Oldfield Partners

Proxy voting and company engagement report

Q1 2024

April 2024

Engagement Report

Human Rights

Human rights risks are a significant concern for extractive companies due to the impact they have on the locations where they operate. Engagement with local stakeholders, supported by robust policies and processes, is therefore crucial in maintaining a company's social licence to operate. With this in mind, this quarter we continued to engage with Eni, an Italian multinational integrated energy company, as well as joined an update for Rio Tinto, one of the largest metals & mining companies globally. In both scenarios, we are encouraged by third party verification of their approach, ranking third and fifth respectively, in the World Benchmarking Alliance's most recent Human Rights Benchmark for the Extractive Sector. This gives us some comfort in their response to the controversies that they have faced which we document below.

Eni

Via its Joint Venture NAOC in the Niger Delta, Eni has for some time been plagued with controversies over the alleged denial of privileges to local communities and faced opposition from indigenous groups as a result. Whilst it is very challenging to have a true understanding of the reality on the ground, we have been encouraged by Eni's response to our questions and their demonstration of governance and policy commitments. Approved by the Board in December, and incorporated into the Company's regulatory Framework, their "Respect for Human Rights in Eni" policy, is an example of their leading practice as integrated energy company. Whilst we look to corroborate more of the detail provided with the potential for future engagement, Eni are in the process of handing over assets to indigenous companies, with the consideration that they can have a better understanding and management of the situation.

Rio Tinto

In March, ahead of the AGM, we joined an update with Chair of the Board, Dominic Barton, hosted by Investor Forum. This is an ongoing collaborative engagement focused on company reform four years on from the destruction of sites of cultural and archaeological significance in the Juukan Gorge in Australia. Despite the challenges of implementing widespread reform, we continue to be impressed by the candour of Dominic Barton. He talked through the ongoing evolution of their approach, for example, including a heightened sensitivity around site visits for more meaningful engagement with priority groups of traditional owners, as well as vulnerable staff. Extensive documentation continues to support the pursuit of greater transparency and evidence of the Board's oversight will be marked by another milestone later this year, with the follow up to the Broderick report, an independent review commissioned by the Board into company culture. We look to see if and how the implementation of the recommendations of the previous report are starting to sow the seeds of change.

Climate Engagement

During the quarter, we continued to prioritise companies with a high impact on real world emissions, in this example Samsung, as well as those that provide critical services in the decarbonisation of the energy sector, via NOV inc.

NOV Inc.

Over the past 18 months, our engagement with NOV, an energy services company, has focused on improved climate-related disclosure and we have seen incremental progress in that time. The objective of our latest interaction in March was to gain a better understanding of the challenges hindering further improvement and we spoke to their Chief Health, Safety, Security and Environmental Officer who oversees this work. It is clear that there is extensive work underway to comply with incoming regulation such as CSRD in Europe and the ISSB's IFRS S1 and S2 requirements. Whilst this has positive implications for the standardisation and detail of disclosure, it does highlight our previous concerns, that we are unlikely to see meaningful progress before the regulatory requirements dictate this from 2025. We understood from the discussion that the company are not under pressure from other stakeholders to accelerate this work, due in part, they believe, to an understanding of the extent of the challenge, particularly around scope 3 and the introduction of double materiality. We agreed on the importance of the standardisation of reporting via a TCFD framework and encouraged better adherence to this in the near term which they acknowledged. We will continue to engage on progress whilst holding their ultimate decarbonisation objective - the reduction of the carbon footprint of the energy industry – in mind.

Samsung Electronics
Due to rising scrutiny around carbon credits, this quarter we engaged with individuals from third-party firms Carbon Market Watch and MSCI to improve our own assessment of Samsung's progress in this field. Semiconductor production is energy intensive and Samsung emits a material amount of CO_2e (reportedly 7m tonnes of scope 1 and 10m tonnes spot 2). The firm has committed to net zero by 2050, however Korea is still largely reliant on fossil fuels, and as these targets are a challenge to meet by energy efficiency improvements alone, they will likely require the ongoing use of carbon trading schemes. These schemes can be opaque with substantial pricing dispersion, creating the risk of a rising cost burden as the market develops over time. This has the potential to become material to Samsung. Samsung currently uses Renewable Energy Certificates (REC's) to reduce its carbon footprint and we note that disclosure here could be improved. We will continue to review the means that Samsung is progressing towards its net zero commitment, and what that means in terms of risk to the firm's fundamental value, and engaging with the company in time.

Governance

SK Square
Following the completion of the recent share repurchase program, we spoke with the Head of Investor Relations to understand next steps in terms of capital management. Our concern is that the company trades at over a 60% discount to its net asset value ("NAV"), despite over three-quarters of that value being in the Korea listed SK Hynix. The head of IR noted that senior management remain highly aligned with creating shareholder value, and not simply "NAV" value. The board has been reviewing several different means of shareholder return and will continue to prioritise this alongside an 'aggressive rebalancing' of existing assets. This is encouraging. Alongside company-level change, the broader 'Value-Up' agenda to improve corporate governance standards in Korea should provide further impetus to create improvements and close out substantive discounts. Key agenda items for the upcoming AGM were also discussed, including the election of a new board member and director remuneration limits. We remain confident in the investment case for SK Square, and comfortable that senior management are effecting positive change. At the AGM, we voted in line with management.

Meaningful Votes

easyJet
In the past, we have voted against easyJet's remuneration policy and engaged on our expectations with different members of the team, including the Chair of the Board and the Chair of the Remuneration committee. This year therefore we were pleased to see some progress, with a change in their performance criteria, removing EBITDAR as a metric to incentivise management, and replacing it with PBT. In a business such as easyJet, where depreciation is a real cost, we think it was suboptimal to incentivise management on metrics that did not include this. As a result of the change, we were happy to vote in favour of the remuneration policy and wrote to them to confirm this. We did however continue to withhold support on the authorisation equity, a continuing theme in our discussions with them.

KT&G
At this year's AGM, we voted against management in the nomination of directors, and in favour of Flashlight (an activist shareholder) and Industrial Bank of Korea (IBK) – a state-owned bank and

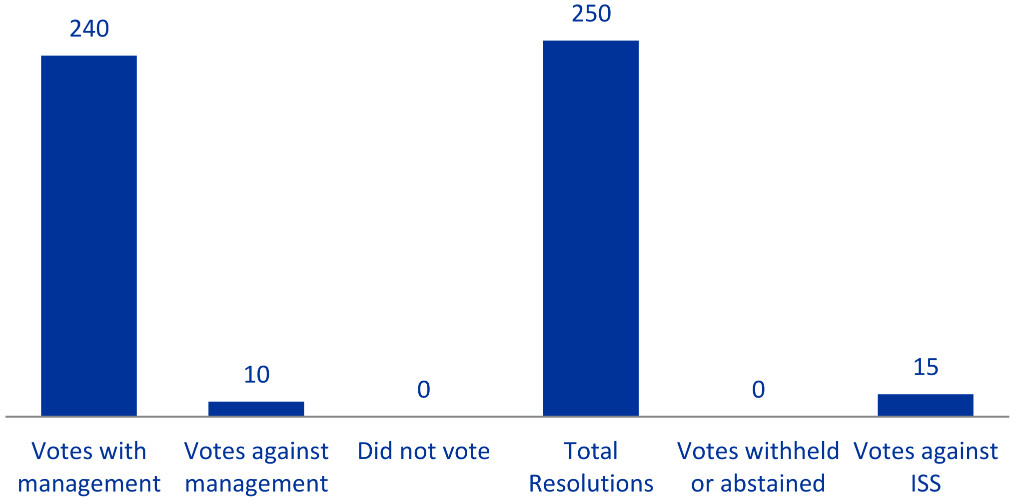
KT&G's largest shareholder (~7% shareholding). This is a reversal of our support for management from last year. IBK argue that governance at KT&G is poor as exemplified by board entrenchment, improper use of treasury shares, lack of transparency with shareholders, and poor capital allocation. When we voted in favour of KT&G at last's years AGM, we did so to acknowledge the improved capital allocation and that we broadly agree with the strategic steps taken by management. Our view on capital allocation and strategy remains that KT&G is moving in the right direction. However, in this instance, we see no harm in appointing an outside director who has support from the largest shareholder and may help address some of the governance issues raised. In March we spoke to KT&G's Chief Strategy Officer to discuss this further.

Voting Summary*

Total meetings available	=	17
Meetings instructed	=	17
Number of resolutions	=	250
Did not vote	=	0

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

Vote Instructions



Breakdown of Resolutions