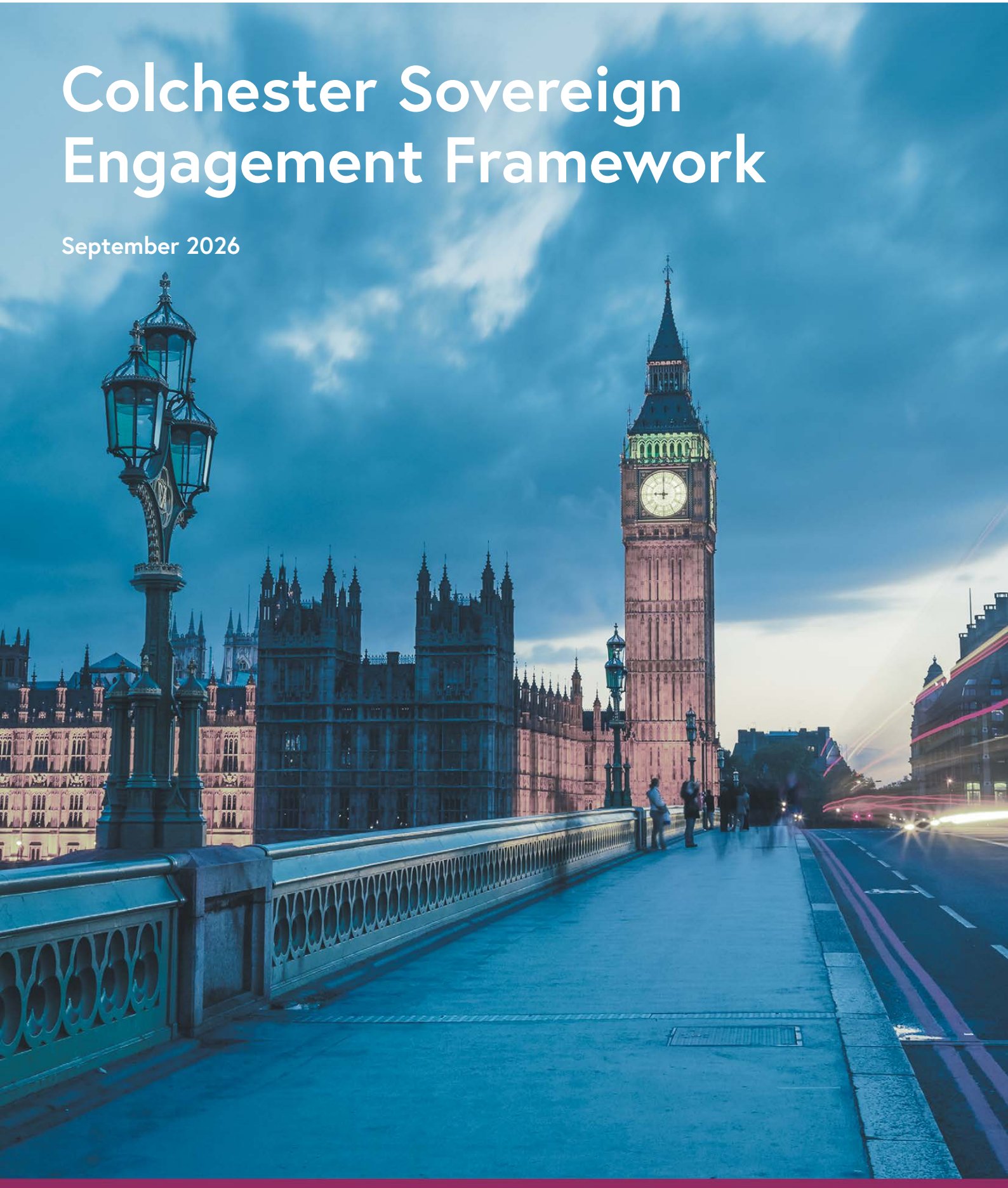
Colchester®
GLOBAL INVESTORS

Colchester Sovereign Engagement Framework

September 2026



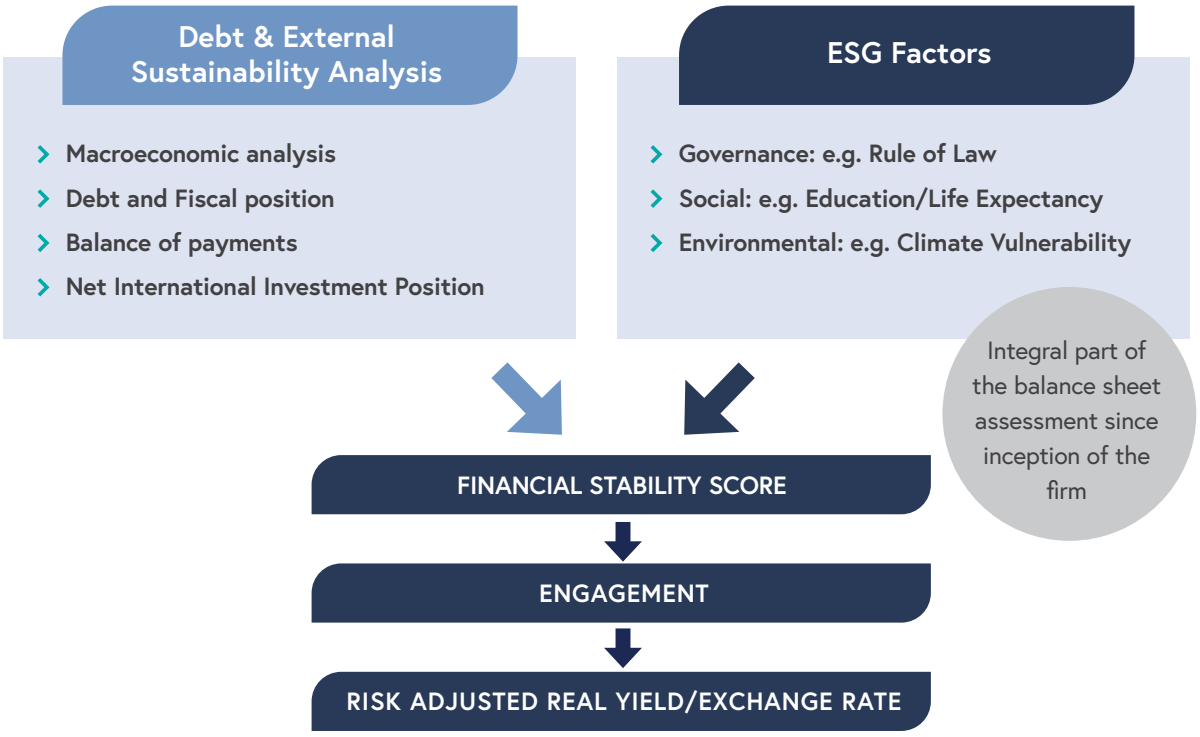
At Colchester we believe that traditional sovereign credit analysis should be supplemented with a systematic integration of Environmental, Social and Governance (ESG) factors to properly assess all developed and developing markets. Our holistic engagement process forms an integral part of our investment valuation framework. We believe that sovereign engagement, if done effectively, should be recognised as being mutually beneficial to both issuers and investors. Enhanced and clear policies can improve a country's business environment, which in turn reduces country investment risk, funding costs, supports economic growth and should ensure more sustainable debt paths.

Investment Process

Colchester Global Investors is a sovereign-only fixed income asset manager and a signatory to the UN Principles for Responsible Investment (PRI). ESG factors have been an integral part of Colchester's investment process for developed and emerging economies since the inception of the firm. We have sought to engage with sovereigns helping to inform, promote and potentially drive best practices delivering better social and economic outcomes. We assign countries a proprietary Financial Stability Score (FSS) that combines an assessment of their overall balance sheet strength and ESG factors (Chart 1). Findings during our engagement work feed holistically into the FSS. Bond and currency scores range from +4 to –4[1] and are determined through an extensive assessment of the macro-economic environment, policy framework, ESG standards and other country specific factors. We believe that countries with stronger governance, healthier and more educated workforces, and higher environmental standards tend to produce better economic outcomes. Typically, this leads to more stable debt and currency paths, and ultimately better risk-adjusted returns. Our Investment Management Committee (IMC) meets formally once a month to ratify inflation forecasts, bond and currency FSS which encompass ESG and engagement issues, and the investment valuations ultimately used in constructing our portfolios.

For more detail on ESG factors please see our ESG Policy.

Chart 1



[1] The scoring range of +4 to -4 applies to countries typically considered for inclusion within Colchester's Global Bond and Emerging Market programs The lower bound has been extended to -8 to allow for the application of the framework to Frontier Markets

Engaging With Sovereigns

There are clear differences when it comes to engagement with sovereign issuers compared to other asset classes such as equities or fixed income credit. One frequently voiced concern over sovereign engagement is that voting rights for sovereigns lie with their citizens and therefore sovereign engagement is not feasible. Whilst it is true that sovereign issuers' responsibilities lie with their citizens, there are clear misconceptions, which cause barriers around this topic. Therefore, in 2020 Colchester, together with the PRI and other leading practitioners, worked on a report that demonstrates what the current practices and channels for sovereign engagement are, and how some of these barriers can be overcome, with an updated version published in 2026.

These barriers haven't deterred Colchester from its engagement efforts over the years. On the contrary, Colchester has engaged with multiple country stakeholders since the inception of the firm to assess risk and valuations. Equally, our engagement process fosters a two-way process whereby issuers can also address balance sheet issues and ESG factors. We believe that our objective unbiased opinions and sharing of global experiences with government and other entities throughout the years, has been positively received by those sovereigns we have engaged with. Such activities support and promote Colchester's commitment to Principle 2 of the six Principles for Responsible Investment. Specifically:

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Colchester's Investment Team discusses ESG issues with our clients at regular meetings as well as with issuers during country research trips when possible and where appropriate to do so. In this way, we aim to influence, engage and improve ESG metrics for sovereign debt.

Channels of Engagement

Engagement with all stakeholders can be achieved via collaborative initiatives, roundtables, issuer road shows, one on one meetings, conferences, virtual meetings or country research trips. During such meetings, issues around macroeconomic variables, reform progress, monetary and fiscal policy can be clarified and inform us about a country's progress. Other examples include discussions around funding profiles and the use of the proceeds, which can give us insight into a country's commitment to sustainable policies. Issuances of green, social or Sustainable Development Goals (SDG) bonds should align with a country's commitment to its framework. Issuers value our view on their frameworks and it allows them to judge investor appetite for sustainable finance instruments. Within these conversations we like to address ESG engagement topics such as the tracking and monitoring of commitments to sustainability pledges or sustainable development goals. Other examples may include education standards. We will address these where appropriate, as a country could lose out on potential foreign direct investment (FDI) inflows, relative to its neighbouring peers, due to lack of skilled labour. This in turn could have significant medium-term implications for tax revenues and longer-term economic growth. Certainly, COVID-19, led us to have more questions around lessons learned, health care and the sustainability of funding sources. These issues affected all countries, whether developed or developing. We believe that by sharing our analysis of and views about "best practices" on these topics it should lead to better longer-term outcomes for both the issuer and investors.

Engagements reach well beyond issuer stakeholders and include index providers, business associations, Non-Governmental Organisations (NGOs) and Supranational institutions to name a few. Other effective ways of engagement can be collaborative initiatives, such as with the PRI or regulators. For example, Colchester participated in a regulator's consultation about new environmental risk regulations as well as co-chairs the industry initiative in developing the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) Framework. All these engagement efforts are important in influencing and shaping positive outcomes. The following table gives a sample of possible stakeholders. Please note that this is not an exhaustive list and can vary from country to country.

Examples of Issuer Stakeholders:	Examples of Non-Issuer Stakeholders:
• Various governmental departments: Ministry of Finance; National Statistics Office etc. • Central bank officials; • Regulators; • State-owned institutions; • Opposition political parties.	• Supranational organisations such as the IMF, World Bank or OECD; • Large corporate, pension or savings institutions; • Local economists, journalists, think tanks etc.; • Business associations, trade union representatives etc.; • Index providers.

Reporting

We actively monitor our engagement activities to assess both the quality of our interactions and the progress being made with sovereigns toward objectives. Before a country research trip (physical or virtual), those Investment Team members involved consider what issues are to be raised and circulate them to the entire team for review and input. This pre-engagement aims to focus on the key issues, typically narrowing in on the areas where we feel improvements or progress may make the biggest impact. All three ESG elements are considered. In the ensuing interaction with the sovereign and other relevant stakeholders, Colchester seeks to raise the specific issues identified by the team. Those engagements typically involve an exchange of ideas and thoughts around the highlighted issues. Not only do we seek information in order to make more informed decisions, but also to share our experiences and opinions of parallel or relevant examples from around the world, and to follow up on what has been achieved to date. Details of engagements, as well as with other relevant parties such as index providers and industry bodies are recorded. We publish semi-annually an Engagement Report which is available on our website.

Examples of Engagement

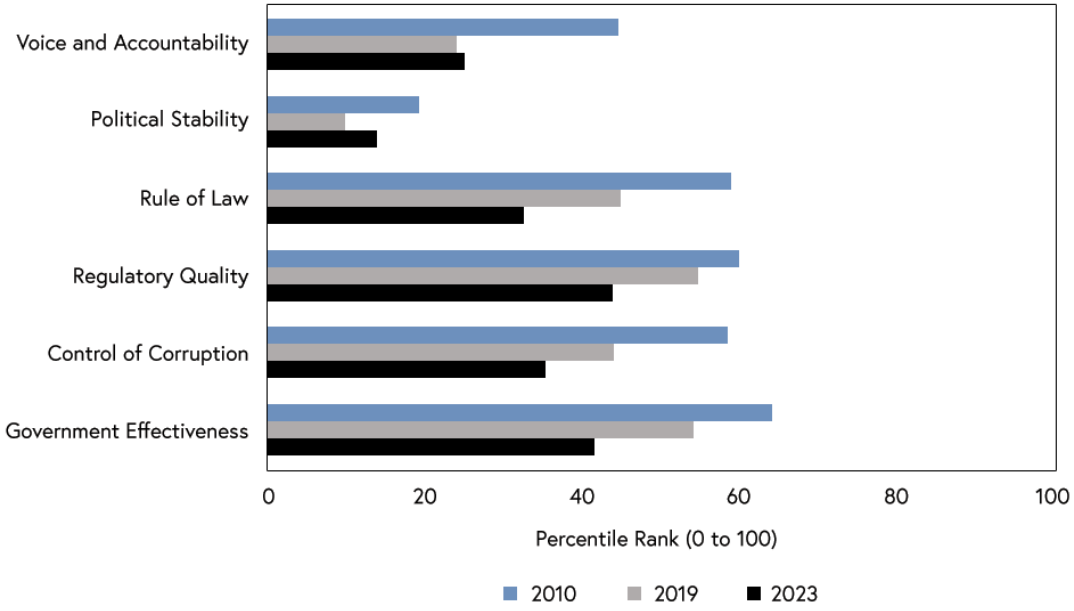
As noted above, Colchester has consistently and regularly engaged with sovereigns throughout our 20+ year history with a view to both sharing information and encouraging better social and economic outcomes that are ultimately better for both the citizens of a country and investors. We discuss two such examples below.

Case Study 1: An Eastern European Country

The country's ambitious reforms have led to an impressive economic performance since 2000. Real GDP growth averaged 5.3% p.a. over 2000-2017, and in 2014 the country reached the threshold of becoming an upper-middle income country. Its fiscal position also improved dramatically from a deficit of -8.4% of GDP in 2000 to -2.1% of GDP in 2017. Similarly, the country's net and gross debt positions had halved to around 22% and 28% of GDP respectively by 2017. Even a perpetually exposed external position dependent on short-term portfolio inflows improved, with the current account deficit declining from almost 9% of GDP in 2011 to 3% by 2016.

Despite this solid economic growth and a reasonable balance sheet, Colchester's Investment Team started to become increasingly concerned about the progressive decline in the country's governance standards (Chart 2) over the years. The World Bank's Worldwide Governance Indicators have continued to deteriorate reflecting the weakening of institutions, the undermining and quasi-loss of central bank independence, the decline in accountability and a weakening in the rule of law. The Investment Team believed that these factors would negatively impact on the longer-term business environment and ultimately long-term economic growth prospects. Following an attempted coup, the subsequent imposition of a state of emergency led to a further erosion of the independence of the judicial system and a gradual move of the executive powers to the President.

Chart 2: Country's Worldwide Governance Indicators have deteriorated over time



Source: World Bank as of 2024.
Note: Worldwide Governance Indicators, 0 = weak level of governance; 100 = high level of Governance

The deterioration in a range of these indicators prompted us to visit the country and engage with various government institutions, business associations, independent think tanks, journalists, local economists, the IMF, foreign embassy representatives and other non-issuer stakeholders to better understand the situation. Whilst a range of issues were raised and discussed with the various stakeholders we encountered on that visit, we particularly noted the decline in governance and perceived deterioration in the independence of the Central Bank. The latter was of particular concern as the persistent overshooting of the inflation target and use of unconventional monetary policy measures was threatening to ignite a large inflation shock, negatively impacting economic growth and adversely impacting the standard of living of the country's citizens. Higher inflation disproportionally affects the poorer segments of society.

Adherence to unorthodox monetary policy in the preceding years did unfortunately yield high inflation, peaking at 85.5% year-over-year in 2022. However, a new Central Bank Governor in 2023 returned to orthodox monetary policy boosting investor confidence (including Colchester's) and worked to combat inflation. Despite these improvements in governance, Colchester has continued to engage with the authorities and non-issuer stakeholders, highlighting the deterioration in balance sheet, the negative implications for inflation and growth, and the likely rise in sovereign funding costs as a result of a rising risk premium.

Our engagement, along with that of other international and local investors, gave voice to a number of these concerns with local stakeholders over the years. Whilst it is difficult to quantify the impact of such interaction with a sovereign entity, the disappointing trajectory discussed above and shown in Chart 2 prompted Colchester to revise down our FSS from a -3 to -4 for both bonds and currencies in the second quarter of 2018 and have kept it unchanged to date. This reduced our bond and currency valuation for the country and accordingly reduced the relative attractiveness of both compared with other countries in the opportunity set to date.

Case Study 2: Influencing Debt Issuance

Whilst it may be easy to discount the potential impact of engaging with developed world sovereigns, we believe that some positive contributions can still be made, potentially influencing decisions at the margin. This is perhaps most evident in our interactions with sovereign debt management offices. Colchester has engaged with and encouraged a number of developed sovereign debt management offices to consider the issuance of green bonds. We have shared with them our end investors' concerns, expectations and desires in this space, noting an increasing demand for climate and environment related investments in bonds with defined goals and outcomes. The increasing number of developed sovereigns that have started to issue green bonds is one example of successful engagement by Colchester and others in the industry. Working together the industry has had an impact on the type of bonds issued.

Other Participation in Collaborative Industry Engagement

In addition to direct engagement with sovereign stakeholders we have been actively involved in many industry initiatives. As a sovereign only bond investor, we believe that Colchester is uniquely placed to drive new initiatives, be a thought leader and make a positive contribution in this arena. We have undertaken several initiatives to improve the industry's understanding and integration of ESG factors within the sovereign bond space. These efforts have been supported by the active involvement of Claudia Gollmeier, Head of Investment Management APAC & MEA and Managing Director (Singapore), who currently co-chairs ASCOR, previously chaired the PRI Sovereign Debt Advisory Committee, served on the PRI Fixed Income Advisory Committee and chaired the PRI Sovereign Working Group.

She is also a member of the PRI Japan Sovereign Engagement Advisory Committee and the PRI Global Sovereign Engagement Advisory Committee[2]. In addition, she is a member of the CFA Institute's ESG Advisory Panel and ESG Verification Subcommittee Working Group, and co-authored a chapter in the CFA Institute's Climate Risk, Valuation, and Investing Certificate.

Examples of Collaborative Engagement Initiatives

a) PRI ESG in Credit Ratings Initiative

Colchester supports this ongoing collaboration with the PRI, aimed at credit rating agencies incorporating "material" ESG factors into traditional credit analysis. The PRI has been working with investors and credit rating agencies to form best practices. Colchester contributed the following case study (page 78) to the initiative.

https://colchesterglobal.com/wp-content/uploads/PRI-Shifting-Perceptions-ESG-Credit-Risk-Ratings.pdf

b) Index Advisory Committees

The Investment Team has seats on various benchmark index committees and engages with others frequently over the suitability of new country inclusions. Recently the team voiced concerns, along with other investors, over the potential inclusion of a new market, due to operational and market accessibility difficulties. These efforts resulted in conditionality being attached to future index inclusion requiring the new market to demonstrate improved operational market accessibility.

c) Collaborative Investor-led Sovereign Engagement

A more recent development within sovereign engagement space has been the expansion of the PRI led Collaborative Sovereign Engagement on Climate Change engagement programme. The first initiative was in Australia in 2022, and this was subsequently expanded into additional markets such as Canada and Japan in 2025. Colchester is a member of all three initiatives.

[2] https://www.unpri.org/about-PRI/advisory-committees-and-working-groups

In addition to supporting the climate ambitions of these countries, these efforts have looked at broader issues such as the development of their green bond frameworks and general reporting issues. Furthermore, Colchester, as a sovereign specialist, decided to work with other asset managers, investor networks, asset owners and the Transition Pathway Initiative Centre (TPI Centre) at the London School of Economics (LSE) to develop an opensource framework to assess countries on climate change. This joint effort resulted in the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR), of which Colchester is a co-chair. The initiative's goal was to develop an assessment framework that enables the current and future climate change governance and performance of sovereigns to be fairly and appropriately measured, monitored and compared. The ASCOR tool was also key in informing the PRI-led pilot collaborative investor engagement with Australia, Canada and Japan on climate change (see progress report) and is being used to identify future sovereign engagement opportunities.

Summary

Engagement together with systematic ESG factor integration forms an integral part of Colchester's investment process. Whilst engagement is more nuanced with respect to sovereigns, if it goes beyond the traditional two dimensions of risk and return, it can have an even more meaningful longer-term impact. We therefore strongly believe that engagement should be utilised across the entire spectrum of developed and developing markets as it is in the best long-term interests of both the sovereign states we invest in and our investors. There are multiple engagement channels available with sovereign issuer and non-issuer stakeholders. Colchester also believes collaborations are important, to lead by example, and engage with sovereign issuers and non-issuer stakeholders to influence and shape positive outcomes for the longer-term.

COLCHESTER GLOBAL INVESTORS - IMPORTANT INFORMATION

Risk Disclosures

- Colchester Global Investors ("Colchester") does not deem this document to be a marketing communication. This material has been prepared exclusively for use with professional or institutional investors and is not suitable for retail investors. Prospective investors and clients should be aware that any investment involves a degree of risk. Investors should seek professional advice before making an investment. No part of this document may be reproduced or published in any form or by any means without Colchester's prior written permission.
- Unless otherwise stated, this document reflects Colchester's views and opinions as of 31 August 2026. In respect of the strategies mentioned in this document, the information is provided for illustrative purposes only and is intended only for professional clients and third-party intermediaries. Opinions expressed in this document may be changed without notice at any time after publication. Notwithstanding our fiduciary duties to existing clients, Colchester makes no representation or warranty as to the accuracy or completeness of the information in this document and disclaims all liability for any direct, indirect, consequential or other losses or damages including loss of profits incurred by you or any third party that may arise from reliance on this document.
- Nothing in this document should be construed as providing any type of investment, tax or other advice, or be considered a solicitation, recommendation, endorsement or offer to purchase or sell any financial instrument.
- There is no guarantee that the investment approach, techniques, or strategies utilised by Colchester will be successful or profitable. There can be no assurance that the specific trading strategies utilised will produce profitable results. Any factor that would make it difficult to execute trades, such as reduced liquidity or extreme market developments could have an adverse effect on performance. Investing in frontier markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater illiquidity, regulatory, political, tax and economic risks.
- Responsible investing is an integral part of the investment process, however Colchester never makes investment decisions based solely upon Environmental Social Governance (ESG) factors. Unless specified in the client Investment Management Agreement or offering documents, specific assets with poor ESG ratings may not be excluded from portfolios. Client strategies which invest on the basis of sustainability/ ESG criteria involves qualitative and subjective analysis. There is no guarantee that the determinations made by Colchester will be successful and/or align with the principles of specific investors.
- Colchester is not an impact investor. For the avoidance of doubt, Colchester does not conduct analysis to measure whether the environmental benefits of a green bond have been, or are likely to be, achieved. In addition, Colchester does not measure and report on key performance indicators to demonstrate green impact. Colchester does not invest on the basis of any impact metrics within its investment valuation framework.
- The full list of ESG factors taken into account by Colchester, including its Green Bond Framework, is set out more fully in Colchester's ESG Policy available on its website at https://colchesterglobal.com/esg-csr-sustainability/.
- This is not a research report and is not intended as such. Certain information in this document may constitute forward-looking statements. Due to the various uncertainties and actual events, the actual performance of the markets may differ materially from those reflected or contemplated in such forward-looking statements. As a result, clients/investors should not rely on such forward-looking statements in making any investment decisions.
- This document may contain information obtained from third parties, including ratings from credit ratings agencies. Reproduction and distribution of third party content in any form is prohibited, except with the prior written permission of the related third party. Third party content providers do not endorse or recommend the securities or products discussed herein, nor do they guarantee the accuracy, completeness, timeliness or availability of any information, including ratings

(negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs or losses caused by negligence) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities for investment purposes and should not be relied on as investment advice.

- There can be no assurance that professionals currently employed by Colchester will continue to be employed by the firm or that a level of experience or past performance is indicative of future performance or success.
- Information about how to make a complaint, any right to compensation and any cancellation rights will be provided to you upon request.

Regulatory Information

- Colchester is an employee-owned firm headquartered in London and has regional offices in New York, Singapore, Dublin, Madrid, Munich, and Dubai with a representative office in Sydney, Australia.
- Colchester Global Investors Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Colchester is also registered with the Securities and Exchange Commission in the USA.
- Colchester Global Investors Limited is registered with the Securities Commission of The Bahamas, as the investment manager for an investment fund licensed as a Smart Fund model 003, in accordance with the provisions of the Investment Funds Act, 2019.
- Colchester Global Investors (Singapore) Pte. Ltd holds a capital markets services licence in fund management issued by the Monetary Authority of Singapore. Colchester Global Investors (Singapore) Pte. Ltd also holds an offshore discretionary investment management services licence issued by the Financial Services Commission of Korea.
- Please note the following in respect of Colchester's regulatory status in Australia: (i) neither Colchester Global Investors Limited nor Colchester Global Investors (Singapore) Pte. Ltd. holds an Australian financial services licence for the provision of certain financial services, and both entities are exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cwlth) in respect of the financial services Colchester provides; (ii) Colchester Global Investors Limited is authorised and regulated by the Financial Conduct Authority of the United Kingdom under UK laws, which differ from Australian laws; (iii) Colchester Global Investors (Singapore) Pte. Ltd. is regulated by the Monetary Authority of Singapore under Singapore laws, which differ from Australian laws. Therefore, Australian wholesale clients are not necessarily subject to the same types of legal protections or remedies that they would enjoy if Colchester was directly subject to the Corporations Act. Colchester is entitled to offer its financial services in Australia pursuant to an exemption from the requirement to hold an Australian Financial Services Licence under the Corporations Act, on the basis, among other things, that the clients are "wholesale clients" within the meaning of the Corporations Act.
- Colchester Global Investors (Singapore) Pte. Ltd is licensed as a financial services provider by the Financial Sector Conduct Authority (licence number 53343) in South Africa.
- Colchester Global Investors Middle East Limited is regulated by the Dubai Financial Services Authority for the provision of Managing Assets, Advising on Financial Products and Arranging Deals in Investments. All communications and services are directed at Professional Clients only. Persons other than Professional Clients, such as Retail Clients, are not the intended recipients of Colchester Global Investors Middle East Limited's communications or services. Colchester Global

Investors Middle East Limited is a company established in the Dubai International Financial Centre (DIFC) pursuant to the DIFC Companies Law with registration number CL 3239.

- Colchester Global Investors Inc. is a wholly owned subsidiary of Colchester Global Investors Limited. It is not permitted to provide investment advice or otherwise engage in a regulated activity.
- Colchester Global Investors (Dublin) Management Limited is authorised and regulated by the Central Bank of Ireland in Ireland. Colchester Global Investors (Dublin) Management Limited, Sucursal en España is a branch of Colchester Global Investors (Dublin) Management Limited established in Spain and supervised by the CNMV. Colchester Global Investors (Dublin) Management Limited, German Branch is a branch of Colchester Global Investors (Dublin) Management Limited established in Germany and supervised by the Federal Financial Supervisory Authority (BaFin).

THIS DOCUMENT IS INTENDED FOR PROFESSIONAL USE ONLY AND IS NOT FOR PUBLIC DISTRIBUTION. IT MAY CONTAIN THIS DOCUMENT IS INTENDED FOR PROFESSIONAL USE ONLY AND IS NOT FOR PUBLIC DISTRIBUTION. IT MAY CONTAIN INFORMATION THAT IS PRIVILEGED, CONFIDENTIAL OR EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAW. IF YOU HAVE RECEIVED THIS COMMUNICATION IN ERROR, PLEASE DISREGARD AND DELETE IT AND DO NOT DISSEMINATE THE CONTENTS TO ANY OTHER PERSON.

THIS DOCUMENT DOES NOT CONSTITUTE A PROSPECTUS, FUND SUPPLEMENT OR OFFERING CIRCULAR TO SUBSCRIBE FOR ANY SECURITIES. POTENTIAL INVESTORS MUST REVIEW THE RELEVANT PRODUCT OFFERING DOCUMENTS OR INVESTMENT MANAGEMENT AGREEMENT, AND IN PARTICULAR, THE RISK DISCLOSURES SET OUT THEREIN.