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Oldfield Partners

Proxy voting and company engagement report

Q1 2023

April 2023

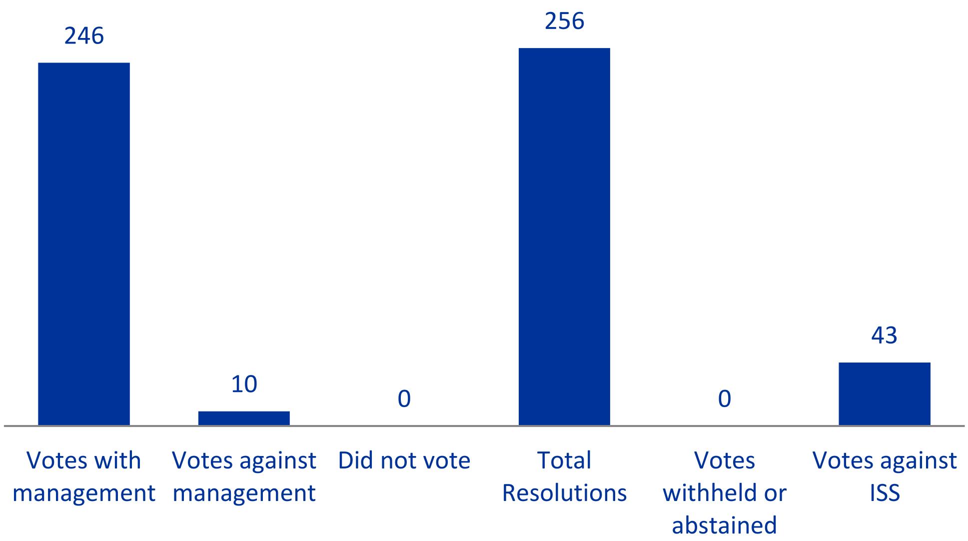
Breakdown of Votes Against Management and ISS

Voting Summary *

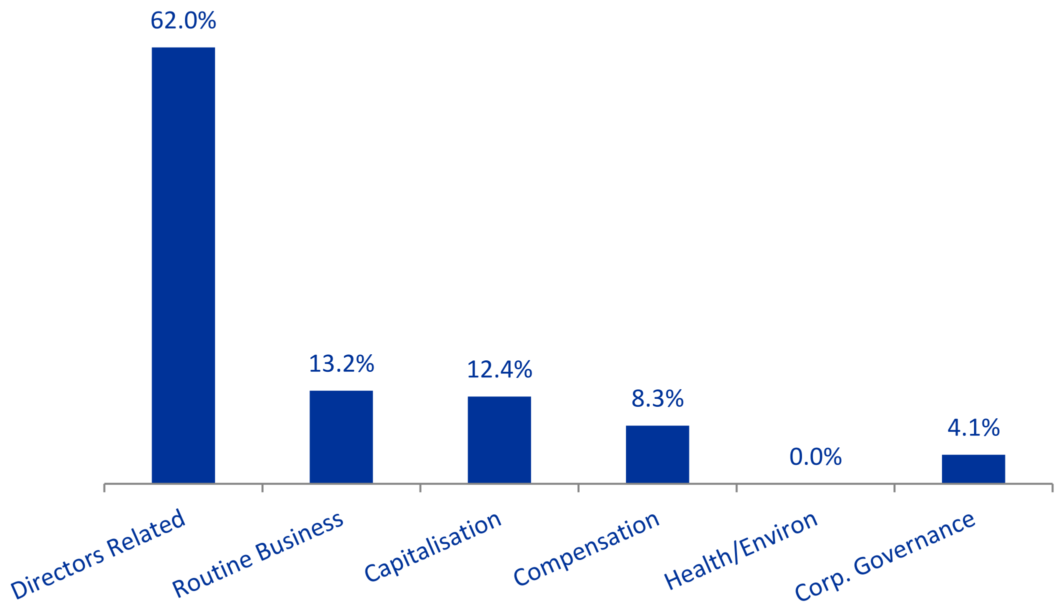
Total meetings available	=	18
Meetings instructed	=	18
Number of resolutions	=	256
Did not vote	=	0

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

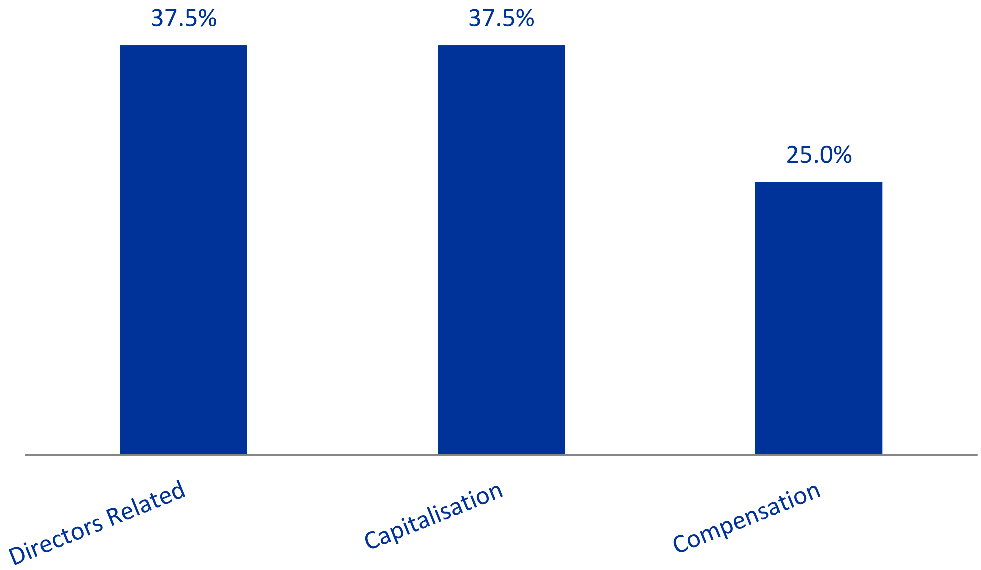
Vote Instructions



Breakdown of Resolutions



Breakdown of Votes Against Management



Commentary on Votes Against Management

Daiwa Industries - Approve Director and Statutory Auditor Retirement Bonus
We voted against this proposal because at the time of the vote, the bonus amounts were not disclosed.

easyJet – Multiple Items
We voted against several items at this year's AGM including the issue of equity without pre-emptive rights, as well as key figures related to remuneration and leadership. In the lead up to the vote, we engaged with senior management in the final quarter of last year and followed up with the Chair of the Board shortly after the AGM. We document engagements with easyJet in the following report.

FEMSA - Elect Alejandro Bailleres Gual as Director
We voted against this proposal due to the Director serving on five public company boards which in this instance, we perceive to be too many.

Thai Beverage - Elect Khunying Wanna Sirivadhanabhakdi as Director & Other Business
We voted against the re-election of Wanna Sirivadhanabhakdi as she is an executive director serving on the nomination committee and therefore risks undermining the committees' ability to provide independent oversight. We also voted against a resolution related to other business, that would allow the board and shareholders to raise other issues and discuss them at the meeting. We voted against this due to a lack of transparency and information provided.

Engagement Report

The Net Zero Asset Managers initiative

On 25 January we joined the Net Zero Asset Managers initiative, further formalising the commitments that we have made to play our role in the transition to net zero by 2050. This starts the clock on twelve months during which we will finalise the targets for the assets that we have pledged. These assets consist of those within our Global fund and related segregated accounts, which account for around 75% of our total assets under management.

By nature of our Value investment philosophy, our approach includes investment in traditional industries such as oil and gas, whose decarbonisation play a critical role in the transition to net zero. In pursuit of improved real-world outcomes, we believe in the role of engagement. Our long-term investment horizon provides patient capital to support change and often facilitates collaborative engagement with companies. As stewards of our clients' capital therefore, where they do not have restrictions to the contrary, we favour responsible stewardship over divestment. We approached our commitment to NZAM with this clear ethos in mind and were pleased to learn of the way in which our beliefs aligned. The following outlines the framework that we will formalise this year.

We have adopted a portfolio coverage target which encourages this dialogue with our investee companies whilst also providing goals to ensure progress is made in a timely way. Our commitment includes our position today, as well as two formal interim targets.

1. Today at least 70% of our financed emissions in material sectors will be either aligned* to or achieving net zero, otherwise they will be subject to engagement.
2. By 2030, this number will increase to 90%.
3. By 2040, 100% of our pledged assets will be aligned to or achieving net zero.

*Companies aligned to net zero are those with comprehensive science-based targets and ideally those with third party oversight such as verification by the Science Based Targets initiative (SBTi).

Our hope is that our commitment to NZAM provides our clients with confidence in our ambitions, a recognisable framework to track progress against, and targets to hold us to account. As an investor, it provides us with focus, as well as an additional network for collaboration. As expressed, it formalises our ongoing commitment to working with companies held by the strategy in support of their decarbonising, in a manner that is consistent with the Paris goals. We believe this is in the best interests of investors, addressing risks for those firms threatened by change, but also presenting opportunities in instances where improvements are being delivered.

This quarter's climate engagements follow.

CK Hutchison (CKH)
Following our initial investment, we held a call with CKH's Group Sustainability Manager in January. Through the due diligence process, it was clear that CKH is progressing with net zero targets, with a satisfactory level of governance oversight and our objective was to better understand the physical risks to the business posed by climate change and their future strategy. Significant physical risks due to coastal flooding are attributed to the port and infrastructure divisions of the business. With regulated underlying businesses, the infrastructure division reports every 5 years on adaptation, however oversight of the ports division is a more recent addition. CKH has leveraged third-party expertise to ensure that the risks, unique to each geographic location, have been well understood.

Their response to this analysis will become clearer in the coming months as they consider if and how to implement the recommendations made. In order to monitor their progress, we look to improvements in their in-house scenario analysis, outlined in an updated TCFD report, as well as the detail in the annual publication of their sustainability report.

As a company that has dedicated significant time and resource to the transition to net zero, we were keen to understand their targets at a holding company level and how this influences their own investment approach. With a minority stake in Cenovus energy, their intention is to reduce the percentage of revenue attributed to this over time, whilst also pivoting to greater transparency on green CAPEX and green revenue. With an open dialogue with investors, we look forward to their advancement and future discussions on their continued progress.

easyJet

We continued to deepen our interest in the airline industry, with a focus on easyJet this quarter, engaging with the board and company management, both individually and through group forums, on three occasions. Our governance concerns related to capital allocation are documented in the final section of this report and for climate, we note the following key takeaways. In a presentation by the Chair of the Board, Stephen Hester outlined what he believes to be easyJet's credible commitment to net zero, highlighting the importance of partnership throughout the supply chain and good governance demonstrated by numerical targets attributed to the CEO and CFO. With the realisation of many of their goals subject to technological improvement, Hester spoke of the need for better communication amongst Bureaucrats to address near term improvements such as a more efficient use of air space in Europe. Separately, the role of government and regulators was picked up on during a presentation by the COO, David Morgan, as he touched on lobbyists representing the company, with a permanent position in Brussels looking at policy and pricing for sustainable aviation fuel, as well as efforts to have direct air capture recognised as a credible component of their decarbonisation trajectory. This provided insight into areas not otherwise documented and we will continue to seek clarity on their lobbying activities, to ensure they are aligned with their public decarbonisation framework.

Lloyds

In March we attended Lloyd's Climate Webinar where we found an energised executive team, committed to ensure their purpose and strategy are fully embedding the transition to net zero. This included an oversight of risk, as well as financing opportunities that they believe can provide value and growth for shareholders. Having previously outlined their headline targets such as reducing financed emissions 50% by 2030, the team spent some time on the near-term objectives for 2023. These include the finalisation of a credible transition plan for oil and gas, a target for agriculture and a considered approach to nature. In line with feedback from other banks, Lloyds have to date struggled to align with SBTi and explained that this was largely due to some divergence in housing. Lloyds are addressing this in several ways, working to educate clients with a target £10bn of green mortgage lending by 2024, collaborating with the government to incentivise people to retrofit their homes, and partnering with Octopus to do so. With clear objectives to measure them by, we will continue to monitor their progress.

MUFG

In conversation with the CFO in January, we followed up on our discussion from last summer regarding their approach to scope 3 financed emissions. With targets for the oil and gas sector announced last year, Mr Yonehana confirmed that targets for an additional 2-3 sectors will be announced this April. This is in line with their commitment to the Net Zero Banking Alliance (NZBA), which requires full coverage within 36 months of joining. In addition to NZBA, they are aiming for third party verification of their targets but due to a perceived lack of alignment with SBTi today, they are looking into other third-party input, which we emphasised was important. We moved on to discuss the opportunity related to the transition and their funding ambitions and we learnt that they have one target so far of 35 trillion yen to be allocated by 2030. They will in time focus on the opportunity, with measurement of revenue generated through their sustainable finance initiatives. This however requires more time and greater analysis before further disclosure. As an investee company with whom we have regular dialogue, we will continue these discussions in the normal course of business.

NOV

Following a discussion back in August, we re-engaged with the company in February to continue the dialogue on their approach to the energy transition and how, as an oil and gas servicing company, they are using their expertise to help their clients in the transition to net zero. During the engagement we discussed the impact of the Inflation Reduction Act, which they believe to be positive for their position in floating offshore wind; their continued efforts to set a baseline for emissions from which they can set reduction targets; and their broader strategy going forward including a more focused opportunity set in renewables. We learnt that the tone from investors has shifted slightly, with ESG considerations becoming less dominant, and a reversion to a more neutral discussion balanced between the legacy business and renewables.

Our previous interaction had concluded with a summary of feedback and key asks to be shared with the Board. As a significant shareholder this is a quarterly invitation and opportunity that we will continue to leverage. With NOV's commitment to do 'what is best for shareholders', we believe that as one of fewer European investors, it is important to provide steady feedback to management, advocating for a consistent approach to the transition that is considered, strategic and transparent. This keeps them in line with their main competitors, future-proofing their business. With their sustainability report due to be published in Q2, this will provide greater clarity on the evolution of their framework and an opportunity to continue the dialogue.

Thirty percent female representation on Boards

Philip Morris International (PMI)

During a discussion with PMI in March, we drew their attention to a letter that we had sent back in November, highlighting the importance of including objectives for better female board representation alongside their public commitment to achieving gender balance at all levels of the company. Their ambitions seemed limited, and it was suggested that we discuss this in more detail in relation to the upcoming AGM.

Social Issues

Rio Tinto

Monitoring the evolution of culture at Rio Tinto, we joined the collective engagement convened by the UK Investor Forum for a wide-ranging conversation with Dominic Barton, the Chair of the Board. Following the publication of the *Everyday Respect* report by Liz Broderick in 2022 which identified disturbing findings of bullying, sexual harassment, racism and other forms of discrimination throughout the company, Barton confirmed that of the 26 recommendations made following publication, 85% of these had been actioned. In parallel though, complaints across the company have increased. This is viewed positively however, as a sign that employees feel more comfortable to voice their concerns. He shared that culture is discussed at every board meeting and they are exploring how to set a robust measure for cultural change with the remuneration committee in order to continue to hold the leadership team to account. In the meantime, Barton is looking to the retention of women as an indication of whether change is happening. With many women joining last year, encouraged by the Broderick report, if near-term retention is poor, the signal will be quite clear. We are encouraged by Rio Tinto's transparency and note nonetheless that they have a long way to go. As a number of our investee companies begin to pay greater attention to culture, we will continue to engage with Rio Tinto, who are to some degree leading the dialogue on addressing this important topic.

Broader Governance Issues

Alibaba

Following our discussion in December regarding controversies linked to the company, IR followed up with us in January to address ongoing allegations that relate to Alibaba Cloud India, with a police investigation into alleged criminal conspiracy and document falsification. In consultation with their legal team, IR confirmed that the company is aware of the allegations but deny them in the strongest possible terms and are co-operating with local authorities in India to reach a conclusion to the case. Importantly, they emphasised that the entity is not implicated in wrongdoing, instead the allegations relate to board members dating back to 2016, that are no longer associated with the company. We don't consider the need for further action at this stage.

BT

Ahead of the AGM in July, BT reached out to us to share details on the triennial review of the Directors' Remuneration Policy. In 2020, when the Directors' Remuneration Policy was last approved, we engaged with the company to voice concerns. These were not alleviated through discussion at the time and as a result we voted against the policy. Unfortunately, many of the same issues remain today and we wrote to let them know that we do not believe their policy creates strong alignment with shareholders. Our intention is to discuss the details further with the Chair of the Remuneration Committee in Q2.

Bolsa

Following a February discussion with the company, we formally wrote to the firm with the objective of encouraging a more frequent dividend distribution. Bolsa has a dividend yield of c.6%, but only distributes once a year. In our experience the payment of an interim dividend adds additional stability to the valuation, creating a more tangible valuation floor during periods of market stress and avoiding income investors timing large pay-outs. Key points were shared with management using a presentation – this included a study on the subsequent return of firms that announce a more frequent dividend, and a number of charts illustrating the point that interim dividends were standard practice for most listed firms globally. We also shared some analysis on how Mexican legislation was being used to encourage more local initial public offerings. The IR thanked us for the engagement, noting that it will be shared with the CEO and CFO for follow-up, and noted that this topic would be properly considered post the publication of the annual report (April).

easyJet

Having raised concerns for a significant period now, we met with Stephen Hester, the Chair of the Board, to discuss these. Our conversation centred around incentive structures and we communicated that we believe he should be more forthright in ensuring management have better alignment through ownership of more shares (the CEO for example holds 27% of the recommended amount), as well as consider the appropriateness of using EBITDAR compared with PBT. In support of our views, this quarter, we also voted against the remuneration report, as well as other items at the AGM.

JSE

Following a March discussion with the company, we formally wrote to the firm with the objective of encouraging a more frequent dividend distribution. JSE has a dividend yield in excess of c.8%, but only distributes once a year. In our experience the payment of an interim dividend adds additional stability to the valuation, creating a more tangible valuation floor during periods of market stress and avoiding income investors timing large pay-outs. Key points were shared with management using a presentation – this included a study on the subsequent return of firms that announce a more frequent dividend, and a number of charts illustrating the point that interim dividends were standard practice for most listed firms globally. We also shared some analysis on how Mexican legislation was being used to encourage more local initial public offerings. The IR thanked us for the engagement, noting that it will be shared with the CEO and CFO for follow-up.

KT&G
Following the filing of several shareholder resolutions, we held a discussion with members of KT&G's management team to better understand their position. We shared that we sympathised with a number of the asks of the activist shareholders but were open to hearing management's response. During the discussion, a number of our concerns were addressed and alleviated to some degree due to a more open dialogue with management. For example, with a significant increase in capex, we had been disappointed by the lack of detail on profitability and return targets. Through the discussion, management demonstrated greater transparency and committed to better disclosure going forward. We emphasised the importance of greater detail in quarterly results, allowing shareholders to monitor the progress and returns from the capex spend. As a relatively new investment, we decided to give management the benefit of the doubt, voting in support of their resolutions which we note passed across the board.

Philip Morris International (PMI)
In March we began a discussion with PMI regarding labour practices in their supply chain. These have come under scrutiny in recent years, particularly as it relates to child labour in Indonesia. PMI point to long-standing initiatives such as the Agricultural Labour Practices program and commented that they are proud of the work that they have been doing to address this and would like to share more with us. We emphasised our interest in the level of audit throughout the supply chain, as well as interaction with government. We will explore this in more detail with their sustainability team in Q2.

For further information or if you would like to discuss any of the engagements listed, please contact us via your client representative or at info@oldfieldpartners.com.