or changes their investment position in reliance on, the information contained in these materials does so entirely at their own risk.

We have taken reasonable care to ensure that this material is accurate, current, and complete and fit for its intended purpose and audience as at the date of publication. To the extent this material contains any measurements or data related to environmental, social and governance (ESG) factors, these measurements or data are estimates based on information sourced by Stewart Investors from third parties including portfolio companies and such information may ultimately prove to be inaccurate. No assurance is given or liability accepted regarding the accuracy, validity or completeness of this material and we do not undertake to update it in future if circumstances change.

Selling restrictions

This material is intended for persons who are professional, sophisticated or wholesale clients and has not been prepared for and is not intended for persons who are retail clients.

The Product Disclosure Statement (PDS) and Information Memorandum (IM) for the Stewart Investors Global Emerging Markets Leaders Sustainability Fund ARSN 104 777 251/ APIR FSF1085AU (Fund), issued by Colonial First State Investments Limited (ABN 98 002 348 352, AFSL 232468) (CFSIL), should be considered before deciding whether to acquire or hold units in the Fund(s). The PDS or IM are available from Stewart Investors. The target market determination (TMD) for the Fund is available from First Sentier Investors on its website and should be considered by prospective investors before any investment decision to ensure that investors form part of the target market.

About First Sentier Investors

References to ‘we’, ‘us’ or ‘our’ are references to First Sentier Investors, a global asset management business which is ultimately owned by Mitsubishi UFJ Financial Group, Inc (MUFG). Our investment team operates under the trading name of Stewart Investors which is part of the First Sentier Investors Group.

This material may not be copied or reproduced in whole or in part, and in any form or by any means circulated without the prior written consent of Stewart Investors.

This material is communicated by First Sentier Investors (Australia) IM Ltd (ABN 89 114 194 311, AFSL 289017) (FSI AIM).

To the extent permitted by law, CFSIL, MUFG and its subsidiaries are not liable for any loss or damage as a result of reliance on any statement or information contained in this document. Neither MUFG nor any of its subsidiaries guarantee the performance of any investment products referred to in this document or the repayment of capital. Any investments referred to are not deposits or other liabilities of MUFG or its subsidiaries, and are subject to investment risk, including loss of income and capital invested.