Oldfield Partners

Proxy voting and company engagement report

Q4 2024

January 2025

Engagement Report

Climate Engagement

NOV Inc.
This quarter we met with Clay Williams the CEO of NOV. As an oil and gas services company, we have a longstanding engagement with NOV focused on improving their emissions disclosure, as well as seeking clarity around their transition strategy. Addressing disclosure, Clay acknowledged the challenges posed by divergent U.S. and EU expectations, especially in relation to scope 3 emissions. While committed to meeting regulatory requirements, he described reporting as a shareholder cost.

In addition, Clay highlighted his team's enthusiasm for innovation and their ability to contribute to decarbonisation within the sector, focusing currently on geothermal, carbon capture, and nuclear opportunities. On energy policy, Clay expressed a pragmatic outlook, noting that state-level decisions play a greater role than federal policies in shaping the US energy landscape, and did not expect an increase in the rig count because of a change in political leadership.

Eni
As an integrated energy company, many of Eni's decarbonisation targets are ambitious relative to competitors. Their comparative flaring data however is significant. Flaring is the process of burning off excess methane gas, typically at oil and gas production sites. This quarter we spoke with Eni to better understand their data here as an inconsistency with their target of zero routine flaring by 2025, five years prior to that of the expectation outlined by World Bank. They emphasised that progress will not always be linear and there are two key country specific reasons for the flaring data:

1) Libya contributes to half of their reported flaring. A significant project is currently underway in the region, and its successful completion is expected to enable Eni to meet their zero routine flaring target by the end of 2025.
2) A local partner in Iraq accounts for a portion of the data attributed by third parties. Eni disputes this as being directly attributable to them due to their role as a technical partner. Despite this, Eni has actively worked to influence the situation, achieving a 40% reduction in flaring here in 2022.

Eni's situation highlights the complexities of operating in regions with geopolitical and infrastructure constraints, reflecting the nuanced efforts required to meet ambitious decarbonisation goals. Nonetheless, we were reassured by their oversight and will look to see whether they deliver on their 2025 target for evidence of this approach.

Samsung Electronics
In December we wrote to the team at Samsung. With the growth in focus on renewable energy in the technology sector with examples of Google and Amazon publicly investing in nuclear projects, we wanted to understand if Samsung had seen an increase in consumer or shareholder expectations to follow a similar path and if so, how they were responding to this. Samsung reiterated their commitment to transitioning to 100% renewable energy by 2050 and sooner for their overseas operations (2027). Their intention is to continue to diversify their procurement methods both domestically and internationally and their greatest challenge remains in South Korea where they are reliant on availability of renewables in their local market. As a founding member of the Asia Clean Energy Coalition (ACEC), Samsung look to address the current limited availability. We highlighted what we believe to be an over reliance today on renewable energy certificates to meet their objectives and look to see how they transition over time towards alternative sources that they outline including hydrogen, carbon capture, utilisation and storage (CCUS).

Governance

Lloyds

We had several touchpoints with Lloyds during the fourth quarter. One area that we were keen to better understand was their recent fine from the FCA with respect to home insurance renewals. Having suffered similar issues in the past, we wanted to see how improvements had been made to prevent this type of event. Much of the conversation focused on changes to the review process and controls framework. With this in mind, we attended their annual board governance event and found an articulate board who emphasised an enhanced and simplified governance framework which was prioritising the delivery of fair value to customers. We emphasised to the team that in line with their rhetoric, improved disclosure would help to provide investors with greater confidence of the changes that had taken place and we look to their disclosures and reporting for 2024 for evidence of this.

Southwest Airlines

In June 2024, Elliott Investment Management, an activist hedge fund, announced a $1.9 billion investment in Southwest Airlines, representing over 10% of the company's common stock. Elliott outlined a framework for change and ahead of a special shareholder meeting in the fourth quarter, we spoke to Elliott on their improvement plan. Elliott's focus centred on replacing management, whom they view as having consistently missed strategic targets and following an outdated strategy.

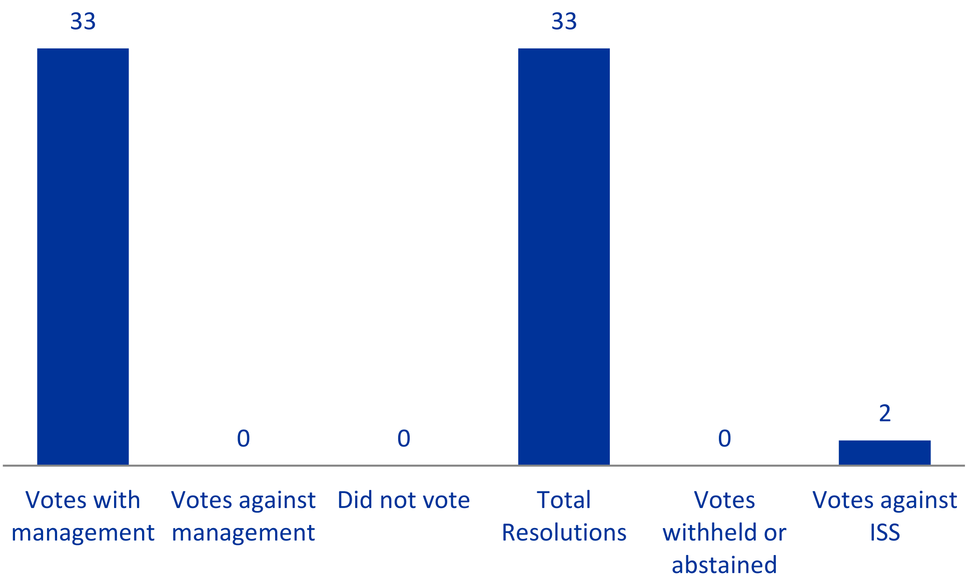
Our key takeaway from the discussion is that Elliott offers little strategic vision beyond Southwest's existing plans. While we agree that a speedier implementation of strategic changes would be desirable, we believe that there is significant risk in changing things too fast. As recent events have shown, airlines are fragile and a small IT glitch can easily wipe out annual profits, hence a cautious approach seems appropriate. Furthermore, Elliott's proposed directors do not appear demonstrably more qualified than Southwest's current board. For these reasons, we did not support Elliott's proposals. In October, Southwest and Elliott agreed a settlement, including the addition of six new independent directors to the company's board.

Voting Summary*

Total meetings available	=	6
Meetings instructed	=	6
Number of resolutions	=	33
Did not vote	=	0

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

<u>Vote Instructions</u>



<u>Breakdown of Resolutions</u>