STEWARDSHIP STATEMENT 2022 FOR THE MALAYSIAN CODE FOR INSTITUTIONAL INVESTORS

Eastspring Investments Berhad

31 December 2022

INTRODUCTION

Stewardship has always been strongly connected to our shared purpose – *Experts in Asia, Invested in Your Future*. It guides everything we do as an active asset manager to serve our clients' long-term financial interest. This includes putting responsible investing at the core of our investment approach as we acknowledge the importance of accountability to our clients for the stewardship of their assets entrusted to us.

As part of Eastspring group, Eastspring Investments Berhad is fully committed in this journey and has been a signatory to the Malaysian Code for Institutional Investors ("Code") since January 2021. The Code sets out broad principles of effective stewardship by institutional investors to ensure delivery of sustainable long-term value.

In 2022, we continued to invest in our responsible investing and stewardship capabilities with a new dedicated resource to drive concerted efforts to advance our practices with Eastspring group as well as with our parent company, Prudential plc ("Group"). Our ongoing collaborative engagement together with investors under the Asian Utilities Engagement Program facilitated by the Asia Investor Group on Climate Change have thus far yielded notable outcomes. Eastspring group is also proud to be one of the 600+ investors representing USD$42 trillion in AUM to support the 2022 Global Investor Statement to Governments on the Climate Crisis, expressing our collective voice to advocate governments to implement the policy actions needed to accelerate the transition to a net zero emissions economy.

The above highlights, alongside other progress we made this calendar year, are detailed in this stewardship statement. Building on last year's statement, this is our second statement describing our approach to responsible investing and stewardship and progress in applying the principles of the Code at Eastspring Investments Berhad. It is prepared in reference to the 2022 edition of the Code issued by the Institutional Investors Council Malaysia and is publicly available on our corporate website.

Raymond Tang
Chief Executive Officer
Eastspring Investments Berhad

PRINCIPLE 1

Disclosing Policies on Stewardship

Institutional investors should disclose the policies on their stewardship responsibilities and review the effectiveness of their stewardship activities.

At Eastspring Investments Berhad ("EIB"), responsible investing principles drive our asset management practice. Responsible investing includes the explicit incorporation of relevant Environmental, Social, and Governance ("ESG") issues into our activities as an investor – both before we make investment decisions and during the time we hold an investment. We seek to identify and take account of material issues in our investment decision-making process and in the way we conduct stewardship activities. When conducting research, all investment professionals at EIB are responsible for assessing and integrating the ESG risks and opportunities into the investment process, rather than outsourcing this responsibility to dedicated ESG or stewardship specialist.

All our stewardship activities with our investee companies, regulators and other stakeholders are guided by our Stewardship Policy, which is in line with our parent company Prudential plc's Group Responsible Investment Policy and focuses on three main areas: **Engagement**, **Proxy Voting** and **ESG Considerations**. Our policy will be reviewed to evolve over time to reflect changes in our internal strategies, or where we notice shifts in external expectations in line with industry best practices. The Stewardship Policy can be found in Appendix 1.

To ensure effective stewardship across firmwide, we have robust governance structure in place to uphold oversight and accountability at all levels:

- The Eastspring group Executive Management Committee ("EMC") drives and oversees the day-to-day operation of the firm globally. Eastspring group Sustainability Steering Committee, chaired by the Chief Executive Officer of Eastspring group, is designated responsibility by the Board of Directors of Eastspring group to oversee sustainability and responsible investment activities. It oversees four sustainability workstreams, comprising of cross-functional representation across our business, that collaborate to build capacity, make progress in priority areas and facilitate ongoing continuous improvement towards our own sustainability ambitions.
- The Eastspring Responsible Investment Working Group ("ERIWG") comprises of representatives across Eastspring group Local Business Units ("LBUs"), including EIB. It assists in implementing our Responsible Investment Framework. In turn, locally-represented teams are formed, as needed, to discuss practical and operational issues encountered in the application of the investment teams' policies.

This year, we continued to invest in our responsible investing and stewardship capabilities with a new dedicated resource to drive concerted efforts to advance our practices with Eastspring group as well as with our parent company, Prudential plc. Close to half of our investment team have completed either the Applied Responsible Investment or Advanced Responsible Investment Analysis course from PRI Academy and this is expected to increase progressively in the near future. All permanent company employees of EIB have completed an introductory course on responsible investment by WWF and this has been included as part of our new employee onboarding requirements.

PRINCIPLE 2

Monitoring Investee Companies

Institutional investors should monitor their investee companies.

As part of our investment process, we actively research and monitor our investee companies on a wide range of topics which could include financials, governance, corporate strategy, transparency, capital allocation and material ESG-related matters. Our analysts and portfolio managers have significant contact with the management of companies and cross check with suppliers, clients and competitors on these topics.

Our focus in all these regular interactions with our investee companies is on achieving a firm understanding of the underlying drivers of the company's long-term earnings power and how well they are managing material ESG risks and opportunities. These interactions are also instrumental for us to provide shareholder views on areas of concern to the investee companies.

This process is complemented by third party ESG data and rating provider MSCI ESG Research and informs the engagements on ESG issues with our investee companies. Controversy in our investee companies is one of the areas that we actively research and monitor. As and when a controversy occurs and if it is deemed material, it will trigger focused engagement with the management of the investee company to understand the root cause of the issue and their responses. Judgement will be applied to the company's responses to the controversy and we may choose to exit from the investment as a last resort where there is evidence to suggest that the identified controversy led to material risks that sufficiently impact our conviction. Details on our engagement approach can be found in the following section.

We also monitor our investee companies by exercising our voting rights via proxy voting. However, we may also elect to attend meetings if we want to pose questions to the board. Details on our voting approach can be found in page 6.

PRINCIPLE 3

Engaging Investee Companies

Institutional investors should engage with investee companies as appropriate and collaborate with other investors to enhance engagement outcomes.

Engagement is core to our stewardship responsibilities as an active owner for risk mitigation and sustainable value creation over the long term. We leverage on our market exposures and expertise to foster long-term collaborative relationships with investee companies to deepen collective understanding and tackle material issues including ESG risks and opportunities. Where there are material ESG factors that can be key risks to long term sustainable earnings of a company, the issue will be escalated with company management and recorded on our ESG engagement log. The engagement objective and topics covered are specific to each company. This requires a patient approach supported by ongoing monitoring and engagement to drive behavioral transformation and systemic changes in our investee company.

As part of our investment process, we encourage business and management practices that support sound management of environmental and social risks, effective governance and sustainable financial performance through constructive engagement based on our in-depth knowledge of the companies and their business environment. ESG data availability remains a systemic challenge for our market thus where gaps are identified we encourage our investee company to make quantitative and qualitative ESG disclosures publicly.

We believe that collaboration among investors is an effective way to address ESG issues and maximize investor influence. Eastspring group is a member of Asia Investor Group on Climate Change ("AIGCC") and Climate Action 100+ and EIB is a member of Institutional Investors Council Malaysia ("IIC"). Where appropriate and with respect to market rules, we participate in collaborative engagement initiatives where we believe it to be in our client's best interests to do so.

With active ownership in mind, as and when the outcome of our engagement does not meet with our expectations, we may individually or collectively escalate our concerns around the company's progress in direct dialogues with appropriate management representatives or non-executive directors. Voting may also be considered as an escalation strategy. Although engagement has always been the preferable approach, we may consider exit as a last resort on a case-by-case basis where ESG risks are insurmountable or continued engagement is considered ineffective.

This year, our equity team and fixed income team conducted a total of 485 and 33[1] engagements respectively, of which 2 were collaborative engagements under AIGCC. Governance, climate change and human rights were key material ESG topics discussed with our investee companies. A case study on our collaborative engagement through the AIGCC Asian Utilities Engagement Program with a major Malaysian utility company can be found on page 7.

Case Study – Engagements on migrant workers related issues in Electronics Manufacturing Services ("EMS") industry

Background

In May 2021, US Customs and Border Protection initiated an investigation into a Malaysian EMS company which has been accused of using forced labour. In November 2021, a high-tech home appliance maker terminated its contract with the company following an audit of its labour practices and whistleblower's allegations. Recognizing that EMS companies in Malaysia typically have high migrant workers ratio in the workforce, we believe other EMS companies could face similar scrutiny which could result in significant reputational risk and potentially loss of revenue if their labour practices are perceived to be below expectations.

Action

Since 2021, we have conducted several engagements with two Malaysian EMS companies to understand how well they were managing migrant workers related issues. These engagements included 1-to-1 meeting and small group discussion with their senior management. We also engaged relevant specialist to understand expectations on migrant worker rights and the status quo in Malaysia.

Outcome

Both EMS companies have made notable progress in 2022 with social compliance audit in place and found no systemic forced labour practices based on 11 indicators of forced labour set out by the International Labour Organization ("ILO"). Recruitment fees paid by workers to recruitment intermediaries have been fully reimbursed and other gaps identified were resolved or supported by immediate remedial actions. We are satisfied with the audit findings and actions taken by both companies and will continuously monitor their ongoing efforts on migrant workers related issues.

PRINCIPLE 4

Managing Conflicts of Interest ("COI")

Institutional investors should adopt a policy on managing conflicts of interest which should be publicly disclosed.

We are committed to engaging in honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, including conflicts which may affect relationships with our clients. Guided by our parent company Prudential plc's Group Code of Business Conduct which is published at its website (https://www.prudentialplc.com/en/investors/governance-and-policies/code-of-business-conduct), we have put in place robust company policies to prevent actual, potential or perceived conflict of interest such as insider information, anti-bribery, anti-money laundering and establishment of "Chinese Wall". In this regard our management of conflicts of interest covers the following areas:

- *dedicated policy on identification and management of conflicts of interest*
- *compliance manual which covers obligations, controls and areas of conflicts*
- *personal investment dealings on approvals and disclosures required*

1 Due to the nature of fixed income with limited direct access to the issuers, we have included interactions with trustee as part of our engagements.

- *anti-bribery & corruption on specific controls for gifts & hospitality and the relevant due diligence and monitoring of third party service providers and suppliers*
- *anti-money laundering and counter-terrorism financing on relevant controls to guard against money laundering and terrorism financing of clients and third parties that we deal with*
- *information security on controls of clients' data and protection of sensitive information*
- *dealing and trade management to ensure priority given to trades of clients and fair trade practices in the interest of clients*
- *soft commission to ensure it is done to benefit the client*

These policies are communicated to all affected employees and contractors where applicable. Our Risk, Compliance and Legal ("RCL") Department as the second line function (on a risk- based approach) performs the relevant oversight on the execution of these policies by the first line functions. Outcomes of oversight are reported to the board on a periodic basis.

From time to time, proxy voting proposals may raise conflicts between the interests of our clients and the interests of EIB and its employees. While we do not get involved in the board or management of our investee companies, our Voting Policy identifies and manages such conflicts of interest to ensure and demonstrate that our decision to vote is based on the clients' best interest and is not the product of those conflicts. Where conflicts are identified (actual, perceived or potential), the conflicts will be raised, escalated and resolved based on the requirements set in the relevant company's policies on management of COI. This policy can be found in Appendix 2.

PRINCIPLE 5

Incorporating Sustainability Considerations

Institutional investors should incorporate corporate governance and sustainability considerations, including climate-related matters into the investment decision-making process while seeking to deliver sustainable returns in the long-term interest of their beneficiaries or clients.

We are committed to an ongoing and long-term process of improving our approach to incorporating ESG considerations into our investment processes. Our approach is reflected in our Front Office Standard Operating Procedures.

Equity

We focus on exploiting opportunities, where changes to the market's risk perceptions and expectations have caused a meaningful dislocation between the price and long-term trend valuation of a company. Our focused research helps us to understand the sources of market mispricing through deep fundamental analysis. In conducting research into the fundamental assumptions that underpin the valuation of a company, we apply a holistic approach to identifying material risks including ESG issues to the sustainable earnings of a company. We rely on the robustness of our proprietary fundamental research process and apply our judgment to assess material factors that may impact sustainable earnings.

Fixed Income

Our bottom-up credit research process focusses on ESG issues that are material with regards to the issuer's credit fundamentals. The process involves identifying industry specific ESG risks or opportunities that the issuer faces, including how the materiality of the risks may change over time, and assessing how prepared the issuer is in dealing with these ESG issues. It would also involve assessing the issuer's ESG practices relative to peers and how these may change over time.

Implicit in our approach is that we do not screen out companies solely on the basis of perceived problematic ESG issues, unless mandated by our clients. Although this approach does not prohibit us from purchasing or holding a position due to an ESG issue, consideration of these issues is made part of the investment decision.

While recognizing that currently there is limitation of the availability and quality of ESG disclosures in our market, we leverage on our engagement with investee companies to achieve better understanding of material ESG issues and encourage them to make such information publicly available. Since 2021, we have subscribed to third party ESG data and rating provider MSCI ESG Research to supplement our in-house ESG research on controversies and material ESG issues. In addition, we have included climate risk assessment developed in reference to the Bank Negara Malaysia Climate Change and Principles-based Taxonomy into our research to better understand climate risk management of our investee companies.

PRINCIPLE 6

Publishing Corporate Governance Policy and Voting Guidelines

Institutional investors should publicly disclose their corporate governance policy and voting guidelines

An active and informed voting policy is an integral part of our investment philosophy and forms a core part of our approach to engagement. Guided by our parent company Prudential plc's Group Code of Business Conduct and Responsible Investing Policy, our Voting Policy addresses the principles governing how we vote each resolution and this policy can be found in Appendix 2.

Considering the latest market developments and Malaysian Code of Corporate Governance, our Voting Policy sets out the principles that govern our voting action on board, corporate action, remuneration, related party transactions and other ESG issues for our investee companies and link them with our voting decisions and engagement activities. Where possible, we would seek to discuss any contentious resolutions before casting our votes in order to ensure that our objectives are understood and our votes will be cast in the best interests of our clients.

We exercise our voting rights as shareholders on best effort basis in the companies in which we invest. However, we may decide to not vote proxies or abstain from voting where the costs are prohibitive and would not serve the shareholders' interest, or in some cases we not allowed to do so under certain regulations.

We subscribe to Institutional Shareholder Inc. ("ISS"), a proxy advisory firm that assists with proxy voting and corporate governance matters. While ISS provides proxy voting recommendations, our voting policy governs how we vote on each resolution. Generally, it is not our policy to accept client standing instructions.

A summary of our voting activities for Malaysian companies in 2022 are as below. Those resolutions we voted against are executed in line with our voting policy.

Voting Summary 2022	Total
Shareholder meetings at which our clients' shares were voted	189
Percentage of meetings with at least one vote against or abstention	63.68%
Number of resolutions voted	1,580
Percentage of resolutions voted	99.94%
Number of resolutions voted against	263

Percentage of resolutions voted against	16.65%
Number of resolutions voted abstention	0
Percentage of resolutions voted abstention	0%
Number of resolutions voted deviated from our voting policy	0
Percentage of resolutions voted deviated from our voting policy	0%

as at 31 Dec 2022

PRINCIPLE 7
Collaborative Response on Corporate Governance and Sustainability Issues

We recognize the importance of participating in collaborative investor engagement. By harnessing a collective voice with fellow investors, we seek to maximize investor influence to amplify concerns in our investee companies, while respecting market rules.

AIGCC is an initiative participated by investor members including asset owners and managers with combined US$39 trillion AUM. It aims to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. Since 2021, we have been participating in AIGCC's Asian Utilities Engagement Program, which complements and runs in parallel with the global Climate Action 100+ initiative, to engage with senior management of a Malaysian major utility company to align business plans with achieving the goals of the Paris Agreement. Our collaborative engagements have thus far yielded notable outcomes and we will continue to seek progress from the company on climate actions.

Case Study – Collaborative engagements with a Malaysian major utility company under AIGCC's Asian Utilities Engagement Program

Background
The Asian electric utility sector is critical to the net zero transition as it contributes to approximately 23% of global carbon dioxide emissions. Seven Asian utility companies, including one in Malaysia, were selected by AIGCC's Asian Utilities Engagement Program due to substantial greenhouse gas emissions, large coal-fired power capacity or due to their strategic role in driving the net zero emissions transition. Our team participated in collaborative engagements with the Malaysian major utility company under this program.

Action
Since July 2021, we have conducted 3 collaborative engagements with the company to address its renewable energy ambitions including technology applications, its overseas acquisitions and its plans to reduce its reliance on coal via its energy transition. A written request was shared with the company to specifically state its plan on how it will reach its net zero ambitions with short, medium, and longer-term targets.

Outcome
The company has made encouraging progress towards decarbonization since our initial collaborative engagement in 2021. It announced its aspiration to achieve net zero by 2050 and has upgraded targets, with commitment to reduce 35% of its emissions intensity as well as 50% of its coal generation capacity by 2035. These targets are supported by RM20 billion annual capital expenditure commitment to fast track its transition. In addition, the company plans to align its targets with Science-based Targets

Initiative ("SBTi") in 2-3 years' time. We will continue our participation in the program to accelerate the company's climate actions.

Where appropriate, we engage with regulatory bodies, policymakers and other stakeholders in efforts to improve the ecosystem for investor stewardship in Malaysia. Our CEO, Raymond Tang is currently a board member of IIC and has been contributing to the development of IIC as well as the latest Malaysian Code of Institutional Investors.

This year, we continue to provide our feedback on the development of ESG policies in Malaysia such as the Securities Commission Malaysia's Sustainable and Responsible Investment Taxonomy. Eastspring group is also one of the 600+ investors representing USD$ 42 trillion in AUM to support the 2022 Global Investor Statement to Governments on the Climate Crisis, expressing our collective voice to advocate governments to implement the policy actions needed to accelerate the transition to a net zero emissions economy.

APPENDIX 1 STEWARDSHIP POLICY

RESPONSIBLE INVESTMENT & STEWARDSHIP

At Eastspring Investments, responsible investing principles drive out asset management practice. Responsible investment includes the explicit incorporation of relevant ESG issues into every aspect of our activities as an investor – both before we make investment decisions and during the time we hold an investment. We seek to identify and take account of these issues into our investment decision-making process and in the way we conduct stewardship activities.

Eastspring Investments seeks to act in clients' best interests and treat each client fairly at all times. This is interpreted as the best financial interest of the client, and this principle underlies all aspects of our investment process.

We recognise the importance of accountability to our clients for the stewardship of their assets. We aim to generate long-term capital growth on the assets investors entrust to us by pursuing an active investment policy through portfolio management decisions.

We believe that the quality of corporate governance practices and how companies manage the environmental and social aspects of their operations can be material to delivering superior longer term shareholder value.

With these principles in mind, as a fiduciary to our clients, we have identified and aim to practise responsible investment based on the following stewardship codes:

- ENGAGEMENT is core to our stewardship responsibilities. We aim to encourage business and management practices that support sustainable financial performance through constructive engagement based on our in-depth knowledge of the companies and their business environment. Where appropriate, we will play an active role in seeking to effect changes to maximize shareholder value. We are active members of collaborative organizations. From time to time, we may participate in collaborative engagement initiatives where we believe it to be in our client's best interests to do so. We endeavour to engage and encourage all stakeholders to promote the value of transparency and overall good governance, via sustainable methods.

- PROXY VOTING : An active and informed voting policy is an integral part of our investment philosophy and forms a core part of our approach to engagement. Eastspring Investments follow a principles-based approach. All votes are considered in the context of the principles as set out in our investment team's Proxy Voting Policies. As a general policy, we are supportive of the management of the companies in which we invest. However, when companies consistently fail to achieve our reasonable expectations, we will actively promote changes. Voting should never be divorced from the underlying investment activity. By exercising our votes, we seek to both to add value and to protect our interests as shareholders.

- ESG CONSIDERATIONS are integral to our investment stewardship activities. We apply a holistic approach by incorporating material risks, including corporate governance and sustainability considerations, as part of our investment analysis and decision-making process. We aim to promote the adoption of best practises relating to ESG through engagement with the investee companies and other stakeholders.

APPENDIX 2 VOTING POLICY

BACKGROUND

Companies should have as their objective the maximization of shareholder wealth, thereby contributing to the economy. Shareholders, as providers of equity capital, are the ultimate owners of companies.

Eastspring Investments Berhad seeks to add value for its clients by pursuing an active investment policy through portfolio management decisions, through voting on resolutions at general meetings and by maintaining a continuing dialogue with company management. Meetings with companies will therefore occur on a regular basis. This enables us to monitor company development over time and assess progress against objectives.

VOTING POLICY

An active and informed voting policy is an integral part of our investment philosophy and forms a core part of our approach to engagement. Eastspring Investments Berhad follows a principles-based approach. All votes are considered in the context of the following principles:

- Protect our shareholder economic interests
- Encourage shareholder value enhancement
- Reinforce transparency, independence, integrity and accountability
- Recognise and manage risks

Voting should never be divorced from the underlying investment activity. By exercising our votes we seek both to add value and to protect our interests as shareholders.

We consider the issues, meet the management if necessary and vote accordingly. Where possible, we would seek to discuss any contentious resolutions before casting our votes in order to ensure that our objectives are understood, and our votes will be cast in the best interests of our investors/clients.

Eastspring Investments Berhad may decide to not vote proxies or abstain from voting where the costs are prohibitive and would not serve the shareholders' interest, or in some cases not allowed to do so under certain regulations. Generally, it is not Eastspring Investments Berhad's policy to accept client standing instructions.

The Investment Team's proxy voting policy addresses the principles governing how we vote each resolution.

CONFLICTS

From time to time, proxy voting proposals may raise conflicts between the interests of our clients and the interests of Eastspring Investments Berhad and its employees. We must take certain steps designed to ensure, and must be able to demonstrate, that those steps resulted in, a decision to vote based on the clients' best interest and was not the product of the conflict. For example, conflicts of interest may arise when:

- Proxy votes regarding non-routine matters are solicited by an issuer that has a separate institutional account relationship with Eastspring Investments Berhad;
- A proponent of a proxy proposal has a business relationship with Eastspring Investments Berhad;
- Eastspring Investments Berhad has business relationships with participants in proxy contests, corporate directors or director candidates;
- An Eastspring Investments Berhad employee has a personal interest; e.g., through stock ownership, having a spouse working at the company, etc. in the outcome of a particular matter before shareholders; or
- An Eastspring Investments Berhad employee has a business or personal relationship with participants in proxy contests, corporate directors or director candidates.

Where conflicts are identified (actual, perceived or potential), the conflicts will be raised, escalated and resolved based on the requirements set in the relevant company's policies on management of COI.

For more information, please contact us via email below:

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