Oldfield Partners

Proxy voting and company engagement report

Q2 2024

July 2024

Engagement Report

Climate Engagement

As our portfolio companies continue to verify targets and progress towards them, we recognise challenges in the evolution from commitment to implementation. More than ever, our conversations this quarter highlight the need for a multi-stakeholder approach and collaboration across actors throughout the value chain to support capital allocation decisions consistent with achieving net zero by 2050. In the words of Henry Ford,

'*Coming together is the beginning. Keeping together is progress. Working together is success'*

Chubb

During the quarter we held our second discussion with Chubb to better understand the evolution of their strategy in the past 12 months. Described as *radical pragmatism*, their Global Climate Officer took us through an approach that they see as addressing both risk and opportunity. From a risk perspective, they reaffirmed their coal-based restrictions, as well as the evaluation of oil and gas clients on methane reduction efforts during renewals, indicating that poor methane management often correlates with broader risks. The additional pillars of their strategy include a focus on underwriting clean technologies and renewable energy, with the practice growing 30% last year, as well as an offering that supports clients in better understanding their physical climate resilience.

As a P&C insurer, Chubb's lack of ownership or direct control over client activities, ultimately limits the influence that they have on associated emissions. With this in mind, we discussed the reporting of scope 3 emissions, the topic of an upcoming shareholder resolution at this year's AGM. Contrary to almost every other company that we speak to, Chubb does not believe scope 3 reporting is a foregone conclusion, citing their assessment of materiality within EU regulation, as well as ongoing legal disputes in the US. As a result, they argue that time and resource spent calculating scope 3 emissions takes away from initiatives described above.

Chubb argue that they can have greater impact in aligning initiatives such as their methane reduction efforts, to broader priorities, in this case the Global Methane Pledge. These efforts allow for greater focus than addressing scope 3 emissions. Whilst we support the need for this multi-stakeholder approach, we insisted on the need for a more consistent and transparent approach to reporting their initiatives. Scope 3 provides a cross-industry reporting metric that incentivises progress and in the absence of this we encourage clearer metrics for more consistent and measurable feedback. We agreed to speak again in the coming 12 months as they improve this.

Southwest Airlines

As a material emitter in our portfolio, we have begun to build a relationship with the team at Southwest, as we follow their decarbonisation commitments closely. From this year's sustainability report we are pleased to see progress in areas previously covered in our discussions. Firstly, we note greater transparency into their lobbying activities. Secondly, the verification of their decarbonisation targets by the third-party Transition Pathway Initiative (TPI), represents an important step.

Their progress towards their targets is contingent on the procurement of sustainable aviation fuel (SAF) and during our interim engagement with them this quarter, we began to explore the nuance of this. The sustainability and scalability of different types of SAF vary widely depending on their feedstocks and production pathways. Whilst in the longer-term e-fuels made from green hydrogen, appear the highest integrity option, today production relies on biofuels such as waste fats, oils, and agricultural and forestry residues. Our objective therefore is to understand that the scaling of SAF does not come at the expense of deforestation or food production. As a highly regulated sector, Southwest referred to several industry assessment standards which they adhere to. We expect to continue discussions with the company later this year to better understand these. As we witness other parts of the supply chain scale back their commitment to biofuels, we seek to better explore the dynamic between the different actors, and the investments that Southwest are making directly into SAF start-ups to support the required growth. The role of policy will be crucial in supporting progress and alongside our company discussions, we continue to evaluate our role here.

CK Hutchison
As a multinational conglomerate with distinct divisions, we are impressed with the progress CKH have made, with science-based targets now approved for all divisions with the exception of Infrastructure where work continues with the more complex subsidiaries. Our annual call with the company covered their approach to investing in hydrogen and how they consider the cost/benefit trade-off, alongside supportive policy, which has influenced their focus on the UK and Australia.

During the meeting, we also discussed the development of their biodiversity policy. CKH have to date evidenced a strong governance framework with objectives set by the Board and a structure that leverages implementation expertise within the different divisions. We think this has been significant in driving progress for climate targets and we discussed how the development of a biodiversity policy in 2023 is another example of a top-down approach that has been customised by each group. Their initial nature related assessments are based on the concepts of protect, conserve and restore. We are encouraged by progress made and intend to monitor this annually.

Human Rights
Companies can face significant physical and commercial challenges to managing risks throughout their supply chains, especially when they have multiple tiers. As incoming regulation such as the Directive on corporate sustainability due diligence (CSDDD), creates greater awareness of this both from an environmental and human rights perspective, we begin to explore this in more detail with our portfolio companies.

Siemens
This quarter we spoke to Siemens about their supply chain oversight. This was prompted by our human rights monitoring in relation to one of China's largest ethnic minorities, the Uyghur population. With a complex supply chain, Siemens face challenges despite policies and audit processes in place to support them. Although there have been no new recent violations, we looked to gain comfort in how the previous case, dating back to 2020, had been handled. Based on the result of an independent third-party audit at the time, Siemens were comfortable with the facility in question and the working conditions. As awareness grows as to the importance of sustainability oversight within procurement, Siemens shared with us a three-pillar approach to their Human Rights due diligence process of prevent, detect and respond. Given the multi-year nature of projects, rigour in their selection process is key and we are encouraged by the structure in place to ensure that these risks are effectively mitigated.

Whitbread
As part of our due diligence for Whitbread, we spent some time understanding their approach to employee relations, as a key stakeholder in the hospitality industry. Following a recent challenge by Unite, the largest trade union in the UK, we looked to gain comfort into Whitbread's handling of potential job cuts due to restructuring of their underlying businesses. There have been significant tensions in the hospitality industry, particularly following the pandemic, and as the owner of the largest hotel chain in the UK, Premier Inn are understandably exposed to greater scrutiny. During our communication and for greater clarity on their approach, we discussed the living wage, staff turnover, and their approach to housekeeping and contract cleaning, as areas they have identified and prioritised for human rights risks. Whitbread point to strong policies that underpin their approach, as well as positive indicators such as an average increase in staff tenure over the past 12 months. We don't believe that Whitbread face material risk today, however we will continue to take an interest in personnel matters, particularly with the changing political environment in the UK and any knock-on impact to unions.

<u>Governance & examples of Meaningful Votes</u>

As a long-term investor, we continue to prioritise collaboration with management via engagement and use our vote often to escalate an issue. Below we document discussions related to votes during year's main AGM season.

Chubb

Item 6: Elect Evan G. Greenberg as Board Chairman: Although contrary to best practice, we believe that Greenberg is critical to the investment case for Chubb and therefore voted in favour of his role as both CEO and Chairman.

Item 15: Report on GHG Emissions Associated with Underwriting: Supported by our engagement with them, we believe it makes no sense to push Chubb to disclose underwriting emissions where there is not yet a globally accepted reporting standard for this. We recognise the complexity that underwriters face but would like to see more consistent disclosure to hold Chubb to account and have expressed this to them.

Item 16: Report on Median Gender/Racial Pay Gap: During our discussion, Chubb talked through what they believe to be the unhelpful aspects of an unadjusted pay gap proposed in this shareholder resolution. We have sympathy with their view and asked them instead to improve their disclosure on the adjusted pay gap which they agreed to follow up on with relevant parts of the business. Their approach to improving representation currently is through efforts related to retention and promotion.

CK Hutchison

ISS suggest a vote against all non-independent director nominees, as the board will be less than one-third independent due to the nomination of Sin Ling (Ruth) Tsim. ISS requires a 5-year cooling-off period for board members, prior to classification as independent, which is in contrast to Hong Kong local listing rules, where a 2-year cooling off period will suffice. While one can question the true independence of some board members, we do believe that the board brings a high level of expertise and a vote for the proposed board members is in this case justified, supported by the fact that the board composition post-election will be in line with local rules.

Disney

In one of the more high-profile proxy battles of 2024, having built a significant stake in Disney, Trian Partners, an activist investment firm, attempted to unseat two existing Board members, replacing them with their two named and associated alternatives. Their argument centred around the ability to positively influence Disney's governance and strategic direction, with a shareholder mindset that we agree creates greater alignment with our clients, amongst a Board that has historically not illustrated the ability to hold CEO and Chairman Bob Iger to account. We voted in favour of Trian and wrote to Disney to outline our reasoning.

Southwest Airlines

In response to a shareholder resolution on a suggested amendment to their clawback policy we spoke with representatives from investor relations and their general counsel. Southwest view the proposed changes as impractical and ambiguous and argue that the company has other tools to punish misconduct (e.g. termination in which case stock options would be forfeited). We believe that changes to the policy are better addressed by the board rather than dictated by outside influence, and we supported management in the vote but encouraged them to review the policy in light of this.

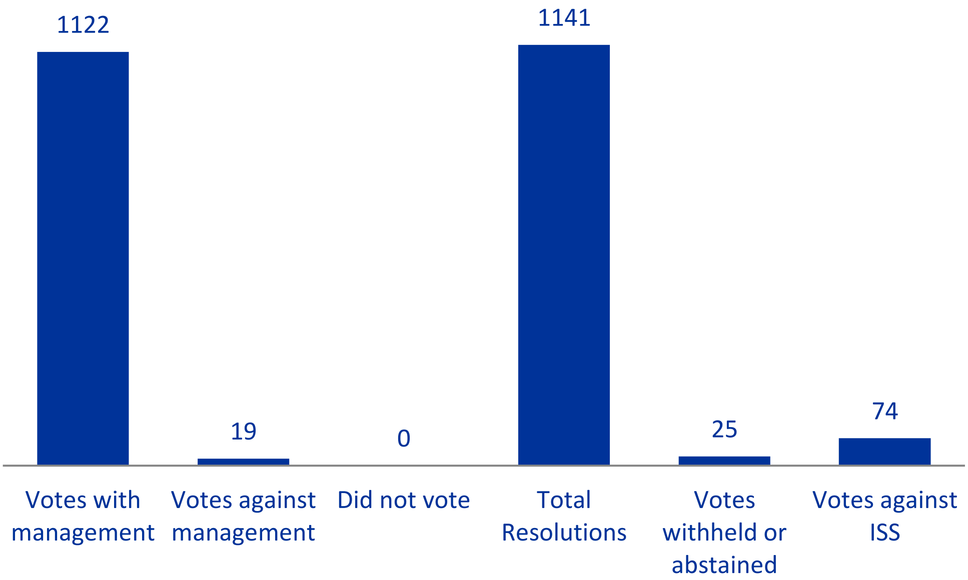
Please contact us for a full breakdown of voting decisions.

Voting Summary*

Total meetings available	=	62
Meetings instructed	=	62
Number of resolutions	=	1141
Did not vote	=	0

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

<u>Vote Instructions</u>



<u>Breakdown of Resolutions</u>