

## Appendix 1

Every company and market is different and our approach to ESG may change according to the relevant market practices in any given local market. Outlined below are global statements of principles, as well as an indicative list (which is not exhaustive) of potential issues that LAM may consider in developing a deeper understanding of a company and its ESG practices.

**A.** Organisation for Economic Co-operation and Development (“OECD”) Principles of Corporate Governance The OECD is an organization of 31 member countries committed to democracy and the market economy that provides a forum in which governments can compare and exchange policy experiences, identify good practices and promote decisions and recommendations. The OECD Principles of Corporate Governance provide best practice recommendations on corporate governance covering six key areas:

- I. Ensuring the basis for an effective corporate governance framework;
- II. The rights of shareholders and key ownership functions;
- III. The equitable treatment of shareholders;
- IV. The role of stakeholders in corporate governance;
- V. Disclosure and transparency; and
- VI. The responsibilities of the board.

The firm supports the OECD Principles of Corporate Governance in all material respects.

**B.** United Nations’ Principles for Responsible Investment (“UNPRI”)

The UNPRI have been developed by an international group of institutional investors in a process convened by the Secretary General of the United Nations. UNPRI are intended primarily for adoption by institutional investors, although signatories have also encouraged asset managers and others in the finance industry to become signatories.

LAM endorses much of the overall philosophy of the UNPRI. However, our view is that the UNPRI are currently set out in very general terms. In particular, the term “ESG issues,” although used frequently throughout the UNPRI, is not defined. This lack of clarity means that there could be differences of interpretation between the expectations of those who read the UNPRI expecting one thing from signatories and what the signatories actually do. To avoid any misinterpretation, LAM has decided not to become a signatory to the UNPRI at this time, but rather to explain what we do in practice.

A working committee consisting of Investment Professionals and senior management meets regularly to evaluate the UNPRI, assess our position, and make improvements where appropriate.

**C.** ESG Issues

### **Corporate Governance**

#### 1) Board of Directors

- a. Substantial majority of directors independent
- b. Audit, Compensation, and Nominating/Corporate Governance committee members should be independent
- c. Directors up for annual vote by shareholders

#### 2) Shareholder Rights/Anti-takeover measures

- a. Do common shares have one-share, one-vote policy?
- b. Are all poison pill plans submitted to shareholder vote?
- c. Against classified board of directors
- d. For confidential voting

- 3) Management compensation
  - a. Specific numeric performance targets for annual compensation and stock awards
  - b. Management compensation aligned with shareholder interests?
  - c. Golden parachute compensation compared to annual compensation
  - d. Do senior executives own significant stock (outside of options)?

#### **Environmental**

- 1) Does company issue annual Corporate Sustainability Reports?
  - a. Quality and comprehensiveness of disclosure – GHG emissions, pollution, water, etc.
  - b. Global Reporting Initiative (GRI)
- 2) Goals for GHG emissions, pollution, water, etc. reduction
  - a. Future costs to remediate GHG emissions, pollution, water, etc.
- 3) Future environmental regulatory impacts
  - a. European cap and trade Phase III – 2013
  - b. Kyoto Protocol – post 2012?
  - c. Potential Australian carbon tax/cap and trade system

#### **Social**

- 1) Labour practices – employee pay and benefits compared to local market
- 2) Employee safety
- 3) Corporate Behaviour
  - a. Lawsuits/past settlements
  - b. Government investigations/past fines