

Asset Class Deep Dive - Equities

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RI Strategy – Our Approach



- RI Strategy has 3 key pillars
 - Quality
 - Stewardship
 - Engaged
- Underpinned by a group-wide governance structure
- Integration across the business is a key feature
- Stewardship is central to our approach



Why responsible Investment is important to FSI – “Quality”

- Our approach reflects a strong conviction that ESG explicitly integrated in our investment process adds value for our clients.
- This is reflected in the quality of our investment teams processes and the quality of their investment outcomes.
- Our approach determines a high degree of direct engagement with the boards and management of companies however what often gets missed is how this also helps us avoid poor quality investments.



How we go about ESG Integration

Company Visits and Management Meetings

- A key component in understanding the exposure and management of ESG risks and companies' ESG practices.
- ESG is a core part of our investment risk assessment process with companies.

We carefully select the companies we choose to invest in

- We avoid investing in companies who cannot demonstrate that they meet appropriate standards or who are not making clear progress towards meeting them in the context of their operating environment.

Our teams

- Each team has developed a tailored ESG framework that is part of the company review process
- When an analyst reviews a resource company, an ESG review is also completed.

Research

- We supplement primary research with externally sourced databases to ensure a broad coverage, however our own due diligence and observations remain key to our decision.



How we go about ESG Integration

Advice

- We highlight areas for potential improvement
- Encourage disclosure on ESG issues
- Commend companies that are making progress in this area

Engagement

- If issues are identified we will approach the company directly to seek clarification and discuss remedies. Generally we find constructive discussions directly with senior executives or board members in a one on one setting to be productive and this help build a stronger long term relationship. Formal letters to the board are used where an informal approach has failed.

Trust

- We believe that successful long term engagement requires a form of “trust” between shareholders and the company and we work hard to ensure that we achieve this relationship.



Stewardship – protecting our clients money.

- July 2009: A company releases a 450 page IPO offer document, which reveals:
 - Promoters previously banned from accessing securities market for two years for stock price manipulation
 - 172 outstanding litigation cases covering 31 pages – ranging from alleged fraudulent import and export of CD ROMS, aircraft and polished diamonds to harassing local fishermen and failing to get environmental permits
 - Significant conflicts of interest
 - Three different audit firms in the past three years
 - Several major environmental issues outstanding including threat to endangered species
 - No operating history
- The result: IPO was oversubscribed 39x by institutional investors and listed with a market capitalisation of over US\$5bn

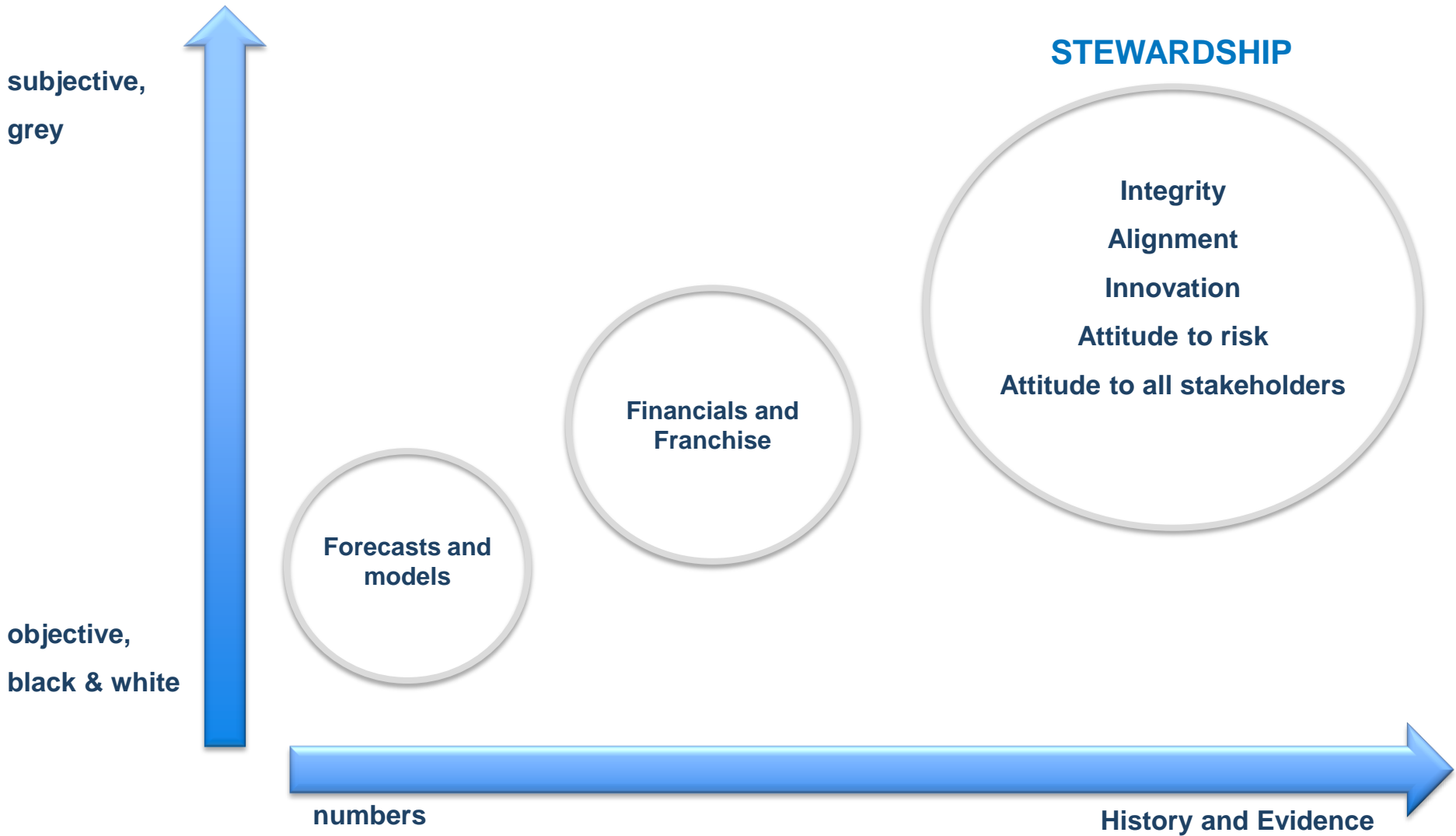


Steady decline in value





Summary





What would most accelerate increased ESG integration by asset managers?

Stronger mandate from asset owners



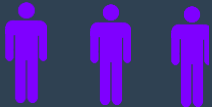
64.9%

Improved communication from companies



16.9%

New regulation



14.9%

More in depth broker ESG research



1.3%

More ESG data services



2.6%



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