Oldfield Partners

Proxy voting, ESG and company engagement report 2021

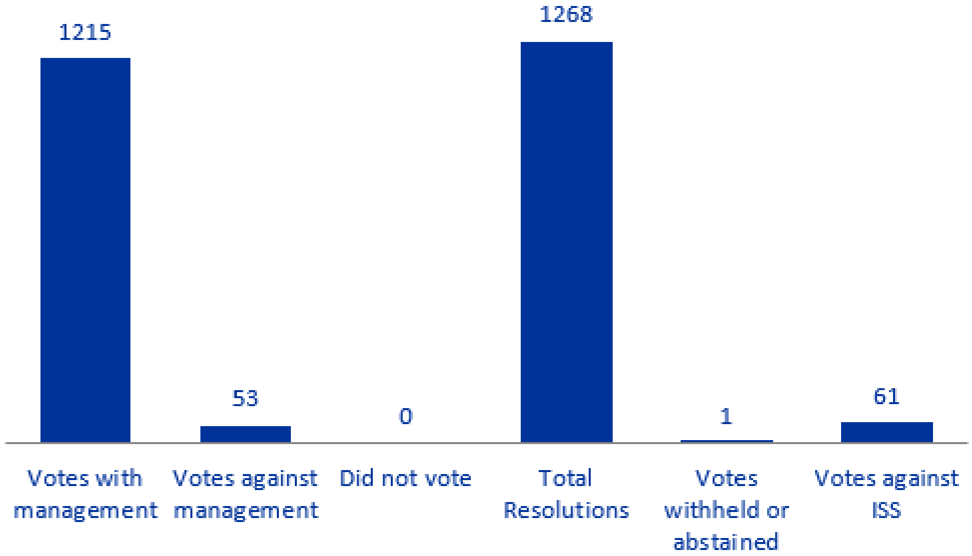
February 2022

Voting Summary *

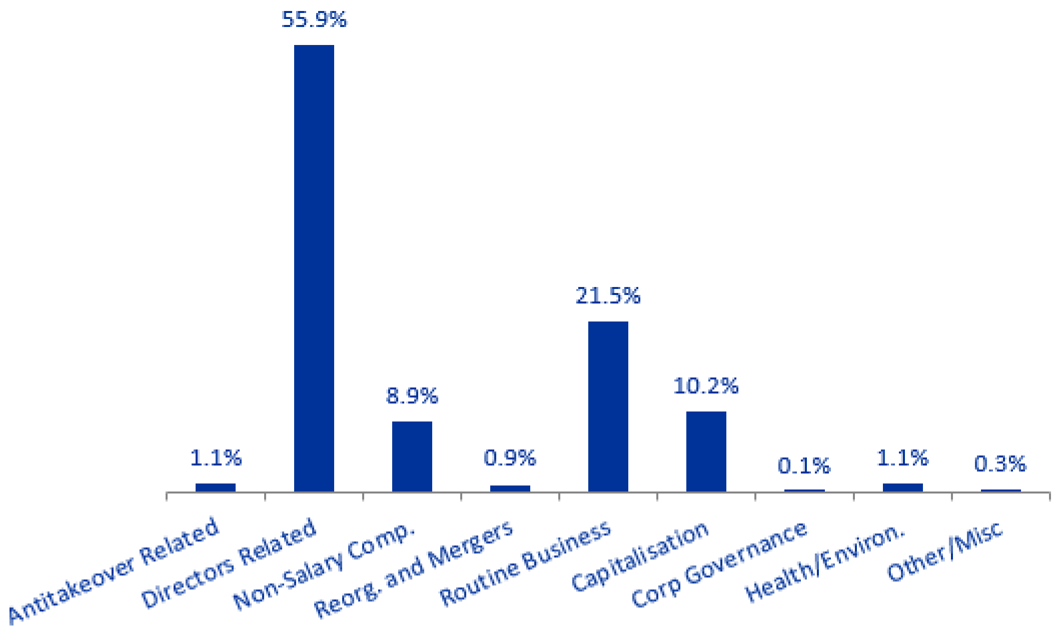
Total meetings available	=	102
Meetings instructed	=	102
Number of resolutions	=	1268

**For clients who have delegated voting authority to Oldfield Partners*

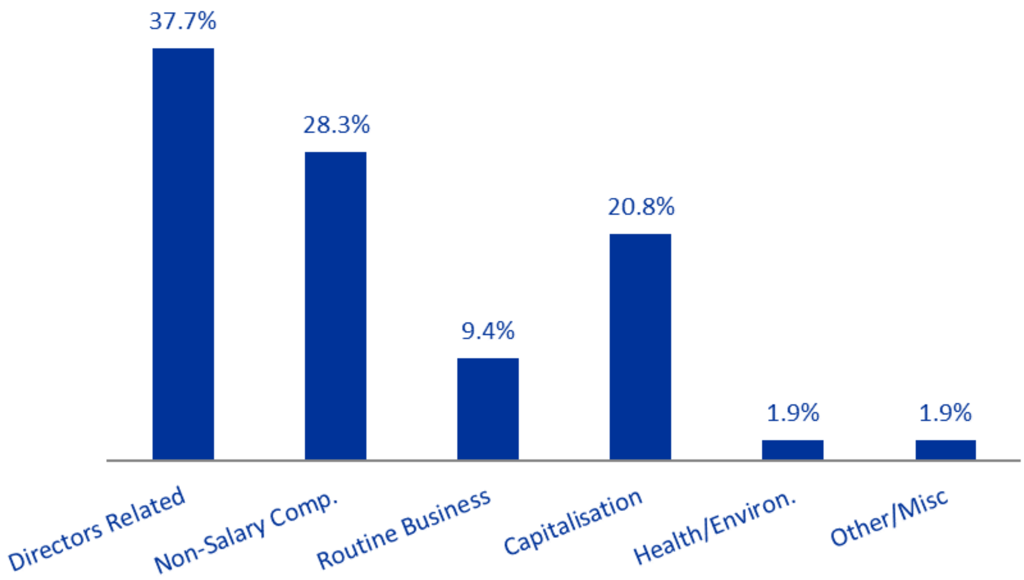
Vote Instructions



Breakdown of Resolutions



Breakdown of Votes Against Management



Commentary on voting against management

The following commentary provides the rationale for voting against management recommendations on certain resolutions during 2020.

First Quarter 2021

There were 17 votes against management in Q1 2021.

Daiwa Industries - Approve Director Retirement Bonus

We voted against management on this proposal because the bonus amount was not disclosed.

Samsung Electronics - Elect Park Byung-gook, Kim Jeong and Kim Sun-uk as Outside Directors

Votes against incumbent directors Byung-gook Park, Jeong Kim and Sun-uk Kim (to serve as an audit committee member) were warranted, as they collectively have failed to remove criminally convicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company.

Siemens - Amend Articles Re: Allow Shareholder Questions during the Virtual Meeting

We voted for this proposal and against management because the proposed article amendment would have a positive impact on shareholder rights.

Thai Beverage - Elect Khunying Wanna Sirivadhanabhakdi and Potjanee Thanavaranit as Directors

A vote against management the following nominees was warranted for the following reasons:

- Khunying Wanna Sirivadhanabhakdi is an executive director serving on the nomination committee.
- Potjanee Thanavaranit serves on a total of more than six public company boards.

Thai Beverage - Approve Thai Bev Long Term Incentive Plan 2021 and Allocation of Newly-Issued Ordinary Shares Under the ThaiBev Long Term Incentive Plan 2021 and the Release of Final Awards in Respect of Awards Granted Under the Plan

We did not support this resolution given that the directors eligible to receive awards under the plan were involved in the administration of the plan.

Thai Beverage - Approve Reduction in the Registered Capital and Amend Memorandum of Association to Reflect Reduction in Registered Capital

We voted this item given that the increase in the company's registered capital and the amendments to the MoA is proposed to accommodate the proposed LTIP, which did not warrant support.

Thai Beverage - Approve Increase in the Registered Capital and Amend Memorandum of Association to Reflect Increase in Registered Capital

We voted this item given that the increase in the company's registered capital and the amendments to the MoA is proposed to accommodate the proposed LTIP, which did not warrant support.

Second Quarter 2021

There were 33 votes against management in Q2 2021.

Allegiant Travel - Reduce Ownership Threshold for Shareholders to Call Special Meeting
We supported this shareholder proposal as it would enhance the existing shareholder right to call special meetings.

Alpha Services - Approve Capital Raising
A vote against this item was warranted because:

- The company does not face any capital adequacy issues;
- The company shares trade at a significant discount to book value and this raises questions about the timing of the proposed capital raising; and
- Existing shareholders that cannot participate in the share capital increase will suffer significant dilution.

Citigroup - Amend Proxy Access Right
We voted for this shareholder proposal as the proposed elimination of the 20-shareholder aggregation limit would improve the company's existing proxy access right for shareholders.

East Japan Railway - Appoint Statutory Auditor Mori, Kimitaka
We voted against the candidate as the outside statutory auditor nominee's affiliation with the company could compromise independence.

Eni - Approve Second Section of the Remuneration Report
We voted against management due to:

- The inappropriate COVID-related changes to the 2020 performance objectives.
- Termination payments in excess of 24 months' pay.

Exor - Grant Board Authority to Issue Shares and to Exclude Preemptive Rights from Share Issuances
We did not support this proposal because:

- The potential volume of this authorization is considered to be excessive, namely in excess 200 percent relative to the currently issued share capital; and
- The authorisation has a duration of 60 months, which is considered to be excessive for Dutch market best practice.

Fresenius - Approve Remuneration Policy
Since M&A is a key pillar of group strategy, we believe that they should consider a return on capital element in their remuneration policy. Also, we consider the TSR as not being ambitious enough. As such we voted against the approval of the remuneration policy.

General Motors - Provide Right to Act by Written Consent
We voted against management and for this shareholder proposal given that the ability to act by written consent would enhance shareholder rights.

Kansai Electric Power - Elect Directors Okihara, Takamune and Kobayashi, Tetsuya
The board after this meeting would not be majority independent and this outside director nominee lacked independence. As such we voted against this item.

Kansai Electric Power - Amend Articles to Require Individual Compensation Disclosure for Directors and Executive Officers and Amend Articles to Require Individual Disclosure of Compensation Received after Directors and Executive Officers' Retirement
We supported this shareholder proposal because:

- The proposed disclosure would promote accountability and help shareholders make better-informed decisions.
- While the company discloses individual compensation in its proxy circular, that is a voluntary move, and the passage of this proposal would make sure that this practice continues going forward.

Kansai Electric Power - Amend Articles to Require Individual Compensation Disclosure for Directors, Including Those Who Retire During Tenure and Kansai Electric Power - Amend Articles to Require Individual Compensation Disclosure for Executive Officers, Including Those Who Retire During Tenure
We supported this shareholder proposal because the proposed disclosure would promote accountability and help shareholders make better-informed decisions.

Lee & Man Paper - Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights and Authorize Reissuance of Repurchased Shares
The aggregate share issuance limit is greater than 10 percent of the relevant class of shares and the company had not specified the discount limit. As such, we voted against this resolution.

Mitsubishi UFJ - Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement and Amend Articles to Add Provision on Early Submission of Annual Yuho Securities Report
We supported these shareholders’ proposals as we expect it t to improve information disclosure without substantial burden on the company.

Nomura - Elect Directors Shimazaki, Noriaki
As audit committee chair, Noriaki Shimazaki should be held responsible for the company's risk management failure.

Rio Tinto - Approve Remuneration Report for UK Law Purposes and Approve Remuneration Report for Australian Law Purposes
The Company had allowed the former CEO to retain a significant proportion of his outstanding LTIP awards, subject to pro-rating for time and performance. The failures in risk oversight and governance at the Juukan site clearly constitute a "catastrophic environment event" which has "had a material effect on the reputation" of Rio Tinto, as defined in the malus and clawback provisions of the 2018 remuneration policy. In this light, it is unclear why these provisions have not been more comprehensively applied. As such, we voted against the proposal.

Scandinavian Tobacco - Allow Shareholder Meetings to be Held by Electronic Means Only
A vote against is warranted because the new articles provide the possibility for virtual-only shareholder meetings. While there are benefits from allowing participation at shareholder meetings via electronic means, virtual-only meetings may hinder meaningful exchanges between management and shareholders and enable management to avoid uncomfortable questions.

Telkom Indonesia - Amend Articles of Association and Approve Changes in the Boards of the Company
A vote against these resolutions were warranted given the lack of further information to make an informed voting decision.

Ternium - Reelect Directors
The board lacked sufficient independence among its members (25 percent). Furthermore, the company bundled the reappointment of directors under this item. ISS policy guidelines do not generally support the bundling together of significant proposals that could be presented as separate voting items.

Ternium - Approve Additional Remuneration of Directors for FY 2020 and Approve Remuneration of Directors for FY 2021
The remuneration for the chairman had the appearance of being excessive compared to market practices. As such we voted against management.

Turkcell - Ratify Director Appointment and Elect Directors
A vote against this item was warranted in light of the company's failure to disclose all the names of the director candidates in a timely manner.

Turkcell - Approve Director Remuneration
We did not support management as the company did not disclose the proposed board fees, which prevents shareholders from making an informed voting decision.

Yue Yuen Industrial - Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights and Authorize Reissuance of Repurchased Shares
We did not support the general share issuance mandate given that the company has not specified a discount limit. We did not support the share reissuance request either given the reissuance of repurchased share would cause the aggregate share issuance limit to exceed 10 percent and the company had not specified a discount limit.

Warsaw Stock Exchange - Approve Remuneration Report
A vote against was warranted because:

- The short-term incentives plan lacks disclosure on target and maximum award levels, as well as level of achievement of targets applicable to the STI grants;
- The company has failed to disclose important information on the LTIP, which makes it impossible to assess whether the management goals and shareholder values are aligned in the long term;
- The disclosure regarding the terms of exit payments of one former executive is insufficient.

Third Quarter 2021

There were 3 votes against management in Q3 2021.

BT - Approve Remuneration Report
We voted against the remuneration report on the grounds that the remuneration policy continues to reward management for poor financial performance. We voted against this issue last year and engaged with the company then.
In terms of each of the points:

1) Pensions: The issues will be resolved over the next three years; however, we continue to believe is too long a timeframe.

2) Bonus scheme: This is the main reason for voting against the remuneration report. We are particularly concerned about the two financial metrics used – *normalised* free cash flow and *adjusted* EBITDA. Our concerns are as follows:

    i. They allow for adjustments on restructuring costs that continue to be a large proportion of BT's profits in effect incentivising these adjustments to become perpetual. As shareholders we now consider these restructurings to be permanent and are a real cost to shareholders, but they are not captured in any of the metrics.

ii. These adjustments do not consider spending on spectrum, a core cost of the mobile business, and should be considered as part of the capital employed of this business.

iii. There is no allowance for an acquisition in these numbers although that is possibly captured by the ROCE underpin.

70% of the annual bonus is based on these financial metrics. In 2021 there were specific items of £403m (2020: £590m) that were stripped out of these two items. One of these items a settlement with Dixons Carphone of £149m will enable BT to book higher profits going forward that will be included within the definitions of normalised free cash flow and adjusted EBITDA.
ISS seems content with the bonus structure as they say that we should vote in favour despite the poor financial performance as:
"The Remuneration Committee has exercised downward discretion on the formulaic bonus outcome, as has consistently been the case in recent years. In addition, the EDs agreed to defer the full bonus into shares for three years, as was the case FY2020 "
If management is persistently rewarded for poor financial performance, then we believe this constitutes a failure in the design of the annual bonus scheme. However, this does not seem to be recognised by ISS or the company.

3) RSP: We are happier with this scheme than the bonus scheme as it takes into account a return hurdle as well as simple high level profit metrics. However, the ROCE calculation in the Annual Report shows the numerator for the purpose of the calculation is also adjusted for specific items. We struggle to understand how the specific items do not represent a real cost to the company given the size and regular occurrence of these costs. Should these adjustments not be made then the ROCE of BT in 2021 would have been 7.2% rather than the stated 8.6%.

We asked the company at a recent meeting if there was any reason for them to engage on remuneration this year but they felt that given the long term plan had been approved last year there was no need to engage this year. We recognise that we are possibly in the minority of investors who are unhappy with BT's remuneration structure given the 90%+ approval that the company received last year and as a result will seek to engage with the Investor Forum and ISS on this issue.

<u>Stagecoach Group - Approve Remuneration Report</u>
Significant award outcomes have been achieved under the bonus plan in relation to FY2020/21 performance, which are not considered appropriate given the impact that the COVID-19 pandemic has had on the Company, resulting in headcount reductions, furloughing staff through participation in government assistance schemes and the suspension of dividend payments. The abstention vote acknowledges that discretion has been applied to reduce bonus outcomes so that no cash bonuses will be made in respect of FY2020/21, with the outstanding balance deferred into shares for three years and subject to additional performance metrics.

<u>PT Indofood Sukses Makmur Tbk - Amend Articles of Association</u>
A vote against this resolution is warranted given the lack of detailed information to make an informed voting decision.

Fourth Quarter 2020

There were no votes against management in Q4 2021.
Commentary on votes against ISS

First Quarter 2021

There were 14 votes against ISS in Q1 2021.

Svenska Handelsbanken - Reelect Jon-Fredrik Baksaas, Par Boman, Fredrik Lundber and Ulf Riese as Directors

We supported the re-election of these Directors because we do not regard tenure as a reason for lack of independence and we are comfortable with the amount of boards that the Chairman and the representative of a major shareholder sits on.

Trigano – Compensation and remuneration resolutions (please see full voting disclosure for more details)

We have voted with management on compensation and remuneration because management are paid less than peers despite producing industry leading performance.

Trigano – Authorize Repurchase of Up to 9.83 Percent of Issued Share Capital

We have authorised the repurchase of up to 9.83% of the company without explicitly excluding a take-over period. We have approved this because we want the company to have the ability to repurchase shares and the Feuillets already own over 50% of the shares so they would not need to repurchase shares to prevent a take-over.

Second Quarter 2021

There were 32 votes against ISS in Q2 2021.

Berkshire Hathaway - Elect Directors Susan L. Decker, David S. Gottesman, Walter Scott, Jr. and Meryl B. Witmer

ISS recommends to vote against the re-election of these four individuals who make up the compensation committee. ISS writes "NEOs Abel and Jain continue to receive base salaries of $16.0 million each, which are some of the largest paid to any executive at a U.S. public company, and overall executive pay lacks a measurable link to company performance. Proxy statement disclosure of compensation decisions continues to be minimal, raising questions over whether the compensation committee is providing effective oversight. In the absence of a say-on-pay proposal, withhold votes are warranted for compensation committee members."

We think ISS is incorrect both in relation to (i) the pay being excessive and (ii) that the overall executive pay lacks a measurable link to company performance.

Berkshire Hathaway - Report on Climate-Related Risks and Opportunities

Berkshire recommends shareholders to vote against the proposal because: "We want our managers to do the right things and we give them enormous latitude to do that; consistent with our business model, each subsidiary is independently responsible for identifying and managing the risks and opportunities associated with their business, including those related to climate change…Since many of Berkshire's subsidiaries are already making sound climate related decisions, and more importantly because the Board believes that the shareholder proposal is inconsistent with Berkshire's culture, the Board recommends that our shareholders vote against the shareholder proposal."

We agree with management for the following reasons:

- The culture of Berkshire has always been that operating subsidiaries are given enormous latitude to operate their businesses which is one of Berkshire's key competitive advantages. Changing this by introducing climate targets partly or fully determined by Berkshire's management would be inconsistent with the culture which Berkshire has successfully built over decades of keeping its headquarter extremely lean and giving operating subsidiaries full flexibility and responsibility.
- The fact that Berkshire at holding level is not reporting climate targets does not mean that the operating subsidiaries are not taking climate change seriously. For example, Berkshire Hathaway Energy (the company with the largest carbon footprint among Berkshire's subsidiary companies) determined independently that it would support the Paris Agreement on climate change in 2015 and has been increasing its investment in renewables ever since. Berkshire Hathaway Energy has one of the largest renewable portfolios globally and according to ISS: "In 2019 Berkshire Hathaway Energy stated that 85 percent of its net investments into property, plant and equipment was invested in renewables and other, and

only 8 percent was invested in coal generating assets, and 7 percent was invested natural gas generation".

Berkshire Hathaway - Publish Annually a Report Assessing Diversity and Inclusion Efforts
Similar to the proposal on climate-related risks, this proposal goes against the successful culture at Berkshire with operating businesses being managed on an unusually decentralized basis. As stated in Berkshire's proxy: "As was stated in the response to the shareholder proposal on the reporting of climate-related risks, Berkshire manages its operating businesses on an unusually decentralized basis and has minimal involvement in these businesses' day-to-day activities. Accordingly, Berkshire's Board encourages you to vote "no" on this resolution, supporting the long-standing business model that each of the businesses is individually responsible for developing and implementing policies, programs and results, including those related to diversity, equity and inclusion."
Further, Berkshire's Board of Directors includes three female and two ethnically diverse members suggesting that there is indeed diversity at the highest level.

CLS Holdings - Re-elect Anna Seeley, Christopher Jarvis and Bengt Mortstedt as Directors
We supported the election of those directors because we valued their experience.

Colliers International - Amend Stock Option Plan
The remuneration scheme as proposed by the board is rejected by ISS due to a variety of factors, most of which are due to simple box ticking reasons.
We felt that objectively the remuneration scheme was reasonable. In addition, two board members (Jay Hennick CEO and founder and Benjamin F. Stein the Spruce Asset Management representative) who own c.25% of the equity and don't have anything to benefit (other than better outcomes for shareholders) voted in favour of the scheme and were therefore better than ISS who have no skin in the game to make an assessment. We recognised it did not tick all the boxes in terms of dilution risk but on balance felt we should vote in favour.

Embraer - Elect Directors
We voted with management (and against ISS) on this item as the director in question:

- Is an independent director and attended 100% of meetings on last financial year.
- Is chairman at his own company, and not CEO at any other companies. Is 56 years old. We took the view that he has the capacity to attend board meetings and fulfil his duties.
- In general, we feel a director sitting on multiple boards is preferential to one sitting on only a single board.

Exor – Approve Remuneration Report
According to ISS research, "No performance measures are attached to the LTI grants whereas stock options are the main value driver of the total remuneration." Although we understand their objections the reality is that John Elkann as a member of the Agnelli family is more incentivised by the existing shareholdings than the options and we think this would be the main value driver.

Exor - Grant Board Authority to Issue Special Voting Shares A without Preemptive Rights
This proposal would accommodate the existence of the loyalty voting structure and deviates from the one-share-one-vote principle, because loyal shareholders get an additional loyalty share that has one vote. As such we voted against ISS.

Fresenius - Approve Remuneration Policy
Since M&A is a key pillar of group strategy, we believe that they should consider a return on capital element in their remuneration policy. Also, we consider the TSR as not being ambitious enough. As such we voted against the approval of the remuneration policy.

Gaia - Elect Directors Jirka Rysavy, James Colquhoun and Nomoto, Hirofumi
We supported the election of those directors because we valued their experience.

Mitsubishi UFJ - Elect Director Nomoto, Hirofumi

ISS does not treat Nomoto, Hirofumi as an independent outside director given MUFG has cross shareholdings in Tokyo Corp, where he is the Chairman. Whilst we concur with this view, we note that MUFG holds over ¥5 trillion in domestic equity securities, meaning that in practice there are very few major corporations in Japan in which MUFG does not hold shares. We continue to engage with management at MUFG, urging them to reduce these cross shareholdings at a faster rate.

Mitsubishi UFJ - Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement

We supported this shareholders' proposal as we expect it to improve information disclosure without substantial burden on the company.

Nokia - Reelect Sari Baldauf, Bruce Brown, Thomas Dannenfeldt, Jeanette Horan, Edward Kozel, Soren Skou, Carla Smits-Nusteling, and Kari Stadigh as Directors

ISS research recommended a vote against this item as it considered Kari Stadigh to be overboarded. We did not think Mr Stadigh to be "overextended" and find it helpful to have a former CEO on the board.

Nomura - Elect Director Sono, Mari

Unlike ISS we considered Sono, Mari to be independent, like last year.

Rio Tinto - Re-elect Megan Clark as Director

Rio, with significant input from Megan Clark, has implemented a number of changes re oversight that are still to fully bed down. It may therefore be the wrong time to change the Chair of the Sustainability Committee. They have already changed the Group CEO and CEO of Iron Ore and further disruption may not be helpful.

Shop Apotheke - Approve Remuneration Report and Amend Remuneration Policy for Supervisory Board

We thought the remuneration was reasonable particularly given performance and they are aligned through shareholding.

Shop Apotheke – Amend Articles of Association

We saw no need to amend article of association.

Shop Apotheke – Approve Increase in the Fixed Annual Base Fees of Supervisory Board

The proposed fee increase was reasonable and as such we did not see any reasons to vote against management.

Shop Apotheke – Grant Board Authority to Issue Shares Up to 20 Percent of Issued Capital

Management were aligned through their shareholding so we were comfortable with the ability to issue 20%.

Authorize Board to Exclude Preemptive Rights from Share Issuances

We spoke to management who confirmed they were likely to do so.

Shop Apotheke – Grant Board Authority to Issue Shares Up To 0.07 Percent of Issued Capital in Connection with the 2019 ESOP

This was for a very small amount and we saw no reasons to vote against this item.

Third Quarter 2021

There were 12 votes against ISS in Q3 2021.

BT - Approve Remuneration Report

For further details please see section above.

Alibaba Group Holding Limited - Elect Director J. Michael Evans
The reasons for voting with management is that the threshold of 50% independence is not met because of Kabir Misra (the Softbank representative) being considered as non-independent by ISS whereas he is considered as neither independent nor non-independent by the company. Under this scenario there are 5 independents and 4 executives. Furthermore, a vote against Joseph Tsai is not warranted as he was one of the founders of Alibaba alongside Jack Ma and remains an important part of the management.

Alibaba Group Holding Limited - Elect Director Joseph C. Tsai
The reasons for voting with management is that the threshold of 50% independence is not met because of Kabir Misra (the Softbank representative) being considered as non-independent by ISS whereas he is considered as neither independent nor non-independent by the company. Under this scenario there are 5 independents and 4 executives. Furthermore, a vote against Joseph Tsai is not warranted as he was one of the founders of Alibaba alongside Jack Ma and remains an important part of the management.

Eurobank Ergasias Services & Holdings SA - Approve Remuneration Policy
We felt the remuneration policy was reasonable.

Frasers Group Plc - Approve Remuneration Report
We felt the targets were sufficiently high to justify the policy.

Frasers Group Plc - Re-elect Mike Ashley as Director
Ashley offers useful experience to the board as well as being the majority shareholder.

Frasers Group Plc - Approve Executive Share Scheme
We believe this is reasonable given the targets that must be met.

Jet2 Plc - Authorise Issue of Equity without Pre-emptive Rights
This is a useful tool for the company and we are aligned with Philip Meeson.

Jet2 Plc - Authorise Issue of Equity
As Above.

Jet2 Plc - Authorise Issue of Equity without Pre-emptive Rights in Connection with an Acquisition or Other Capital Investment
As Above.

Jet2 Plc - Re-elect Richard Green as Director
Richard Green offers useful experience to the board.

Fourth Quarter 2021

There were 3 votes against ISS in Q4 2021.

JD Wetherspoon – Re-elect Tim Martin as Director
We believe the experience of the three directors is an asset to the board and therefore voted in favour of their re election.

JD Wetherspoon – Re-elect Debra Van Gene as Director
We believe the experience of the three directors is an asset to the board and therefore voted in favour of their re election.

JD Wetherspoon – Re-elect Sir Richard Beckett as Director
We believe the experience of the three directors is an asset to the board and therefore voted in favour of their re election.
Please see the full voting disclosure for 2021 for more information.

Engagement Report

Q1 2021

Rio Tinto

Social, Environment and Human Rights - This quarter we continued in our effort to monitor the progress of reforms at Rio Tinto, following the tragic destruction of the Juukan Gorge last year. We took part in a call where the senior leadership team updated investors about management of cultural heritage at the company. Speakers included the group CEO, the Chair of the Sustainability Committee, the Chief Advisor of Indigenous affairs, as well as several other company representatives. We were reassured by the progress of reform at the firm, supported by clear milestones and practical examples. We will continue to monitor this.

Nomura

Governance, Board Independence - In our last quarterly update, we described our engagement with Nomura, including expressing concern to the President about a board member, Mr Lin Choo San. He had been on the board for 10 years and we viewed his long tenure as entrenched. In March we heard positive news on this front – the company announced that Mr Lin Choo San would not be reappointed to the board.

Samsung Electronics

Governance, Board Independence - After voting at the AGM against the board's recommendation to elect three members. As a reminder, in January this year Samsung's heir as well as the vice chairman of the company, Mr. Jae Yong Lee, was sentenced to prison for bribery, embezzlement and concealment of criminal proceeds worth about KRW8.6 billion. The formal investigation has been ongoing since the end of 2016. We noted our serious concerns over the qualifications as director of a person convicted of any offense and sentenced to imprisonment. As such we voted against electing the incumbent directors as they collectively had failed to remove criminally convicted directors from the board. We explained that we will continue voting against election of outside directors not removing other convicted directors from the board. We received a response back from company representatives, who expressed their disappointment in this decision and noted that these board members first joined well over a year after Mr Lee had recused himself from the board. They noted that the board members had significantly strengthened compliance systems as part an effort to prevent future compliance risks. Finally, they noted 'our directors continue to work on further governance and ESG enhancements'.

A final note on engagement for the quarter – we undertook our annual systematic check of our UK holdings, as well as the UK subsidiaries of non-UK companies that we own, for compliance with the Modern Slavery Act of 2015. As reminder, this Act came into force on the 29th October 2015, and obliges any commercial organisation in any sector which supplies goods or services and carries a business or part of a business in the UK with a turnover of £36m or more to produce a "Slavery and Human Trafficking Statement" for each financial year of the organisation. If the organisation has a website, it must publish the statement on it and if it does not, it is obliged to produce one for anyone that requests it within 30 days. We found a few instances where statements were out of date or not available on their company websites. We have engaged with those companies accordingly.

Q2 2021

As signatories of Climate Action 100+, we are committed to engage with the companies in which we invest if they have not yet committed to reaching net zero emissions by 2050. This is true whether or not the energy transition presents a material risk to the investment thesis. So for those companies not yet committed, we reached out to the relevant companies during the second quarter of 2021.

Nomura

Governance, Risk Management - We engaged with the senior management team at Nomura given the large losses associated with the exposure to Archegos Capital. There was some reassurance that capital and risks associated with the prime brokerage business will be limited going forward. However, we did vote against the re-election of Mr Shimazaki to the Board at the AGM, as he was the Chair of the Audit Committee and we felt that he should be held accountable for the risk management failure. However, he was re-appointed in this role. We will continue to engage with management on how Nomura can continue to improve its risk management procedures to ensure losses arising from such transactions in its prime brokerage business can never be repeated. At the time of writing, it has been reported that Nomura plans to withdraw from cash prime brokerage operations in the US and Europe. This is expected to have a negligible impact on the operating performance at Nomura Holdings.

Q3 2021

Korea Electric Power (KEPCO)
Environmental, Carbon Emissions - During the quarter we engaged further with Korea Electric Power in our collaborative engagement with Climate Action 100+. Together, we have been lobbying KEPCO for about a year to improve climate-related disclosure, to adopt a net zero objective for 2050 and trying to get them to cease building new coal plants at home and abroad. Late in 2020, the company improved its climate related disclosure and the company agreed to target net zero emissions by 2050. This was made possible by the change in stance of its controlling shareholder, the Korean Government, that itself adopted this objective. We had a call during late July this year to get an update on their coal and renewable plans. KEPCO confirmed that they would not begin building any more coal plants (other than those currently underway) either domestically or internationally (Vietnam and Indonesian plants under construction will be completed). KEPCO explained that they had agreed to provide 43 gigawatts (GW) of renewable power capacity of the national target of 58 GW by 2030. We noted that KEPCO was still not being allowed to earn its cost of capital and hence new investments including renewables would destroy capital. We asked whether this investment would be rewarded by further enhancements to the cost pass-through tariff structure, but investor relations felt this was unlikely. We began selling in August and completed the sale of KEPCO in September.

Nomura
Governance, Disclosure - In August and in response from a request from the company we provided suggestions on areas of improvement that we would like to see on disclosure within asset management. This included data on net inflows of cash and securities by demographic group. We are particularly interested in the investor trends of the 50-70-year-old cohort, enhanced disclosure on how Nomura's product sales compare with its peers (eg investment trusts), more detail in their roadmap which targets increased fee income in asset management, clarity on KPIs the company is measuring to gauge the success of their consulting business and their shift into private markets. In wholesale, we asked for better disclosure about the future role and risk framework for the prime brokerage division.

East Japan Railway
Governance, Board Composition - In 2020 we expressed our view that the current lack of an independent majority undermines the board’s effectiveness as a counterbalance to management. In June 2020, there were 12 on the board, of which only four members were independent (which is equal to the minimum of 33%) and only two of the independent directors (Ms Amano and Ms Kawamoto) were female. The President responded that in 2020 the number of outside directors had been increased, two are female and that he did not intend to change the composition further in the immediate future. Having expressed our disapproval, we were then pleased to see that in June 2021 the first internal female Board member was added (Ms Itoh) and the two existing independent female board members were reappointed. Progress was made on the gender balance. We will continue to engage to increase both the proportion of outside, independent directors and on diversity.

Governance, Cross Shareholdings - In September 2020, at a meeting with President and CEO Kawamoto, we asked why the company had increased its cross shareholdings in JR companies and reiterated that we encourage management to reduce their cross shareholdings as soon as possible to zero. The President justified the addition to cross holdings of JR companies as part of their strategy to enhance safety and technological innovation, to improve collaboration on routing of trains etc. We countered that all those objectives could be realised without buying more cross shareholdings and that we were disappointed. We will continue to engage with management to encourage a reduction in cross shareholdings to zero.

Q4 2021

easyJet

Governance, Capital Allocation - We engaged with the management team at easyJet following the issuance of £1.2bn in new equity. We believe that the size of this capital raise is larger than it needed to be. Liquidity was not an issue, and the cash burn has been significantly reduced as a result of cost-cutting and a much-reduced schedule. There are also the green shoots of a recovery in air travel, with restrictions being lifted and encouraging trends in passenger numbers. We had allowed for a capital issuance in our outlook and assessment of fair value – but, given this backdrop, we had expected a much smaller issuance. This decision, combined with subsequent conversations with the company about the capital raise, has raised concerns. They rejected an unsolicited bid from Wizz Air, an Eastern European competitor, at a slight premium to the share price at the time (c £8), suggesting that it undervalued the company, and then issued new shares equivalent to approximately one-third of the market capitalisation at £4. We continue to think that the shares are in recovery mode and have significant upside, but we have made our views clear to management and engaged with them on compensation arrangements to ensure alignment with their shareholders.

Mitsubishi UFJ

Governance, Capital Allocation - Investing in Japan is not easy, and it can be very frustrating when opportunities to create shareholder value (which would be seized by an Anglo-Saxon management team) are ignored or deemed secondary to the greater good of the nation. One such case is our investment in MUFG, which we have engaged with over many years on various items of governance and to improve the returns on equity. We continue to push in our meetings for them to extract equity capital from low-returning areas and to buy back their own shares. The latest meeting was with the new CEO in December 2021. MUFG owns various stakes in related and non-related companies to its core operations as a bank. MUFG owns a 21% stake in Morgan Stanley (a US bank) which it bought in 2009 for $9bn and today is worth $39bn and valued by the market at a 1.9x price to book. This represents over half of MUFG's own market capitalisation of $76bn. MUFG trades on less than 0.5x price to book value. MUFG has a solid balance sheet relative to global peers, has been turning returning capital via share buybacks but we felt that these could be far larger. It does have a good credit track record, and hence in 2020 with the onset of the pandemic, given its defensive nature, it was one of the best performing banks in the sell-off. Its share price recovery has continued into 2021 with the shares up 43% in local currency. Yet it still trades at a large discount to global peers. Cost-cutting measures are starting to come through, it has announced the disposal of its US operations at a significant premium to book (to complete later this year) and it is expecting to use these proceeds to resume share buybacks. This appears to us a great store of value and one where perhaps our engagements are starting to bear fruit.

At the beginning of each year, OP's Stewardship Committee set objectives for the year ahead. Below are the objectives that the Committee have set and hope to have meaningful outcomes on for the year 2022:

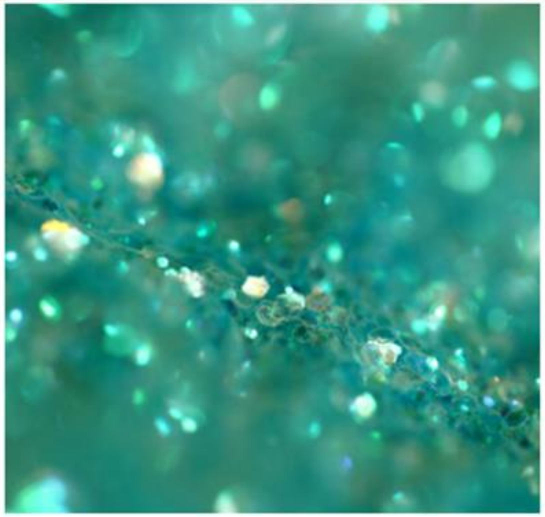
1. Check all holdings have made a commitment to be net zero by 2050 and engage with the companies where this commitment has not been made. Where companies have made a commitment, we will monitor progress against targets and check whether they are meeting TCFD requirements.
2. Review the amount and quality of carbon offsets used in the net zero commitments of holdings.
3. Check whether holdings have Equality, Diversity & Inclusion (EDI) policies, review the respective policies, and engage with companies where we see weaknesses.
4. Ensure all holdings are compliant with the UK Slavery Act (where appropriate) and necessary disclosures are up-to-date.
5. Review our providers of ESG data and research, including proxy voting information, to ensure the services meet our needs.
6. Keep on top of ESG research and best practice within the active ownership space.
7. Promote responsible investing independently with relevant thought pieces published on our website.

OP combines a traditional, contrarian Value approach with ESG goals. Some examples of where we have written about our approach are shown below. Please click the images which link to the thought pieces published on our website.

May 2021

ESG Reformers – new opportunities to go against the tide

At Oldfield Partners, we believe that those who can take a long-term view and disregard index composition are at an advantage.



August 2020

All that is green does not glitter

At Oldfield Partners, we do not take ESG ratings at face value.

December 2019

More than meets the eye on climate change

We have always considered it an important part of company analysis to assess corporate governance, as well as the management of social and environmental issues.