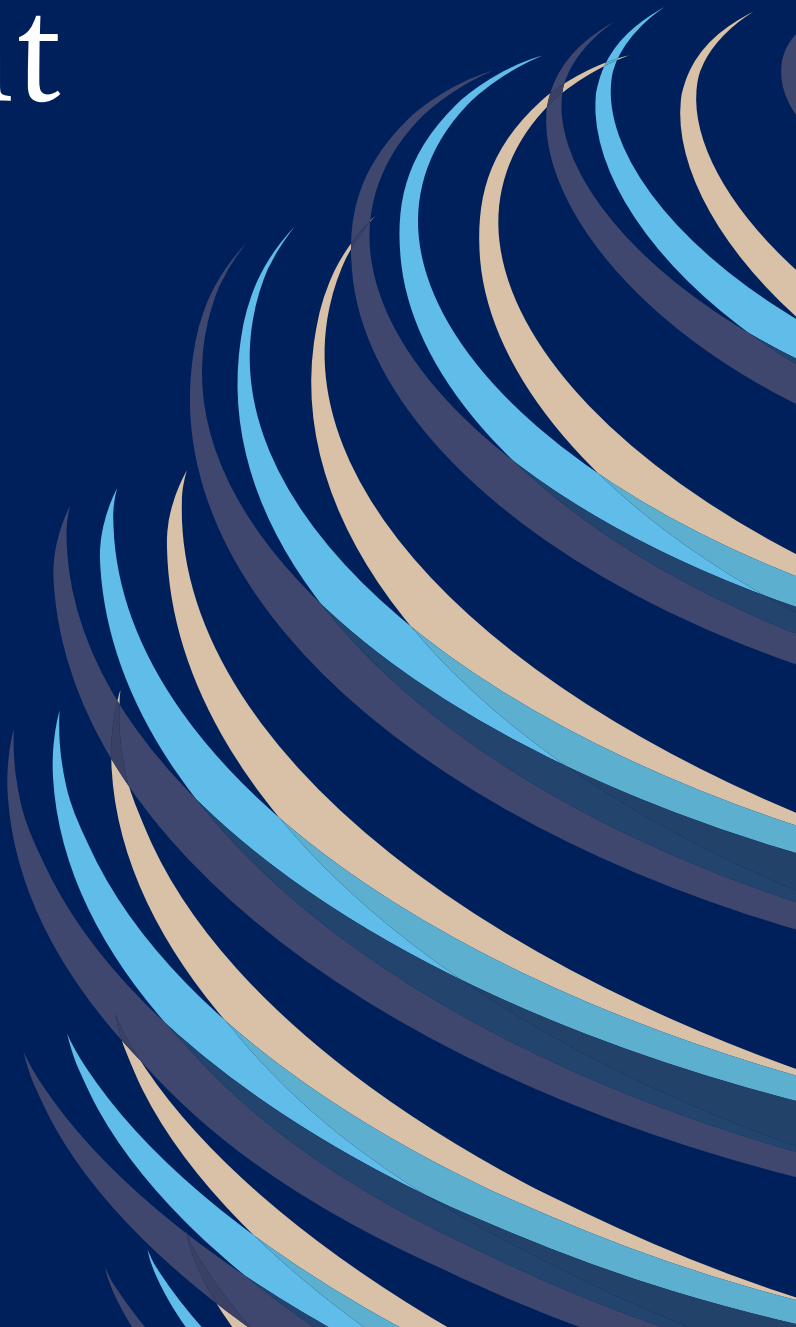
Stewardship Report 2024

# Mondrian Investment Partners

April 2025



Mondrian Investment Partners Limited
Sixty London Wall, Floor 10, London EC2M 5TQ, UK

Authorised and regulated by the Financial Conduct Authority

# Foreword

Once again, we are pleased to share Mondrian's Stewardship Report which provides a detailed overview of our stewardship approach, activities, and outcomes over calendar year 2024, covering the principles set forth in the 2020 iteration of the UK Stewardship Code. This report implements the Interim Changes to Reporting for Stewardship Code Signatories published by the Financial Reporting Council in August 2024.

The key principles of our culture enable our stewardship practices and have done so for over 30 years. Mondrian's objective on behalf of our clients is to look after their long-term (and short-term) interests by achieving similarly long-term real returns, whilst being both a good steward and fiduciary of assets. Being long-term shareholders supports our responsible approach to stewardship. To ensure effective stewardship, our investment team is expected to regularly meet with issuers both prior to and after investment, and for equity portfolios, vote all proxies (where possible) in a detailed and considered manner.

As with all stewardship, our approach to being good guardians of our clients' capital does not start and end with this document but, as previously mentioned, continues to evolve. This philosophy is in keeping with our view that investing is fundamentally for the long-term.

Clive Gillmore Chief Executive Officer and Group CIO, Founding Partner

# Principle 1

**Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society**

## Our Purpose

Mondrian is an employee-owned investment management firm. We are value investors across the globe in both equity and fixed income asset classes. Our purpose is to provide a rate of return meaningfully greater than our clients' domestic rate of inflation over the long-term with strategies that seek to preserve capital during protracted market declines. Founded in 1990, we have employed a rigorous fundamental research process that includes engagement with the management of companies we invest in, allowing us to leverage our stewardship responsibilities whilst not micromanaging businesses, that is the foundation of our success. Mondrian's well-resourced investment team manages assets on behalf of over 250 institutional clients.

Mondrian is an independent, employee-owned, global value-oriented investment manager headquartered in the City of London with offices in Greater Philadelphia and Singapore. We have a diverse global client base, investing on behalf of leading corporations, public and private pension plans, endowments, and foundations in a range of equity and fixed income mandates, and employ a long-term, fundamental approach to research when valuing markets and companies for potential investment. All operational functions are carried out in-house, using best of breed technology, and our operations staff are located in the same office, alongside the investment team, trading desk and global client service team. We work hard to maintain our entrepreneurial culture and small company feel. Mondrian acts solely as an investment manager and does not engage in any other business activities.

## Organisational Objectives

As an asset management firm, Mondrian is committed to our fiduciary responsibility, and with it, consistent performance, and alpha generation for given levels of risk. Our culture is based on our value philosophy. We believe that investments need to be evaluated in terms of their fundamental long-term value. We invest in securities, whether equity or fixed income, where our inflation-adjusted discounted income stream analysis identifies value in terms of prospective real returns. We encourage high quality, long-term, valuation-oriented research which, in turn, we believe will lead to attractive long-term real returns.

Mondrian looks to be a career destination, and our staff turnover rate typically averages less than 10% annually. We have excellent staff retention and investment staff rarely leave to join competitors. We believe this is because we are able to offer staff competitive remuneration packages and a positive working environment. We also have a long-term focus on succession planning with remuneration structures that encourage employees to discuss their long-term career plans with senior management. Additionally, because we share a common investment philosophy across the firm, we can actively move individuals between product areas to ensure ongoing depth of resourcing and career development. This is most commonly done with more junior employees.

## Investment Beliefs

Mondrian is an active defensive manager. All of our investment products utilise income-oriented value disciplines that have been successfully applied since our founding.

### Equity Philosophy

- An approach that seeks to provide a rate of return meaningfully greater than the client's domestic rate of inflation
- Client portfolios that aim to preserve capital during protracted global market decline
- Portfolio performance that has been less volatile than the relevant benchmark and most peers in the universe

### Fixed Income Philosophy

- We have a disciplined investment philosophy that has been in place since we were founded in 1990
- Stable, well-resourced team with expert knowledge of the asset class
- Our inflation forecasting use proprietary quantitative models that drive process and provide structure – the 'relative' inflation forecasts produced are key for our process

Mondrian is a global, long-term value-oriented investment manager, whose focus is on generating alpha for our clients and providing a rate of return meaningfully greater than our clients' domestic rate of inflation with strategies that seek to preserve capital during protracted market declines. In pursuit of these investment benefits, Mondrian employs a long-term, fundamental approach to research in which the assessment of financially material environmental, social and governance ("ESG") risks and opportunities play a role when valuing markets and companies for potential investment. We believe it is the responsibility of active investors to be effective stewards of capital to protect the long-term interests of clients. Except as required by law and client-imposed restrictions, Mondrian does not have any firm-wide exclusions.

Except for Mondrian's systematic equity portfolios ("Rothko") which are not covered by this Stewardship Code Statement, Mondrian pursues an active stewardship approach. Effective stewardship in the form of regular meetings with issuers/company management, specific topic engagement where necessary and rigorous proxy voting procedures have been an integral part of our process since inception.

Further details on our integration of financially material ESG considerations are provided in response to Principle 7; details on our approach to engagement and proxy voting are provided in response to Principles 9 and 12, respectively.

## Our History and Strategy

### 1990

Mondrian Investment Partners Limited was founded and SEC-registered under the name Delaware International Advisers Ltd. It was then affiliated with Delaware Investments.

### 2004

Members of our senior management team, together with a private equity fund, completed the management buyout of Delaware International Advisers Ltd. Upon closing the transaction, the firm changed its name to Mondrian Investment Partners Limited.

### 2011

Our existing employee partnership purchased the remaining minority interest of the private equity firm to raise ownership of Mondrian by the employee partnership to 100%.

### 2024

Approximately half of our 169 employees are partners of our firm.

A successful fund management operation is one that is able to grow its assets steadily while at the same time 1) retaining its client base by meeting clients' performance and risk objectives and 2) maintaining a strong and stable team.

### Product Development

Mondrian strives to meet the needs of our clients with our product offerings. We have recently launched Emerging Markets ex China, China Concentrated and China A strategies. We are actively marketing a U.S. Large Cap strategy that was seeded a number of years ago and has now gained external assets. These strategies successfully apply our Dividend Discount Model ("DDM") valuation methodology without compromising our existing services or resources.

We are pleased to report that as of 1st July, the transition of approximately USD4 billion from our former sub-advisory relationship for the International Equity ADR (SMA) strategy with Macquarie has successfully concluded.

Mondrian's vehicle product offerings have shifted over time from mainly institutional investors to also include managed account platforms. Our strategic vision is to provide institutional level portfolio management services to all areas of wealth. Over the past several years, Mondrian has further enhanced our robust client service, operations, and trading to support this business and have launched multiple strategies within this space.

### Client Relationships and New Business Flow

The firm focuses on its client relationships and developing these relationships in the context of new investment product opportunities. Our primary concern is for our existing clients and being able to manage their portfolios in the same way that Mondrian has done over the years.

Mondrian manages a range of different equity/fixed income products and for each product will typically set and reappraise maximum capacity constraints based on market liquidity. We will continue to monitor flows and capacity constraints as needed.

### Strong and Stable Team - Hiring of Staff

Our philosophy has been to hire staff in advance of expected new business flows. We believe that a growing firm creates a dynamic work environment that helps to motivate team members. Growth, however, must be managed and should not be at the expense of the entrepreneurial environment that Mondrian currently enjoys. Mondrian, at any time, is resourced adequately for future growth. In evaluating staff levels, our focus is not merely on where we are today, but what would be required, should we be fortunate enough, to meet our strategic goals. Whilst the obvious point of focus might be investment personnel, Mondrian takes a holistic view towards diverse staffing across client services and operations as well. Commensurate with Mondrian hiring of new staff is the nurturing of existing employees with a focus on succession planning throughout the organisation.

## Our Culture

Fundamental to our business outlook, our investment process and our people is a strong corporate culture built on key principles articulated initially by our founders and developed over the past 30+ years. Per the Financial Reporting Council's signatory category definitions, we are a small asset manager with USD44 billion/GBP35 billion in assets under management and advisement as of 31 December 2024 and less than 200 employees globally.

Our culture values respect, integrity, and long-term thinking. Key elements of our culture are highlighted below.

- Long-term Thinking
  - Central to our culture is a focus on the long-term in our investment philosophy, our relationships with clients, and the management of the firm. A significant number of our clients have worked with Mondrian for over twenty years. We typically hold investments for 3-10 years and on average, investment professionals have worked at Mondrian for more than 15 years
- Open Culture and Inclusive Environment
  - Corporate culture is shaped by the Board and flows throughout the organisation
  - Mondrian promotes an open culture where all team members are encouraged to participate and contribute constructively. We value diverse perspectives and thought in our investment approach and in the operation of the firm. To help encourage such an environment, our DEI Consultation Group works with, and advises the CEO and reports annually to the Board
  - We currently employ people of more than 25 nationalities within our less than 200 employees. Mondrian organises social events to foster an inclusive culture, promote working relationships, and facilitate knowledge-sharing across the firm
  - Leadership of investment products and business areas within Mondrian are expected to leverage this diversity of thought to build optimal outcomes for clients
- Commitment to Compliance
  - Mondrian has a strong commitment to adhering to regulatory standards, upholding trust, and professionalism. To reinforce Mondrian's culture, the Compliance and Risk Committee, a sub-committee of the Board, ensures that risks and conflicts are properly managed
  - Mondrian adheres to the principles set out in the CFA Institute Asset Manager Code of Professional Conduct and all employees are expected to follow a Code of Ethics that reflects Mondrian's fiduciary duties
- Structured and Well-Developed Recruitment and Retention Practices
  - Our recruitment practices are structured to clearly focus on merit-based selection against objective criteria to help ensure high quality hiring and the avoidance of discrimination. Staff involved in recruitment, promotion and selection are required to undertake training on Mondrian's equal opportunities policy
  - Alongside a well-structured remuneration policy that aligns staff interests with clients and does not encourage excessive risk-taking, Mondrian has developed a benefits package that recognises and supports employees and their families as their personal circumstances change and evolve over the course of their employment
- Professional and Personal Development
  - All staff are encouraged to engage with ongoing professional development. In addition to specific targeted training and development, we currently support staff working on CFA Institute, ACA, and legal qualifications

- Employee Ownership
  - Mondrian is an employee-owned firm and almost half of all employees are equity holders in the firm. Equity value is typically not realised until after retirement, encouraging long-term thinking and values
- Client Accountability and Business Practice
  - All new products are designed to address market opportunities and tailored to meet client specifications. They are well researched, and risks are properly understood and ameliorated where possible
  - Monitoring arrangements are in place to assess that all conflicts of interest have been effectively managed, and clients have been treated fairly
  - All errors are quickly identified and remedied so that any disadvantage to clients is addressed. Rather than blame, we seek to learn from errors and take appropriate steps to ensure that the error cannot recur
  - The activities of all staff engaged in promoting Mondrian's services are monitored by Compliance to ensure they are appropriate, clear, fair, and not misleading
  - Investment professionals meet regularly with clients to review returns, and we also discuss engagement activities. Holding ourselves accountable to clients embeds a considered and diligent approach to stewardship
- Community Engagement
  - Mondrian encourages and supports the involvement of our staff in their communities and local charities. We match employee charitable donations, and we will collaborate with employees on charitable fundraising events
  - We partner with local charities like foodbanks and industry organizations such as GAIN (Girls are Investors) and SEO London to support community needs and foster a diverse talent pipeline

## Economic, Social and Environmental Benefits

Our approach to stewardship requires that we hold our investments to high standards with the objective of maximising risk-adjusted returns. We also demand high standards of ourselves. Mondrian believes that it is important to be a good corporate citizen in the communities where we work and have clients. Carbon offsetting, equity, diversity, and inclusion are areas of ongoing discussion, and we continually look at potential programs to improve our firm's efforts both within our organisation and community.

### Economic Benefits

Delivering long-term value for our clients typically involves meeting future pension liabilities enabling plan holders, including large US state plans, to retire with financial security. Clearly this is a positive economic and social outcome of our business model. We also manage money on behalf of endowments, foundations, religious organisations which have charitable purposes.

### Environmental Benefits

As a value investor with a long-term investment horizon, Mondrian's forward-looking methodology is also applied internally within our organisation to include a long-term plan for operational climate change mitigation. Since 2020, Mondrian partnered with independent third parties to conduct a formal carbon audit, offset and certification process. We commit to reducing our operational emissions and to offsetting 200% of emissions generated across our global operations going forward.

### Social Benefits

Mondrian acknowledges that diversity and inclusion are issues that the asset management industry faces. We have implemented several initiatives to help promote diversity and inclusion to make an impact in the wider community.

## Mondrian External Partnerships

| Initiative | Brief Description |
|---|---|
| Girls are INvestors ("GAIN") | Mondrian is a Platinum Sponsor of Girls are INvestors ("GAIN"), a UK charity whose objective is to increase gender diversity within the investment management community by tackling the apparent lack of interest in the industry among young women. In particular, they seek to raise the female application rate for entry-level investment jobs to 50% in ten years. |
| BRIGHT Network | Mondrian partners with Bright Network, which is a membership network designed to help university students and recent graduates across the UK from diverse backgrounds connect with employers and get the support they need to fulfil their potential. |

| | |
|---|---|
| SEO London | Mondrian partners with and financially supports SEO London (Sponsors for Educational Opportunity), which is a UK-registered charity delivering superior educational, training, and mentoring support to young people from underrepresented and underserved backgrounds such as ethnic minorities and people from lower socioeconomic backgrounds. |
| Work Experience Program | Mondrian runs an annual Work Experience Program targeted at young adults which introduces various facets of the finance/investments industry to a mix of students and schools, including schools from under-represented areas around London and Philadelphia, ensuring these opportunities reaches those that might not normally have access. |
| CFA DEI Code (US and Canada) | Mondrian is a signatory to the CFA DEI Code (US and Canada). |
| Women in Investing Network of Philadelphia (WIN) | Mondrian is a Platinum Level Corporate Sponsor of this local non-profit organization, As a WIN sponsor, Mondrian helps support educational and networking opportunities for local women in the industry, with the goal of developing and encouraging women to stay in the industry. |
| CFA Society of Philadelphia Mentorship Program | Several staff in our Philadelphia office provide mentorship to local female students interesting in pursuing a career in Finance, as well as attend panel discussions at local universities. These programs are facilitated through the Philadelphia chapter of the CFA Institute. |
| WesGold Fellows | "WesGold Fellows", a program geared towards high school students in Philadelphia. The WesGold Fellowship program is a personal and professional development program for high school youth focused on financial literacy, entrepreneurship and college and career counselling. Mondrian staff have been a key partner to the program, participating in their summer programs over the last several years and helping them build out additional educational and professional opportunities. |
| Toigo Foundation | Toigo's mission is to build stronger and more diverse organizations through inclusion and advancement of under-represented talent. Mondrian supports Toigo through attendance at their largest annual fundraising event. |
| Internship Program | Mondrian offers paid internships to college and university students as well as recent graduates with a path toward full time employment. These programs are a key recruiting tool for new employees. Many of our employees began their careers at Mondrian as interns or grads and importantly, most interns (over 60%) have continued to work in the finance industry even if not at Mondrian. We believe our internship/grad programs have provided exposure to our industry to groups who have historically been underrepresented and has offered them the opportunity to learn and grow. |

## How Purpose and Investment Beliefs Have Guided Stewardship, Investment Strategy and Decision-Making

Our scale, long-term investment horizon, and relatively low portfolio turnover and continuity of staffing allows us to build long-term constructive relationships with investee companies, allowing us to fully leverage our stewardship responsibilities. Our long-term methodology requires us to be good stewards with the objective of creating long term value for our clients. In this sense, our purpose and investment beliefs have guided our stewardship, investment strategy and decision-making.

## Effectiveness in Serving the Best Interests of Clients and Beneficiaries

In our view, the effectiveness of our ability to serve the best interests of clients and beneficiaries is reflected in delivering the expected long-term value and defensive performance characteristics leading to the long tenure of many of our client relationships, where on average, our clients have been with us for approximately a decade*.

## Conclusion

Our objective is to generate alpha for our clients and to provide a long-term rate of return meaningfully greater than our clients' domestic rate of inflation with investment strategies that seek to preserve capital during protracted market declines. We believe in a fundamental income-oriented approach to investment and have a long-term investment strategy that is supported by our long-tenured investment professionals and resilient client relationships. Our low turnover and long-term holding periods facilitate our responsible approach to stewardship. To ensure effective stewardship, we have an expectation to regularly meet with issuers both prior to and after investment, and for equity portfolios, allocate proxy voting decisions in the context of Mondrian's Proxy Voting Policy and Procedures to the Portfolio Manager responsible for coverage of the company.

Our purpose, investment beliefs, strategy, and culture demand stewardship that creates long-term value for our clients and other stakeholders that we believe will lead to sustainable benefits for the economy, the environment and society.

# Principle 2

Signatories' governance, resources and incentives support stewardship

## Governance

Mondrian's Board of Directors has ultimate responsibility for risk oversight. As of 31 December 2024, the Board consists of eight individuals, of whom three are women, three are Non-Executive Directors and one is Independent. Day to day responsibility is delegated to appropriate committees appointed by the Board and to the senior management of each business area. To help prevent conflicts of interest, and in line with recommended best practice, the roles of Chairman and CEO are separated at Mondrian. Additionally, our Internal Audit function reports directly to the Chairman of the Board to provide independent, objective assurance.

### Equity

All final equity investment decisions at Mondrian are made by the Equity Strategy Committee for the relevant products. Equity Strategy Committee meetings are attended by specified members of each committee which will include the Chief Investment Officer of the respective products and the Group Chief Investment Officer as required.

### Fixed Income

Mondrian's fixed income strategies are determined by the Global Fixed Income Investment Committee, which consists of the entire team and is chaired by the Chief Investment Officer – Global Fixed Income and Currency. Although the committee meets regularly, the team all sit together and are in constant communication.

Internal ESG and stewardship processes are periodically reviewed as part of our Compliance Monitoring Process, as well as our Internal Audit review.

## Stewardship Resources and Implementation

Mondrian has a well-resourced team of 56 investment professionals* all located in London. Assets are managed across the public equity and public fixed income spectrum and investment team members are grouped into Non-US Equities, Global Equities, Emerging Market Equities, Small Cap Equities, and Global Fixed Income and Currency, drawing on the breadth and depth of research and investment experience form across the firm. Our members work together in a team-based decision-making environment with clear leadership from our five respective Chief Investment Officers. Historically low staff turnover coupled with a consistently applied investment process for over 30+ years are a testament to the overall strength of our firm.

Stewardship is an integral part of Mondrian's equity and fixed income research process. To help ensure effective stewardship practices, Mondrian believes that the investment team member who has research responsibilities for the particular investment should be responsible for stewardship activities related to that company or country as they would have the best understanding of relevant financially material issues and be able to fully integrate any engagement or, for equity holdings, proxy voting activities into the overall research process and thus valuation model. In turn, that responsibility extends to the respective product CIO, as well as the Group CIO of our company. Mondrian's investment team has had extensive experience in managing funds in all global markets. Our investment style allows comparisons across both industry and country barriers through its use of consistent criteria, as opposed to looking for different characteristics in each market.

We have a bottom-up issuer-focused, ongoing engagement program as investment teams and individual analysts are directly responsible for stewardship activities and ESG analysis. We do not have a centralised thematic engagement program.

*As of December 31, 2024

### ESG Investment Steering Committee

Mondrian's ESG Investment Steering Committee (the "Committee"), sets and reviews firm-wide initiatives to ensure that our resources and investment staff are capable of meeting ongoing developments associated with ESG-related issues. Chaired by the Head of ESG Investment, there are ten committee members including senior members from each Investment Team, General Counsel, Chief Compliance Officer, and Head of Global Client Services and Business Development. The committee reports to the Mondrian Board twice a year. Mondrian's Board is ultimately responsible for overseeing all firm practices, including ESG ones. Through the work of the Committee, we look to support our investment team to enhance and evolve our analysis of financially material ESG risks and opportunities and stewardship practices. The Committee meetings provide a regular forum for discussion across all five Investment Teams, as well as our Client Service/Business Development, Legal, Compliance and ESG Teams. It helps to ensure Committee members and in turn their respective teams, stay up to date on ESG and stewardship practices at Mondrian and within the industry. This Committee does not drive investment decisions, but rather provides information as necessary.

### Head of ESG Investment

Our Head of ESG Investment helps guide our firm wide ESG research, strengthening the communication of that research and knowledge base across the firm and using that research and knowledge base to support our existing investment products and, where opportunities present, develop new products. With support from the ESG Investment Steering Committee, the Head of ESG Investment is responsible for leading the development (working in conjunction with the CEO and investment product CIOs), implementation and ongoing management of Mondrian's ESG analytical framework. The Head of ESG also works with the ESG Investment Steering Committee, individual product areas, the CIO Forum, and the Board to ensure that all new dedicated ESG products are consistent with Mondrian's ESG Framework.

### ESG Team

Mondrian's ESG Team coordinates our firm wide ESG initiatives, working closely with the Investment, Compliance, Legal, and Client Services/Business Development Teams.

### Training

All employees are encouraged to increase their knowledge and professional skills. This may be gained through experience such as secondments and exposure to other areas of the organisation. This may also be achieved through undertaking sponsored professional qualifications such as the IMC, CFA, ACCA, Securities Institute Diploma and CIPD. Personal and professional training and development gained through attendance at industry seminars, conferences, training courses and internal coaching and mentoring is also actively supported.

Mondrian's ESG Investment Steering Committee arranges ESG and stewardship training sessions for all Investment and Client Service/Business Development staff as needed and continues to review how we communicate our ESG integration process to external entities to help keep clients and consultants apprised of our approach. Examples of previous ESG and stewardship training include sessions on broad ESG issues in the marketplace; ESG Integration and the implementation of Mondrian's proprietary ESG Summary Report, which is used to explicitly document financially material ESG opportunities and risks within a structured framework; third party resources such as MSCI ESG and SASB Standards to help support the integration of financially material ESG risks and opportunities; and engagement systems and reporting.

### Evolution of Investment Team Training

We continue to review and develop our ESG training program, regularly requesting feedback via the investment team members of the ESG Investment Steering Committee. We are also looking into further external training on topical items to help support our team.

Please refer to Appendix 1 for further details on the experience and skills of the team.

## Remuneration Programmes to Incentivise the Integration of Stewardship in the Research Process

As previously mentioned, our remuneration is structured in a way to reward staff but equally to encourage staff to feel like equity partners in the future of the firm. Base salaries are a small part of the remuneration package for investment staff where bonuses are expected to be the largest part of cash remuneration. One of Mondrian's points of difference in maintaining its culture is its link with equity ownership. Approximately half of all staff, including all portfolio managers and above within investment teams, are equity owners in Mondrian. These awards are made separately in the middle of the year, and we can recalibrate upside or dilute as necessary to reflect individuals long term value to our company. These awards, like all remuneration, are intended to motivate and retain but are a key part of our multi-generational privately held firm.

Specifically, Mondrian has the following programs in place to retain key investment staff:

1. **Competitive Salary:** All investment professionals are remunerated with a competitive base salary.
2. **Profit Sharing Bonus Pool:** All Mondrian staff, including portfolio managers and senior officers, qualifies for participation in an annual profit-sharing pool determined by the company's profitability (approximately 30% of profits).
3. **Equity Ownership:** Mondrian is employee owned. A high proportion of senior Mondrian staff (investment professionals and other support functions) are shareholders in the business. Equity value is built up over many years with long vesting periods and the value of any individual's equity is normally paid out in instalments over a number of years after an agreed retirement from the firm. This is a (very) long term incentive plan directly tied to the long-term equity value of the firm.

In determining the incentives (Bonus and Equity Programs) for investment professionals, Mondrian focuses on the key areas of a) research quality (including the analysis of financially material ESG risks and opportunities), b) long-term and short-term stock performance, c) teamwork, d) client service and marketing.

## Investment in Systems, Processes, Research and Analysis

### Systems and Processes

Mondrian continuously reviews the efficiency of its systems and processes, looking to improve them where needed. As mentioned in previous Stewardship Reports, regulations such as the UK Shareholder Rights Directive, as well as an increased interest from asset owners in stewardship activities, have significantly increased stewardship reporting requirements. Asset owners and consultants are requesting an ever-changing array of details regarding engagement and proxy voting activities, with each asking for slightly different data across different time periods. Mondrian aims to support our clients in their beneficiary reporting and provide transparency into our stewardship practices.

## Research and Analysis

Given Mondrian's fundamental research process, ESG analysis is undertaken by the investment team themselves through a range of sources, including proprietary research and meetings with company management and boards. During the period, the ESG Investment Steering Committee supported the investment team's research and analysis of financially material ESG risks and opportunities, including for newer investment team members or any analysts covering an industry for the first time. As detailed in Principle 7, Mondrian utilises a proprietary stock level ESG evaluation framework (the ESG Summary Report) across all our equity strategies to document the considerations of financially material ESG risks and opportunities both systematically and explicitly, along with their quantitative impacts on the valuation model.

## Governance Structures and Processes - Effectiveness and Potential Enhancements

### Effectiveness of Chosen Governance Structures and Processes in Supporting Stewardship

We believe that our governance structures, through their focus on detailed, long-term fundamental analysis, demand effective stewardship to achieve long-term investment returns for our clients and other stakeholders. These processes are reviewed semi-annually by the Board.

### Potential Governance Structure, Systems and Process Enhancements

Mondrian has a long history of meeting with companies and voting proxies as an inherent part of its investment process. As part of our process, we continuously review internal stewardship practices to ensure they evolve with any newer regulatory or reporting initiatives and client demand. We continue to enhance our structures, systems, and processes to improve documentation and reporting.

# Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

## Conflicts of Interest

The stewardship-related elements of Mondrian's Conflicts of Interest Policy, available at www.mondrian.com, have been expanded upon below.

A conflict of interest arises when Mondrian and/or its employees have a competing professional or personal interest which could affect their ability to act in the best interests of Mondrian's clients. A conflict could exist even if no unethical or improper act results from it. Mondrian has a culture which fully recognises the fiduciary duty we owe our clients and promotes the ethos of ensuring that clients' interests are put ahead of the firm's.

The UK regulator, the Financial Conduct Authority, requires regulated firms to identify conflicts of interest (both between the firm and its clients and the firm's employees and its clients) and establish, implement, and maintain an effective written conflicts of interest policy. Mondrian is also registered with the SEC which has similar requirements for the identification and management of conflicts of interest. Mondrian maintains and operates various policies and procedures which are designed to prevent conflicts of interest materialising and adversely affecting the interests of our clients. The purpose of our conflicts of interest policy is to outline Mondrian's approach to the identification, management, recording and where relevant, disclosure of conflict of interests.

## Identifying conflicts of interest

Mondrian has a Code of Ethics Policy, a Conflicts of Interest Policy and Compliance Manual which employees read annually and certify the application of quarterly.

For the purpose of identifying conflicts of interest that may arise in the course of providing a service to our clients, we have considered whether Mondrian, its employees or another client, are directly or indirectly, likely to:

- Make a financial gain, or avoid a financial loss, at the expense of the client;
- Have an interest in the outcome of a service provided to a client or in a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- Have a financial or other incentive to favour the interest of one client or group of clients over the interest of another client or group of clients;
- Receive from a person other than the client an inducement in relation to the service provided to the client, in the form of monies, goods or services, other than the standard fee for that service.

Mondrian's senior management is engaged in ensuring that the Conflicts of Interest Policy is up to date and has identified all relevant conflicts, including discussion and agreement of a mitigation plan for any new conflict that arises.

## Potential Conflicts of Interest Arising from Stewardship

| Potential Conflict Scenario | Potential Conflict | Conflict Management Process | Actual Conflict 2024 |
|---|---|---|---|
| Mondrian Holds both the Equity and Debt of a Company.<br><br>Mondrian's Equity and Corporate Fixed Income teams may invest in the same company, leading to potential conflicts from differing perspectives on company strategy and thus engagement priorities with the company. | This scenario may result in potential conflicts around capital allocation strategies and engagement priorities. This is an investment risk. | Where such conflicts may arise between our Equity and Corporate Fixed Income teams, each team would act separately as appropriate for their clients.<br><br>We note that our Equity and Corporate Fixed Income Teams have a close working relationship, with all investment teams based in our London office. Additionally, our centralised Engagement Tracker Tool – used by all investment teams – helps facilitate transparency and communication amongst teams. | No conflicts arose during the period. |

| | | | |
|---|---|---|---|
| A Company Held by a Mondrian Product Acquires a Company Held in a Different Mondrian Product.<br><br>Mondrian offers an array of different investment products; a potential conflict may arise if a company held by one product portfolio acquires a company held in a different product portfolio. | This scenario may result in a potential conflict of competing valuations of the acquisition, depending on the perspective of investing in the acquiring company or the company being acquired. This is an investment risk. | Where such conflicts may arise between Equity teams, each team would act separately as appropriate for their clients. | No conflicts arose during the period. |
| Voting on Behalf of Separate Account Clients Holding Their Own Securities.<br><br>There may be a scenario in which a separate account client that is also a publicly listed company may be held in its own Mondrian managed portfolio. | This scenario may result in potential conflicts when conducting engagement / voting as Mondrian may be reluctant to raise issues with the company's management. This is a stewardship and client relationship risk. | If Mondrian is delegated voting authority for the separate account client, it will vote in line with its Proxy Voting Policy and Procedures. | No conflicts arose during the period. |
| Differing Client Stewardship Policies: Proxy Voting.<br><br>Mondrian has a diverse client base and serves a variety of different client types. We appreciate that our clients each have their own ESG and stewardship priorities and seek to accommodate client interests for their specific portfolios. To facilitate consistent voting policies across external managers, some of our clients have bespoke proxy voting policies which are applied to their portfolio. | This scenario may result in the potential conflict of differing proxy voting priorities between the proxy voting policies of Mondrian and our clients or amongst clients. This is a client relationship risk. | Our clients may have different interpretations of fiduciary duty – some consider it to be purely focused on economic interests, while others may believe it extends to societal interests as well.<br><br>Where there are differences between Mondrian's Proxy Voting Policy and Procedures and that of our clients or amongst clients, our clients' proxy voting policies take precedence for their specific portfolio.<br><br>We continue to engage with our clients to understand their ESG and stewardship priorities and monitor potential divergences. | No conflicts arose during the period. |
| Differing Client Stewardship Policies: Engagement.<br><br>Mondrian has a diverse client base and serves a variety of different client types. We appreciate that our clients each have their own ESG and stewardship priorities and seek to accommodate client interests for their specific portfolios. To facilitate client-specific engagement priorities across external managers, some of our clients have bespoke engagement initiatives which are applied to their portfolio. | This scenario may result in the potential conflict of differing engagement priorities between the engagement policies of Mondrian and our clients or amongst clients. This is a client relationship risk with. | Our clients may have different interpretations of fiduciary duty – some consider it to be purely focused on economic interests, while others may believe it extends to societal interests as well.<br><br>Where there are differences between Mondrian's Engagement Policy and that of our clients or amongst clients, our clients' engagement policies take precedence for their specific portfolio.<br><br>We continue to engage with our clients to understand their ESG and stewardship priorities and monitor potential divergences. | No conflicts arose during the period. |

## Activities and Outcomes

We note that in general, conflicts of interest such as those detailed above are rare occurrences. There were no actual conflicts of interest identified in 2024.

## Mitigation Roles and Responsibilities

Mondrian has a number of committees which have a key role in ensuring that the management of conflicts of interest is embedded in the business processes. For example:

- **Compliance and Risk Committee —** ensures that Mondrian has adequate arrangements for complying with regulatory principles and rules
- **Best Execution and Trading Oversight Committee —** ensures that Mondrian's trading arrangements provide cost effective, quality trade execution
- **Proxy Voting Committee —** ensures that Mondrian's proxy voting policy is operated in the best interests of clients and any conflicts are properly managed
- **Fair Value Pricing Committee —** ensures that the client's best interests are paramount in any required pricing adjustments/recommendations

Additionally, personal conflicts of interest are addressed within our Code of Ethics, which all staff must attest to annually.

## Monitoring of Compliance with Conflicts of Interest Procedures

Mondrian maintains a Conflicts of Interest Register that lists all potential conflicts of interest that have been identified. Any conflicts arising are logged immediately in the Conflicts of Interest Register.

Mondrian has written policies and procedures addressing each conflict identified in the Register. These policies and procedures are designed to manage the potential conflict so that the interests of clients are always put ahead of Mondrian or its employees.

Where a conflict has arisen, steps are taken to ensure that the conflict either does not arise again or is properly managed so that client interests remain paramount. These details are also recorded in the Register.

Mondrian has a comprehensive Compliance Monitoring Programme which is specifically designed to check that key conflicts have been properly managed. A large number of the different types of tests that are carried out each year include checks to ensure that conflicts have been properly managed.

Any apparent violations of the procedures designed to manage conflicts are investigated and reported to the Chief Compliance Officer, who will determine any action necessary. Any material matters would be reported to senior management and the Mondrian Compliance and Risk Committee and, where required, any relevant regulator.

# Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

## Market-wide and Systemic Risks

Mondrian has a responsibility to address both risks to our business and investment performance risk to our clients. With this responsibility, to address these risks, we believe we have an obligation to promote a well-functioning financial system and undertake responsible financial management at Mondrian to help minimise systemic risks from within the financial system. We believe that active management helps contribute to well-functioning markets by making them more efficient. Mondrian's long-term analysis and investment horizon incorporating its disciplined investment valuation approach coupled with its Purchasing Power Parity ("PPP") currency evaluation approach, requires understanding of micro-economics, geopolitics, fiscal and monetary policies as well as macro-economics and global currencies.

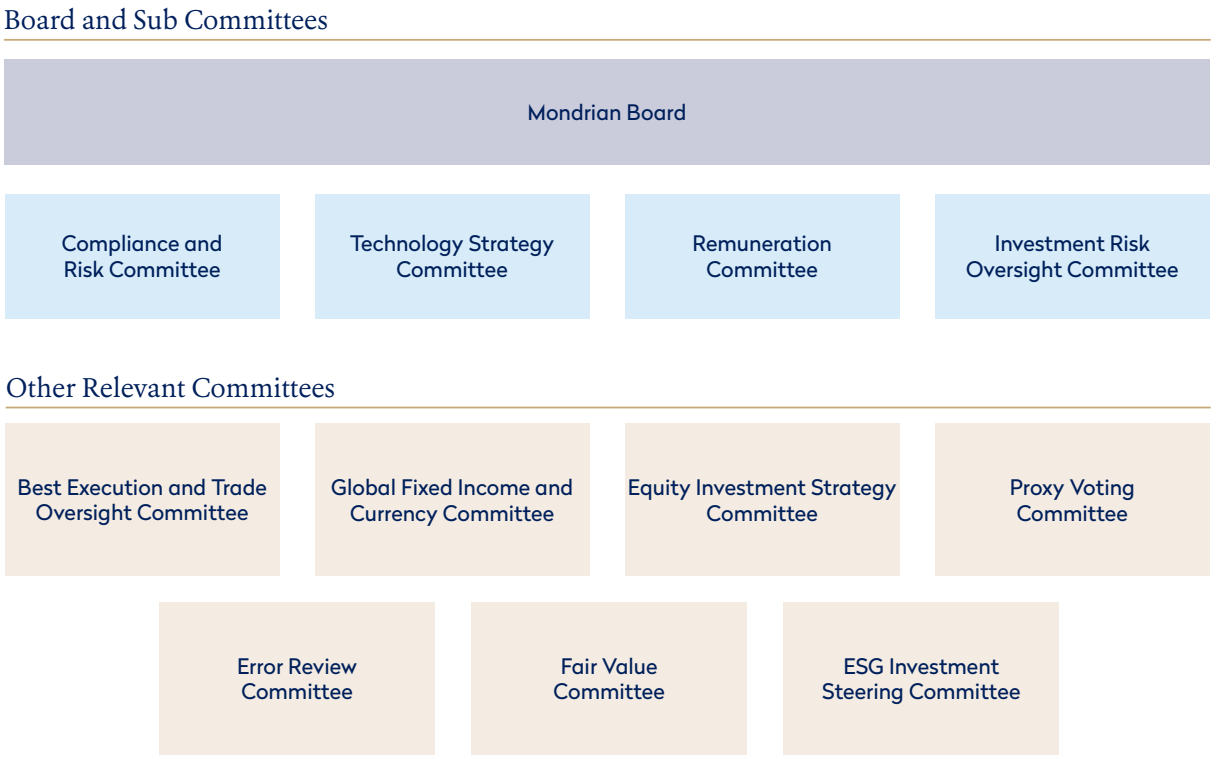
## Governance

### Operational Risk Management

Mondrian's Board of Directors has ultimate responsibility for risk oversight and relevant business areas as set out in their Statements of Responsibility under the FCA's Senior Managers and Certification Regime ("SMCR"). Day to day responsibility is delegated to appropriate committees appointed by the Board and to the senior management of each business area with oversight by the relevant Senior Manager. Mondrian's Board meets on a quarterly basis, during which they review the overall risk profile of the business. Each of the Board's appointed Committees and functions that have specific responsibility for risk assessment (Compliance and Risk Committee, Internal Audit and Chief Investment Officers) provide reports to the Board to allow them to assess the overall risk profile of the business.

The board will consider all significant risks in the decision making and strategic planning process and focus resources on any areas where substantial risk mitigation is required. Mondrian believes that risk management should be embedded in Mondrian's corporate ethos and that all employees are responsible for maintaining a control culture throughout the business. We consider systemic and market risks as part of the stress testing that we perform in relation to ICARA which determines capital requirements assessing business, market and operational risk using extreme but plausible scenarios.

The Mondrian Committee structure is shown below:




Our Investment Risk Oversight Committee, as well as our CIO Forum, review product exposures, risk, and style characteristics within our investment products. In his role as chair of the Investment Risk Oversight Committee, our Group CIO will discuss the product risk overview with individual CIOs and the CIO Forum.

### Investment Risk Oversight Committee

Mondrian's Investment Risk Oversight Committee provides independent investment risk oversight and challenge. The Committee meets quarterly and is supported by reports from Mondrian's external risk reporting provider Barra and is assisted by reports from our Compliance and Risk Team, Performance Team, ESG Team, and Product CIOs as required to ensure adherence with stated objectives and risk guidelines. The Investment Risk Oversight Committee is chaired by Mondrian's CEO and Group CIO and includes the Chief Compliance Officer and Head of Investment Analytics. The Board reviews Investment Risk Reports semi-annually.

### CIO Forum

Mondrian's CIO Forum meets formally at least monthly (but also on ad hoc occasions and between individuals when required) to discuss global valuations within the construct of our investment process, research from the portfolio management teams, current macro themes around the world including market and systemic risk, as well as country and sector positioning within our strategies. Clive Gillmore, CEO and Group CIO, chairs this collaborative meeting with our five other CIOs. The purpose of this dialog is to share ideas and ensure the consistency of our investment process across the firm.

Individual CIOs are responsible for managing investment risk on respective portfolios. Each product has its own strategy committee where regular internal challenges take place. In addition, we subscribe to independent risk analysis tools such as Barra and FactSet which are used to provide a check and balance, although we caution that measures used here are mostly backward looking. It is forward looking risk we aim to manage, and we believe we have a number of internal controls to help. All CIOs must present annually to the Board of Directors on their portfolios and how risk is being managed and controlled. The Board challenges CIOs as necessary.

## Industry Associations

Mondrian participates in various industry initiatives to help support our firm-wide practices and facilitate well-functioning financial markets. We aim to be proactive participants in the industry initiatives we support. From a political aspect, as a firm we do not lobby governments or support politicians or political groups.

In addition to the below, most of our investment staff are CFA Charterholders and Mondrian has a representative on the CFA UK's Advisory Council, which facilitates staff knowledge of market and systemic risk, and in turn allows us to contribute to the development of good market practices.

We continue to consider a range of other external best practice initiatives. When reviewing external initiatives, we need to ensure we consider our broader client base.

| Initiative/ Organisation | Background | Mondrian Participation | Initiative Effectiveness |
|---|---|---|---|
| Principles for Responsible Investment | The Principles for Responsible Investment ("PRI") is the world's leading proponent of responsible investment. It works to understand the investment implications of ESG considerations and support its global network of investor signatories in incorporating these into their investment and ownership decisions. | In recognition of our continued commitment to the integration of financially material ESG risks and opportunities throughout the investment process, Mondrian became a PRI signatory in September 2016. As a signatory we financially support the PRI, and report on our ESG practices annually. We attend working groups, webinars and PRI events, and participate in PRI consultations. | This initiative contributes to well-functioning markets by being a key proponent of responsible investment best practices. It engages with policy makers, industry bodies and its signatory base to evolve various ESG considerations, including data, key topics and stewardship practices.<br><br>For Mondrian, the annual PRI reporting process helps us reflect on our ESG governance, policies, integration, and stewardship practices, as well as identify potential areas for improvement.<br><br>In the most recently available PRI Assessment report on 2023 practices, Mondrian received the following ratings:<br><br>● Policy, Governance and Strategy: 4 Stars<br>● Direct-Listed equity-Active fundamental: 5 Stars<br>● Direct-Fixed income–SSA: 5 Stars<br>● Direct-Fixed income–Corporate: 5 Stars<br>● Confidence Building Measures: 4 Stars<br><br>Please refer to www.unpri.org for the PRI assessment methodology. Mondrian's full Assessment Report and Transparency Report may be requested via the PRI Data Portal. |
| UKSIF | The United Kingdom Sustainable Investment and Finance Association ("UKSIF") is a non-profit organisation that enables members to engage on policy positions and consultation responses, stay up to date on policy, political developments, best practices, and hosts various events for learning and networking | Mondrian became a member of UKSIF in September 2022. Membership enables us to participate in topical roundtables with other investors, as well as more formal events to help us learn more about evolving best practice. It facilitates engagement with policy makers, particularly in the UK. | This initiative contributes to well-functioning markets by bringing together the UK's sustainable finance and investment community and supporting its members to expand, enhance and promote this key sector.<br><br>Through its work engaging government and regulators on policy, it provides a way for smaller asset managers like Mondrian to have a voice in policy development in a more efficient way.<br><br>In 2024 Mondrian continued its participation in the UKSIF SDR Implementation Working Group to help develop our understanding of the new UK Sustainability Disclosure Requirements (SDR) and Product Labels regulation, as well as provide feedback to the FCA on the various consultations associated with this new regulation for UK asset managers. |

| Initiative/ Organisation | Background | Mondrian Participation | Initiative Effectiveness |
|---|---|---|---|
| SASB (now part of ISSB) | The Sustainable Accounting Standards Board ("SASB") Standards identify the sustainability disclosure topics most relevant to financial performance for the typical company in an industry. The SASB Standards are now part of the IFRS Foundation's International Sustainability Standards Board ("ISSB"). | In late 2021 Mondrian licenced the SASB Standards to complement our existing proprietary research approach to analysing financially material ESG risks and opportunities with a more structured approach. SASB Standards are used as a completeness check for our existing ESG integration process. | This initiative contributes to well-functioning markets as part of the ISSB, seeking to develop comprehensive sustainability disclosure standards for corporates, helping to ultimately provide better, more decision-useful data for investors and facilitating more transparency around financially material ESG risks and opportunities. |
| PRI Statement on ESG in Credit Risk and Ratings | This initiative is supported by asset managers, rating agencies and asset owners and aims to enhance the transparent and systematic integration of ESG considerations in credit risk analysis. | Mondrian began supporting this initiative in December 2018. As part of this initiative, we attend round table events covering multiple ESG topics such as engagement with issuers. | This initiative contributes to well-functioning markets by working to support investors in the incorporation of ESG considerations within the fixed income asset class. |
| Emerging Markets Investors Alliance | The Emerging Markets Investors Alliance ("EMIA") is a not-for-profit organization that enables institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest. EMIA seeks to raise awareness and advocate for these issues through collaboration among investors, companies or governments, and public policy experts. | Mondrian actively participates in several collaborative engagements organized by EMIA, which facilitates our ability to engage with emerging markets sovereigns. | This initiative contributes to well-functioning markets by enabling institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest.<br><br>Members of Mondrian's Global Fixed Income and Currency Team are part of the EMIA Debt and Fiscal Governance Working Group, and the Sovereign Decarbonization Working Group.<br><br>The Debt and Fiscal Governance Working group seeks to improve fiscal transparency around the budget process for Sovereign issuers.<br><br>The Sovereign Decarbonization Working Group seeks to improve the environmental practices for Sovereign issuers.<br><br>Please refer to Principle 10 for details of our Global Fixed Income and Currency team's collaborative engagements through EMIA. |
| Institutional Investor Legal Forum | The Institutional Investor Legal Forum, which includes a Compliance and Regulations Roundtable, is a private international membership group of general counsels and other senior compliance and legal team members at leading investment management firms. | Mondrian became a member of the Institutional Investor Legal Forum in 2014 and participates in the annual meetings and various events. | This initiative contributes to well-functioning markets by facilitating general counsel and senior compliance and legal team discussions on strategy, best practices, and approaches to regulation. Regulators are regular guest speakers in a small room discussion format. |

## Investment Approach Alignment and Assessment of Effectiveness

Mondrian takes risk control seriously across the whole chain of the investment process and provides sufficient independent oversight where required. Our philosophy and process has been consistently applied across strategies since our inception and informs our response to market and systemic risks. Mondrian manages market-wide and systemic risks by having well diversified portfolios across geographies and sectors, implementing minimums and maximum weights on market allocations and sector exposures, and exposures limits on individual security weights where necessary. We work to identify any risks within our industry as well as the broader financial system as part of our investment process. Given our long-term fundamental approach, we focus on and must understand the direct impacts of market and systemic risks at the individual company level. In addition, we endeavour to have a 360-degree analysis of indirect impacts at the stock and portfolio level. Market risks such as rising interest rates, inflation, weak governance such as a lack of board independence and irresponsible financial management such as high levels of corporate debt must be considered as part of a healthy financial system. While perhaps not an explicit market risk, irresponsible financial management can have a significant impact on market risk if not managed. Systemic risks impact all market members, albeit unequally. Our role as a fiduciary is to help ensure the companies that we invest in have invested in and adhere to a disciplined risk management framework to withstand the potential challenges of market and systemic risks, noting that such risks will impact each sector, industry, and company differently. We engage with issuers on disclosures of risks and opportunities related to such issues. As our investment team is directly responsible for ESG analysis and stewardship activities, and our investment process takes a bottom-up approach, we do not have a centralised thematic engagement program but rather focus on each company's impact individually.

### Equity Investment Process

Mondrian builds long-term Dividend Discount Models to analyse company valuations. We typically use a four-stage model that forecasts dividends for years 1-5 in detail, modelling, in a dynamically integrated way, the income statement, balance sheet and cash flow of the company. Years 6-10 are forecast as a normalisation period which also usually requires dynamically integrated financial modelling. We then calculate a long-term growth rate for years 11-50 followed by a zero real terminal growth rate.

We use scenario analysis and stress testing to ascertain a range of outcomes utilising top-down information such as politics, macroeconomics, currencies, and inflation as well as industry dynamics and bottom-up stock related information including financially material ESG risks and opportunities. Our emphasis on worst case scenarios and owning companies with a favourable skew has enabled us to achieve a track record of providing consistent performance with minimised volatility.

While tracking error is monitored, it is not a primary driver of our investment process. We believe that the most important risk for our clients would be that of failing to achieve their target returns, so we place more emphasis in our research process on examining the gap between the most likely return and the worst-case return for each investment. We also believe this detailed downside scenario analysis for all markets and stocks has been a key factor in achieving very low volatility of our returns.

### Fixed Income Investment Process

Managing portfolio risk is an integral part of our investment process from the initial setting of investment strategy.

The process controls for the following risks:

- Inflation Risk is mitigated by our inflation forecasting approach and preference for markets that compensate for inflation risk
- Sovereign Credit Risk is mitigated via our analysis of factors that affect sovereign creditworthiness. This serves as an additional risk control, ensuring the portfolio limits exposure to countries with deteriorating risk profiles
- Currency Risk is controlled via our hedging strategy. If we believe that a currency is extremely overvalued, we will pare back exposure to that currency
- Corporate Credit Risk is controlled through our rigorous credit process that acknowledges asymmetric risk/reward profile of credit
- Interest Rate Risk is controlled through our duration/maturity strategy. We will employ a high duration/maturity strategy in markets that have relatively high Prospective Real Yields, to maximise the advantage. Similarly, we will adopt a low duration/maturity stance where Prospective Real Yields are relatively low, as a defensive move
- Liquidity Risk is mitigated by keeping turnover low and having a prudent approach to capacity management so that we can remain nimble

- Environmental, Social and Governance Risk is mitigated by integration of these considerations into our investment process where financially material. Responsibility for ESG analysis rests with the investment team, with ESG analysis carried out in-house. ESG issues are explicitly incorporated into both Mondrian's corporate and sovereign issuer credit ratings, providing a framework for integration of these considerations into the analysis of an issuer's valuation

Portfolio construction is both top-down and bottom-up in nature. It starts from the top-down by determining the relative value of all markets and currencies in the investment opportunity set through our PRY and PPP processes. Once this is determined, an optimal allocation to those countries and currencies is generated. From the bottom-up, specific sectors and securities are then selected within the given top-down allocation through our relative value credit approach.

An optimiser is utilized to inform and guide portfolio positioning, where it will overweight those countries with the highest PRYs while at the same time ensuring diversification by minimising the deviations from the benchmark. Subsequently, Mondrian buys the attractive markets and sells those that are relatively unattractive.

Our in-house models monitor expected tracking error using numerous scenarios utilizing historic data. However, Mondrian does not target a specific tracking error level. The tracking error on our strategies will at times be higher or lower depending on the prevailing market environment and the level of opportunities currently presented.

### Activities and Outcomes

Over 2024 we continued our focus on the market and systemic risks related to responsible financial management, inflation and interest rates, and climate change.

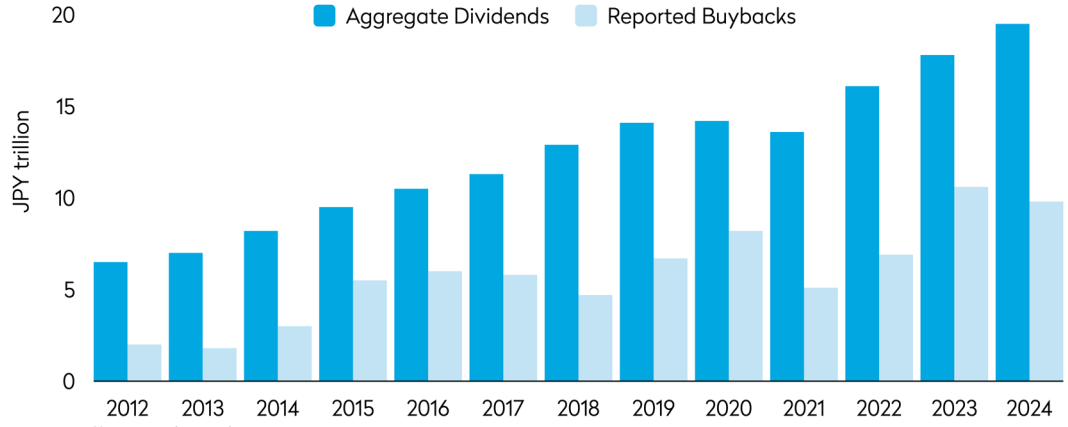
## Responsible Financial Management

### Governance in Japan

Mondrian has a long-term track record stretching back almost 35 years of adding value through both an active weight and through stock selection in the Japanese equity market. While we are proud of that track record, our experience has taught us that currency-led volatility can be very challenging for an externally facing stock market such as Japan.

The longer-term positive from improving corporate governance in Japan remains in place and continues to translate into growing shareholder returns. Share buybacks announced so far in 2024 (calendar year) are already well above 2023 record highs, and dividends-per-share have grown at a strong 10% annual growth rate over the past 20 years.

**Aggregate Dividends and Reported Buybacks since Fiscal Year 2012**




| | CAGR % |
|---|---|
| Aggregate dividends | 9.6% |
| Reported buybacks | 14.2% |

Source: Jefferies and Mondrian

The latest push from the Tokyo Stock Exchange (TSE) for corporate governance reform continues to gather momentum. The TSE is now publishing a monthly list of companies which have complied with their request to explain their return on capital relative to cost of capital, to update this annually with improvement plans, and to facilitate better dialogue with shareholders. These TSE reforms are the latest in a more-than-decade-long process of domestic driven corporate governance reform in Japan, started by ex-Prime Minister Abe. Corporate governance standards in Japan still lag those in other developed markets, but we believe that Japan is now seeing the fastest governance improvement among peers and that it has the most value still to be unlocked from relatively straightforward improvements.

Management teams are very aware of the TSE requests; several portfolio companies have made positive changes including large share buybacks and dividend hikes, adding new independent directors, increasing alignment of management compensation with shareholders, selling legacy cross-shareholdings, and exiting non-core/low return businesses. Portfolio holding Mitsubishi Electric, for example, has taken all these steps and is moving closer to global governance best practices which should allow the industrial conglomerate to realize more of the value in its strong and growing core businesses and net cash balance sheet. It was encouraging to see the company proactively announce an additional mid-quarter share buyback in response to recent market volatility.

The sell-down of corporate cross-shareholdings, long a drag on ROE and a protection from shareholder scrutiny and from potential takeovers, continues to accelerate with an 86% YoY increase in the value of sales. The once reluctant Toyota Group is now taking a lead in unwinding cross-shareholdings including strategic holdings in group members, a symbolic move for corporate Japan. Portfolio holding Toyota Industries still has more than 100% of its market capitalization in cross-shareholdings but has recently made significant improvements in disclosure on capital allocation and in shareholder return policy, including a commitment to significantly reduce policy-held shares and its largest ever share buyback. We have long felt that the possible unwind of these substantial cross-shareholdings supported the skew of outcomes for the stock and have engaged with management on this topic for several years.

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## Tokyo Stock Exchange and parent Japan Exchange Group

**Engagement Type:** For understanding and change
**Objective:** To understand TSE's corporate governance reforms and to encourage TSE to continue evolving corporate governance standards in Japan. We think this could lead to improved capital allocation and improved value realisation for shareholders.

While some Mondrian holdings are among governance leaders, we think corporate Japan overall is still at an early stage in this journey, with significantly more value to be unlocked for shareholders – particularly in companies with overcapitalised balance sheets.

**Activity**
Over the course of 2024 we continued to exchange views with Japan Exchange Group (JPX) CEO Yamaji-san and his colleagues in both Tokyo and London. We have been encouraged by these interactions and by the message that they expect more reforms to come. These reforms add fresh impetus to over a decade of corporate governance improvements.

In January 2024 Mondrian met with JPX President Yamaji-san and discussed the purpose of the compliance disclosure list; next steps for JPX; views on adding qualitative disclosure requirements; and views on increased corporate actions in Japan.

From 15th January 2024, the TSE began publishing a list of companies that have made the requested disclosures in line with the recommendations set out in the March 2023 letter. This list will be updated monthly going forward. Additionally, TSE will compile and publish key points based on engagements with investors and "lighthouse cases" of initiatives that have been praised by investors for companies of different sizes and situations. The list also acts as a "name and shame" regime to instil a sense of urgency and peer pressure. With this purpose in mind, JPX published the disclosure status by industry map to encourage laggard companies to move towards industry and market best practice.

Since the "List of Companies that Have Disclosed Information in Accordance with 'Action to Implement Management that is Conscious of Cost of Capital and Stock Price'" was published, Mondrian has engaged with several of our holdings on why they have not been included, and their plans for future inclusion. These engagements are ongoing.

In February 2024 Mondrian met with Tokyo Stock Exchange representatives to discuss capital efficiency improvements and corporate governance reforms in Japan. Discussion topics included TSE market reforms, corporate governance in Japan, including the Corporate Governance Code and minority shareholder protections, government initiatives including the Guidelines for Corporate Takeovers from the Ministry of Economy, Trade and Industry, and Sustainability Initiatives including Japan's carbon credit market.

In March 2024 Mondrian met with Yamaji-san, along with JPX's Chief Europe Representative and Deputy Chief Europe Representative at Mondrian's London office, where we discussed the background and objectives of JPX's initiative, as well as progress. We encouraged JPX to develop clear next steps and provided suggestions around board independence and remuneration alignment, clarifying the benefits to wider society of such measures.

**Outcome**
Actions in 2024 continued those seen in 2023, which among portfolio holdings included large share buybacks, adding new independent directors, increasing alignment of management compensation with shareholders, and exiting low return businesses (including using the new tax-free spin-off law).

Tangible results of ongoing corporate governance reform in Japan are highlighted by the rise in independent directors in Japan, a reform generally believed to be correlated with higher shareholder returns.

Cross-shareholdings have long been a frustration for investors in Japan. Investments in other related businesses can be valuable if the ownership is integral to business strategy rather than just to protect vested interests – but this has been the weakness in Japan. However, the proportion of the market held as cross-shareholdings has significantly declined since 1990 and continues to decrease.

Fundamental research continues to be a key part of Mondrian's investment process and particularly important in Japan. In-person, face-to-face communication offers real added value in identifying companies which take a more progressive approach to governance improvements, and it facilitates more impactful engagement with management. Members of Mondrian's investment team who travelled to Japan in 2024 found that management teams were very aware of the TSE requests and increasingly proactive in making positive changes.

We see the recent reforms as part of a long-term governance improvement story and expect bumps along the way.

**Next Steps**
We continue to encourage stronger corporate governance practices in Japan by engaging directly with portfolio companies and also with TSE for systemic change. Japan clearly still has a long way to go on corporate governance and capital allocation (with plenty more value to potentially unlock), but progress from here is likely to be driven more by steady, bottom-up momentum than further major new TSE requests.

## Climate Change

Climate change mitigation efforts and the decarbonisation journey with its accompanying policies, regulations, subsidies, incentives, levies and disclosure requirements pose both investment challenges and opportunities.

### Climate Change Considerations in the Equity Investment Process

We believe Mondrian is well placed to adapt to the evolving investment environment in terms of pricing risks and opportunities. Mondrian utilises a disciplined valuation framework to analyse companies based on their fundamentals, together with a long-term investment horizon, and scenario analysis to understand the skew of potential investment outcomes. To the extent that issues such as climate change, carbon emissions, water usage and energy usage have been identified as potentially financially material risks or opportunities to consider in evaluating the investment case of a particular company, our analysts will conduct further investigation into the extent of these exposures as well as any risk mitigation. The findings from this questioning and disclosure will be incorporated into our overall investment evaluation of the company and highlighted in the ESG Summary Report as detailed in Principle 7.

### Examples of Investment Alignment

**Saudi Aramco**
**Background:** Saudi Aramco is the largest producer of crude oil in the world, controlled by the government of Saudi Arabia.

**ESG Analysis**
The company is well-managed and has an attractive resource footprint, holding exclusive rights to produce oil from the substantial and low-cost reserves of the Kingdom of Saudi Arabia in perpetuity. Aramco's oil wells have some of the lowest carbon emissions intensity among global oil producers, which should position the company relatively well in terms of the energy transition and enable the company to out-compete others in the event of reduced oil demand or a carbon tax. With this cost advantage, Aramco should generate profits and free cash flow at most oil prices, even after taking into account the investment needed to maintain its production capacity. Furthermore, the company's flexible production capacity enables it to respond to demand and price spikes quickly, and thereby capture additional profit opportunities. The company has adopted a transparent and sustainable dividend policy that provides for predictable growth in the ordinary dividend, while sharing in oil price-driven windfalls.

**Outcome**
After underperforming during the first half of 2024, Aramco presented an attractive combination of secure and growing dividend stream, with strong downside support in the worst case. With the stock trading at undervalued levels, we decided to initiate a position in the stock in June 2024.

**Yangtze Power**
**Background:** Yangtze Power is a leading electricity generator in China, with a portfolio that consists primarily of hydroelectric and solar power.

**ESG Analysis**
The company has very low carbon emissions in a country where power generation is dominated by fossil-fuels, especially coal-fired power. Meanwhile, Yangtze Power also has very low operating costs. This gives Yangtze power a competitive advantage in both economic and environmental terms, ensuring a high priority in the merit order for meeting power demand. This enables Yangtze Power to enjoy high levels of utilisation and ensures a steady cash flow, which supports a healthy dividend to investors.

**Outcome**
At the time we initiated a position, these attributes were not fully appreciated by the market and the stock offered good return potential given the limited downside. Since then, Yangtze Power had performed well as these strong environmental and competitive advantages became better known and started to be more fully incorporated in the stock price. Accordingly, with the stock offering an unattractive risk-adjusted return, we decided to sell the stock in February 2024.

# Climate Change Considerations in the Fixed Income Investment Process

## Sovereigns: Environmental Risk

Environmental issues inform our sovereign credit adjustment; higher sovereign credit adjustments result in a greater PRY premium required to drive an allocation. Undiversified economies based on commodities, agriculture or tourism can be exposed to environment-related shocks, such as flooding and storm damage, that can place additional burdens on the sovereign balance sheet.

To assess environmental strengths, we compare countries using the Environmental Protection Index compiled by the Yale Center for Environmental Law & Policy. This ranks countries on twenty-four different environmental performance indicators along two dimensions of sustainability – environment health and ecosystem vitality. Please refer to Principle 7 for more details on how environmental considerations are integrated into the sovereign fixed income investment process.

Over the period Mondrian's Global Fixed Income and Currency team continued to look at ways to better monitor sovereign emissions, noting varying industry calculation methodologies, as well as to increase the transparency of emissions reporting to our clients at the sovereign and aggregate fixed income portfolio level. We continue our work in this space in 2024.

## Corporates: Environmental Risk

The impact on credit quality from environmental risks varies greatly by industry. Environmental issues can present both fundamental business risks, for example that posed by the shift to renewable energy on the oil and gas industry, and reputational risks. To assess environmental risks to credit quality we reference MSCI ESG research in addition to information collated through credit analysis from sources such as annual reports, rating agencies, discussions with management and industry research reports. Our environmental assessment contributes to our corporate credit rating for each issuer, which directly impacts portfolio allocation.

## Example of Investment Alignment and Engagement for Understanding

**Financial Institutions**
**Engagement Type:** For Understanding and Change
**Topic:** Environmental – Science Based Targets (SBTi)
**Background:** Mondrian has exposure to a number of financial institutions across our global aggregate mandates, some of which have withdrawn from the SBTi initiative during 2024 and some who have reaffirmed commitment.

**Activity**
Following the publication of the updated Financial Institutions standard by SBTi in 2024, we engaged with a number of our financial institution holdings at various stages of SBTi commitment and validation to understand the progress they were making with the initiative, the issues they were encountering as financial institutions in trying to meet SBTi validation eligibility and any changes they anticipated making to their net zero targets as a result. Responses varied from those financial institutions: some had withdrawn targets from the initiative, some continued to seek validation.

**Outcome**
This engagement contributed to our due diligence and ongoing monitoring process which helped us assign our internal ESG rating for the financial institutions we cover. An independent verification of net zero targets is desirable for us to standardise data inputs into the quantitative element of our internal ESG rating model. We will therefore continue to engage with our holdings to understand and emphasise our desire for direction of travel in this area. Please refer to Principle 7 for more details on the integration of financially material ESG risks and opportunities into Mondrian's fixed income investment process.

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# Assessment of Effectiveness

Mondrian believes that both our business and investment risk management have been effective in aiming to identify and respond to market-wide and systemic risks, helping to promote well-functioning financial markets. We continue to discuss potential improvements and refinements to our risk management approach in Board and Board sub-committee meetings.

# Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities

## Stewardship Policies and Processes Review

Mondrian has several policies in place to enable effective stewardship, specifically our Firm-wide ESG Investment Policy, Engagement Policy, and Proxy Voting Policy and Procedures. Mondrian acknowledges that ESG and stewardship matters continue to evolve, thus we review our policies annually to ensure they are evolving along with industry standards and regulations. Mondrian seeks to continuously enhance our ESG analysis and stewardship practices. As a member of various ESG and stewardship-related best practice initiatives, we look to these organisations for ways to evolve our approach and policies where applicable to our business and investment approach.

| Stewardship Policy | Reviewed By | Public Avaliability |
|---|---|---|
| Mondrian Firm-wide ESG Investment Policy | ESG Investment Steering Committee; Legal; Compliance; CIOs; Group CIO; ESG Manager | Available on Mondrian website |
| Mondrian Engagement Policy | Compliance; CIOs; ESG Manager | Available on Mondrian website |
| Mondrian's Proxy Voting Policy and Procedures | Proxy Voting Committee; ESG Manager; Investment Support Services Manager | Available on Mondrian website |

## Assurance

Mondrian's Board is ultimately responsible for overseeing all firm practices, including ESG and stewardship practices. As previously detailed, the ESG Investment Steering Committee reports to the Board twice a year on ESG-related initiatives. ESG analysis and stewardship practices are overseen as a regular part of the investment process. The implementation of ESG processes, including those related to stewardship, are periodically reviewed as part of our Compliance Monitoring Process, as well as our Internal Audit review.

### Compliance Monitoring Program and Internal Audit Oversight

Mondrian conducts periodic reviews of the firm's ESG policies, procedures, implementation, and framework to ensure the control environment is adequate.

Compliance reviews of ESG practices, including stewardship practices such as engagement and proxy voting, form part of the Compliance Monitoring Program, which is reviewed by the Compliance and Risk Committee. Compliance will conduct walkthroughs of the implementation process and on a regular basis will review holdings to ensure they are in compliance with Mondrian's policies and procedures. This includes a review of Mondrian's engagement process and supporting evidence.

Internal Audit reviews of ESG practices form part of general reviews of investment team practices. The audit work includes meetings and walkthroughs with key staff, review of information (e.g., policies, procedures, models, system data and reports), and sample testing. Internal Audit reports directly to the Executive Chairman and presents to the Board on a quarterly basis. Material control issues and audit findings are reported at this point, along with a general update of Internal Audit activities. The Board also approves the annual Internal Audit Plan.

## Rationale for Review and Assurance Approach

Mondrian utilises one investment philosophy and process consistently across all equity strategies, covering four different asset classes: Global Equities, Non-US Equities, Emerging Market Equities and Small Cap Equities. All fixed income strategies are managed by our Global Fixed Income and Currency Team. CIOs and/or senior portfolio managers from each of the five product areas review ESG and stewardship policies to ensure they reflect the investment practices for each asset class accurately. Mondrian's Proxy Voting Policy and Procedures are additionally reviewed by our Investment Support Services Manager who is responsible for facilitating the actual voting of proxies through Mondrian's Investment Support Services Team.

To ensure that ESG and stewardship practices are in line with Mondrian's stated respective policies, our Compliance Monitoring Program and Internal Audit conduct separate reviews as part of investment team practice reviews, given that our investment teams are directly responsible for ESG analysis and stewardship activities.

## Stewardship Reporting

To ensure our stewardship reporting is fair, balanced, and understandable, Mondrian's Stewardship Code Statement is written by our ESG Manager and reviewed by our Head of ESG Investment, our Chief Compliance Officer, and product CIOs. The Group CIO/CEO completes the final review, reading through the entire report and commenting where necessary, and provides the final sign off. We aim to ensure that our report is reflective of the entire investment team's stewardship practices over the reporting period and does not over-emphasise the stewardship activities of any one investment team or product. We seek to provide transparency into our engagement and proxy voting activities, and the evolution of our centralised Engagement Tracking Tool has helped with this. Engagement and proxy voting data is aggregated across the firm and for each team specifically to provide stewardship reporting as required by regulations, the UK Stewardship Code, as well as by clients, consultants, and prospects, and third-party databases and initiatives such as the PRI. We encourage feedback on our stewardship reporting to ensure the reporting is clear and understandable.

Please see Principle 6 for more details on stewardship reporting and its evolution.

# Principle 6

**Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them**

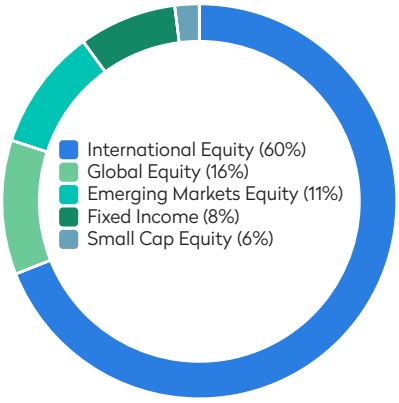
## Mondrian's Client Base

Mondrian has a diverse global client base, investing on behalf of leading corporations, public and private pension plans, endowments, and foundations in a range of equity and fixed income mandates. We are dedicated to providing exceptional client service and offer a range of institutional investment vehicles, including separate accounts, limited partnerships, collective funds, mutual funds and UCITS. Mondrian's clients are institutional in nature.

The allocation of our client base and AUM remains broadly similar in 2024 as in 2023. Please see below for a breakdown of clients and assets by region as of 31 December 2024:

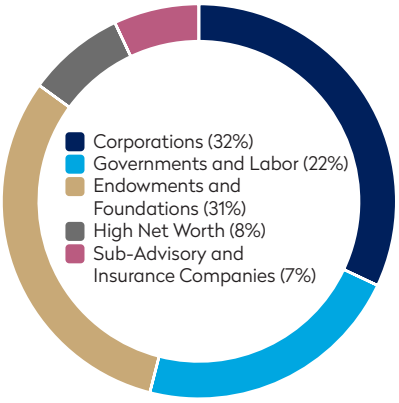
### Types of Assets Managed

(Assets Under Management and Advisement)



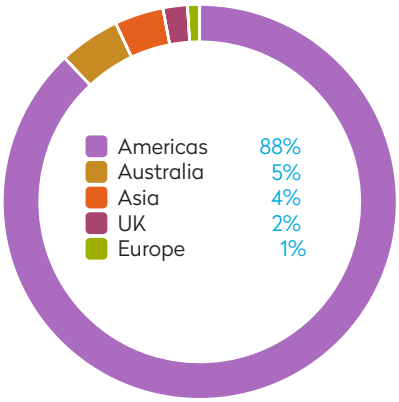

### Types of Clients Served

(Number of Relationships)



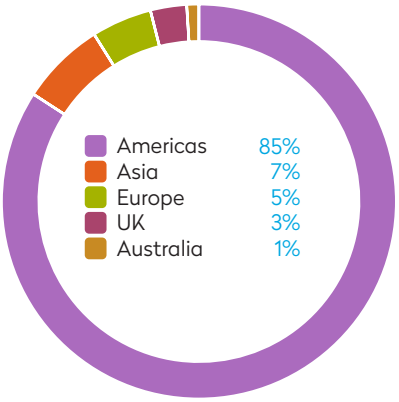

### Assets by Region

(Assets Under Management)




### Clients by Region

(Number of Accounts)




## Investment Time Horizon

Much of our client base is institutional, and our exposure to retail clients is typically via sub-advisory and intermediary relationships, as such, Mondrian's investment time horizon is long-term (5-10 years) in line with the perceived long-term liabilities/time horizons of our clients. As a global, long-term value-oriented investment manager, our focus is on generating alpha for our clients and providing a rate of return meaningfully greater than our clients' domestic rate of inflation with strategies that seek to preserve capital during protracted market declines. In pursuit of these investment benefits, Mondrian employs a long-term, fundamental approach to research.

| | |
|---|---|
| Equity Approach | The principal focus of our equity investment professionals is constructing long-term forecasts for future cash flows to the investor, which are primarily dividends, utilising our Dividend Discount Model valuation methodology, which analyses securities over the short (1-5 Years), medium (6-10 Years), and long-term (11-50 Years). Our aim is to ensure that management are focused on enhancing shareholder value on a medium to long-term basis. |
| Fixed Income Approach | Our disciplined value approach aims to exploit pricing inefficiencies in global capital markets. The approach aims to offer clients higher long-term real returns with attractive risk characteristics. We are constantly monitoring individual securities, markets and asset classes to compare their valuations and highlight any important pricing discrepancies. In particular, our long-term horizon enables us to identify value which many of our shorter-term competitors would ignore. |

## Client Alignment

Before a client relationship is established, there are typically multiple highly detailed communications to establish the suitability of our investment philosophy and process to the needs of the prospect. Typically, we would complete granular Requests for Proposals prior to presenting our strategy for the mandate opportunity. Only asset owners with aligned time horizons would ultimately become clients. During the on-boarding process, these parameters are articulated in investment guidelines and programmed into our compliance monitoring system.

To help evaluate the continued alignment of our ESG approach and stewardship practices with our clients' needs, our periodic client reviews include senior Investment Team members together with our Client Services Team, who frequently engage with clients on matters related to performance, including client objectives. At times, the outcomes of these reviews do get reflected in individual investment management agreements where necessary. We have regular dialogue with clients and encourage communication of any changing needs.

## Bespoke Stewardship Policies

As detailed in Principle 3, to the extent that separate account clients have bespoke stewardship policies, we are able to incorporate those within our process specifically for the client's portfolio. Regular client communication helps us understand the evolving needs of our client base.

## Stewardship Reporting

### Clients, Third-Party Databases, Principles for Responsible Investment

Mondrian provides stewardship reporting as required by regulations, as well as by clients, consultants, and prospects, and third-party databases and initiatives such as the PRI. We encourage feedback on our stewardship reporting to ensure the reporting is clear and understandable and meets the needs of underlying beneficiaries.

Depending on the specific client's reporting needs, stewardship information provided may include proxy voting statistics, details on votes considered to be significant by the client and/or Mondrian, financially material ESG topics discussed, and engagement examples for the relevant reporting period. The frequency and structure of reporting is determined by our clients, and where a reporting template has not been provided, Mondrian works with the client to determine the information needed to ensure the client is able to fulfil their stewardship reporting requirements for their underlying beneficiaries.

We report to clients monthly or quarterly with results of investment performance and any other preferred portfolio metrics and meet with clients at their preferred frequency – typically quarterly or annually. Ultimately, we are always available to our clients, and they have access to the investment professionals making the decisions (including conducting ESG analysis and stewardship activities) for their portfolios.

Mondrian offers a range of institutional investment vehicles, including separate accounts, limited partnerships, collective funds, US mutual funds and UCITS. As our pooled vehicle investors are subject to the guidelines of the pooled vehicle, Mondrian does not manage pooled vehicle client assets in alignment with the underlying clients' stewardship and investment policies.

Mondrian aims to provide up to date information for third-party databases such as eVestment and will include stewardship reporting as part of its regular update process. The stewardship data requested varies by database, but often includes proxy voting statistics and engagement details. As a PRI signatory, Mondrian publicly reports on its stewardship activities on an annual basis through the PRI reporting platform.

### Regulatory Requirements

Mondrian, as a U.K. domiciled investment manager, is subject to the Shareholder Rights Directive II ("SRDII"). Our disclosure document seeks to provide transparency to investors in relation to Mondrian's voting behaviour and the impacts of engagements with companies on our voting behaviour as well as meeting our regulatory requirements to disclose to investors on an annual basis how Mondrian's engagement policy has been implemented.

Please refer to Principle 12 for proxy voting reporting.

## Evolution of Stewardship Reporting

Over the period we experienced more asset owner and consultant requests for stewardship reporting, with an increasing focus on proxy voting activities. We continue to enhance our stewardship reporting templates for clients that would like this data and look forward to industry initiatives to standardise proxy voting reporting, helping to make it more comparable and useful for asset owners.

# Principle 7

**Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities**

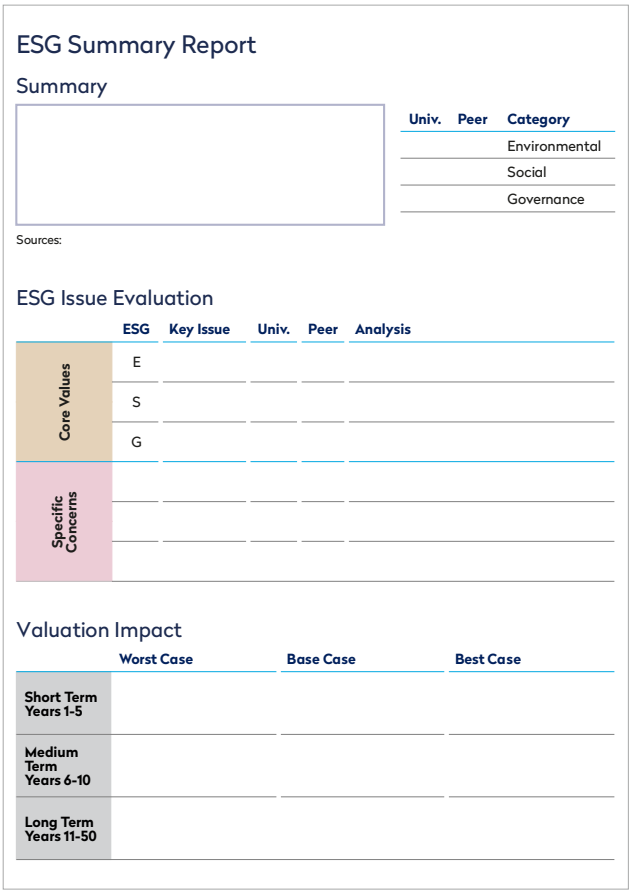
## ESG Integration

Our equity and fixed income teams share an investment philosophy that recognises the importance of financially material ESG issues in the long-term valuation of a company's equity and credit. Mondrian has always believed it is the responsibility of all investment professionals to understand and incorporate the impact of financially material environmental, social and governance considerations on our present and potential investments, and their long-term profitability. Stewardship considerations are part of the initial purchase decision, subsequent monitoring of an investment and any ongoing dialogue with an investee company, including active participation through our proxy voting process for equity strategies. Our aim is to ensure that management are focused on enhancing shareholder value on a medium to long-term basis.

## Equity Approach to ESG Integration

We believe that the forward–looking, long-term nature of our investment methodology lends itself to incorporating financially material ESG risks and opportunities into our analysis that are themselves often long-term in nature. By considering this broader range of issues that can impact a company, we are better positioned to assess a company's expected risk adjusted returns.

The analysis of financially material ESG considerations in the equity valuation process is summarised in our proprietary ESG Summary Report and describes the quantitative impacts of such risks and opportunities in our valuation models.



ESG Summary Report

Summary

| | Univ. | Peer | Category |
|---|---|---|---|
| | | | Environmental |
| | | | Social |
| | | | Governance |

Sources:

ESG Issue Evaluation

| | ESG | Key Issue | Univ. | Peer | Analysis |
|---|---|---|---|---|---|
| Core Values | E | | | | |
| | S | | | | |
| | G | | | | |
| Specific Concerns | | | | | |
| | | | | | |
| | | | | | |

Valuation Impact

| | Worst Case | Base Case | Best Case |
|---|---|---|---|
| Short Term Years 1-5 | | | |
| Medium Term Years 6-10 | | | |
| Long Term Years 11-50 | | | |

This report is structured in three parts:

1. **Summary:** This section provides a high-level overview of the most significant financially material ESG risks and opportunities for the company being evaluated, which includes commentary regarding key ESG concerns as well as category scores derived from the ESG Issue Evaluation section.
2. **ESG Issue Evaluation:** This section is split in two; companies are analysed against a consistent set of core considerations (climate change, human capital, and corporate governance) that apply to all stocks across Mondrian, as well as a changing group of company-specific concerns, generally determined by the company's sub-industry. This two-part approach ensures a level of comparability across companies regardless of their business, and also emphasises the importance of looking at the risks and opportunities that are more specific to the company. The findings of this analysis are summarised using numerical scores. In addition, we use third party ESG research to give an understanding of the more peripheral risks and opportunities and a company's positioning relative to its peers. This helps constitute a 'completeness check' of financially material ESG risks and opportunities affecting the company.
3. **Valuation Impact:** This section explicitly articulates the ESG risks and opportunities that have influenced the valuation, drawing out financially material findings from the ESG Issue Evaluation section. Financially material ESG risks and opportunities are expressed across the three scenarios we forecast for each stock in our valuation models: the base, best and worst cases. This section also outlines whether the ESG risks or opportunities would play out over the short, medium or long-term, mirroring the first three stages of Mondrian's Dividend Discount Model.

Financially material ESG risks and opportunities are reflected in the portfolio in so much as they affect the long-term valuations of the constituent companies and the conviction the team has in the ability of companies to achieve the projections that are embedded in our valuation scenarios.

As a long-term value manager Mondrian has always believed in carrying out analysis which captures all potentially financially material risks and opportunities, understanding and integrating the impacts of ESG risks and opportunities has therefore consistently been part of our long-term modelling. Again, the majority of our client base is institutional, and our exposure to retail clients is typically via sub-advisory and intermediary relationships. As such, Mondrian's investment time horizon is long-term (5-10 years) in line with the perceived long-term liabilities/time horizons of our clients.

Though ESG concerns can manifest over short-term time horizons, many increase in their impact on a company and its performance over much longer periods, perhaps extending years, even decades into the future. Such long-term effects can only be effectively captured in valuation analysis when the investment horizon and valuation methodology itself is sufficiently long enough to cover the relevant duration in question.

## How Financially Material ESG Risks and Opportunities Are Considered in the Valuation Process

Some examples of financially material ESG risks and opportunities evaluated and how they are considered in the valuation process are provided below.

- **Energy:** We often use growth rates that are lower than GDP when modelling companies involved with fossil fuels to reflect the risks of the transition to a lower carbon economy
- **Utilities:** We will typically forecast an estimated carbon price. Depending on the forecast, lower emission power generation technologies are likely to benefit over time. The power mix also impacts the long-term growth rates applied, with higher longer-term growth expected for companies with a higher weighting towards cleaner power generation technologies notwithstanding the worst-case incorporating policy errors resulting in demand/supply mismatch
- **Industrials:** Emissions and waste management present environmental risks, but increased energy efficiency and recycling can present cost saving opportunities
- **IT and Telecommunications:** Data centres provide long term benefits with cloud migration, enabling big data analysis, Internet-of-Things (IoT), artificial intelligence and high-performance computing. On the other hand, data centres are big users of electricity
- **Consumer:** Customers may pay a premium for products seen to be sustainably and ethically sourced. Conversely, issues in the supply chain can cause product quality degradation and reputational damage
- **Financials:** There is risk of reputational damage and regulatory fines from questionable ethical practice
- **Health Care:** There is reputational risk to pharmaceutical companies around product safety, business ethics and product testing. Conversely, there may be opportunities in this sector for companies with strong and differentiated reputations for internal controls and ethical conduct

# Stewardship in Equity

Mondrian's engagement process encompasses discussions on key financially material ESG risks and opportunities and includes a focus on accountability which involves tracking a corporate's progress in meeting its business plan targets. Should a company held in our portfolio consistently disappoint in its deliverables, with implications to its long-term valuation, we will typically engage with its management and the board for both understanding as well as to encourage change.

More details on engagement and proxy voting are provided in Principles 9 and 12.

## Activities and Outcomes

Over the course of 2024, financially material ESG topics were discussed in over 60% of equity-related meetings with current and prospective investment companies. Below are examples of ESG considerations impacting an investment decision over the reporting period.

### Heidelberg Materials

**Background:** Heidelberg Materials, formerly known as HeidelbergCement, is a German multinational building materials company. The company is one of the world's largest manufacturers of building materials, including cement, aggregates, concrete, and asphalt.

**ESG Analysis**

CO2 pricing and the EU Emissions Trading Systems present both risks and opportunities for Heidelberg. Contrary to conventional wisdom, it is our belief that decarbonisation can present a business opportunity, e.g. forcing capacity rationalisation, further raising barriers to entry, and allowing greater differentiation. We believe this may have contributed to market mispricing. The company is also a global leader in carbon capture and storage which will aid in the company's progress towards an industry-leading 2030 target of 400kg CO2/t of cementitious material. The decision to reduce the position was based on taking some profits after strong performance.

**Outcome**

We reduced our position in Heidelberg in Q2 2024.

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### Merck & Co.

**Background:** Merck is an American multinational pharmaceutical company focused on discovering, developing, and marketing drugs for respiratory, immunology, cardiovascular, diabetes, infectious diseases, oncology, and other indications. The company is a global leader in vaccines and is further diversified with an animal health division.

**ESG Analysis**

The stock had a sharp mid-year pullback in 2024 given weak demand for Gardasil, its human papillomavirus (HPV) vaccine, in China. Management has maintained its prior 2030 sales guidance of $11bn for the vaccine. While we model the vaccine's growth falling short of this, we believe the stock still offers compelling value at current levels, trading at nearly a single-digit forward PE multiple despite a well-above average near and mid-term growth profile relative to peers.

A number of ESG-related considerations positively impacted the investment case, in particular in relation to social factors, namely access to healthcare. Merck is well positioned to capitalize on opportunities in growth markets with limited health product penetration. It pursues solutions in partnership with private enterprises, government agencies as well as multilateral and non-governmental organizations. When market-based solutions are inadequate or unavailable, it pursues programs to provide direct access to its medicines and vaccines, including product donations and patient assistance programs. The company remains committed to its goal to enable 350 million more people to access its innovative medicines and vaccines through access solutions by 2025. In 2023, it had enabled access for 240 million people. It had also reached more than 385mn people through its product donation and patient assistance programs and partnerships.

Mondrian was cognizant of the various ESG risks carried by Merck, in particular around the oversight of its supply chain with regards to quality and the potential for corruption. However, these risks were incorporated into our long-term DDM model (in both the worst and base case scenarios), which suggested that the stock was attractively valued. Product quality and safety is a financially material risk for Merck, as it is for its industry peers. In 2023, the company began to collaborate with the Pharmaceutical Supply Chain Initiative (PSCI), an industry collaboration that supports principles for responsible supply chain management. In 2024, the company's commitment to driving responsible actions received positive external recognition when it was ranked #1 in Newsweek magazine's list of America's Most Responsible Companies.

**Outcome**

We initiated a position in the company in Q4 2024.

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### BDO Unibank

**Background:** BDO Unibank is the largest bank in the Philippines, accounting for approximately 20% of the country's bank loans and deposits. The economy of the Philippines has demonstrated a consistently high level of economic growth, coupled with low inflation, and we believe similar performance should be expected in the years ahead.

**ESG Analysis**
The Philippines has a low level of financial penetration, and BDO Unibank is actively seeking to grow its consumer business, aiming to capitalise on the opportunity presented by improving access to finance to a wider range of customers through an expansion of its branch network to more outlying areas. BDO has demonstrated a very good track record in managing asset quality risks and maintains a strong level of capital buffers on the balance sheet.

**Outcome**
With the stock trading at low price multiples, BDO combines an attractive level of upside with good downside support, so we decided to initiate a position in November 2024.

---

### SK Hynix
**Background:** SK Hynix is a Korean semiconductor manufacturer specialising in DRAM memory chips, a highly concentrated sector with three main competitors.

**ESG Analysis**
Hynix is controlled by the family of its chairman, who maintain control through a 20% minority stake. This situation has created several governance risks. When we initiated a position in Hynix, the stock traded at valuation levels that were attractive even taking these risks into account. Since then, the company has emerged as early leader in the production of High Bandwidth Memory (HBM), an advanced DRAM product that is integral to many Artificial Intelligence computing applications. This success has propelled Hynix earnings and stock price to strong gains over the past two years, which has left the stock trading at elevated levels of valuation and a significant premium to the Korean market. During 2024, while many other Korean holding companies were taking part in various "value-up" initiatives and increasing distributions to shareholders, Hynix's has not so far announced any plans to enhance shareholder returns and appears to have less scope to do so given its ongoing capex needs.

**Outcome**
In June 2024, with limited upside potential and unlikely governance improvements, the risk-reward balance of SK Hynix shares appeared less favourable. We therefore opted to sell the stock in favour of better alternatives elsewhere in Korea and across the asset class.

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## Fixed Income Approach to ESG Integration
Mondrian invests in bond markets that best compensate for inflation and sovereign credit risks, measured by a market's PRY. We define PRY as the 10-year government bond yield less Mondrian's inflation forecast and sovereign credit adjustment.

Our approach to the integration of financially material ESG considerations in the fixed income investment process is consistent for both sovereigns and corporate credits in the explicit incorporation of ESG metrics into an issuer's proprietary credit rating.

### Sovereign Credit Approach
Sovereign credit analysis is an integral part of our top-down investment process. This analysis includes environmental, social and governance items, which ultimately inform our sovereign credit adjustment. The weaker the overall credit assessment, the higher the sovereign credit adjustment, resulting in a greater PRY premium required to drive an allocation.

Financially material ESG considerations are an important part of our assessment of sovereign creditworthiness which feeds into our valuation process. Good governance, the rule of law, unambiguous property rights and the control of corruption are fundamental pre-requisites for sustainable growth and development which support a government's ability to service its financial obligations. To quantify these considerations, we primarily reference Haver Analytics' ESG module, which provides ESG data from a number of national, intergovernmental and other sources, which are principally used in our assessment of sovereign credit adjustments.

The four analytical profiles for each sovereign (domestic economy, external sector, ESG and fiscal) contains several sub-metrics. The sub-metrics and weights may evolve over time to reflect data availability and our judgement of relative importance but at any point in time the four pillars of sovereign strength are consistently applied across all countries. Please see below regarding ESG sovereign credit adjustments.

### Environmental, Social and Governance Profile
Environmental, Social and Governance metrics are considered separately. Since there is some overlap between environmental and social considerations the three areas are weighted as follows in the overall ESG assessment: Environmental (25%), Social (25%) and Governance (50%).

## Environmental Considerations

Environmental risks are both long term and short term in nature and encompass both sustainability and adaptability:

- **Sustainability** protection and maintenance of the environment for the wellbeing of future generations is essential for the long run viability of the economy activity that supports the sovereign
- **Adaptability** in the shorter term, undiversified economies based on commodities, agriculture or tourism are prone to environment-related shocks, such as flooding and storm damage that can place additional burdens on the sovereign balance sheet

In order to assess sustainability, we use an Environmental Performance Index, produced by the Yale Center for Environmental Law & Policy. This is used to ascertain how close a country is to established environmental policy goals by considering 24 indicators within 10 issue categories that are closely aligned to the UN Sustainable Development Goals. These are outcomes that are amenable to policy inputs.

The index recognises that there is a fundamental trade-off between:

- **Environmental health** measures threats to human health; improves with prosperity
- **Ecosystem vitality** measures natural resources and ecosystem services; comes under strain as countries strive for prosperity

Good environmental policy is the critical element that balances the two.

Within environmental health, air quality remains the leading threat. In 2016 the Institute for Health Metrics and Evaluation estimated that diseases related to airborne pollutants (particulate matter < 2.5 micrometers in diameter or PM2.5) contributed to two-thirds of all life-years lost to environmentally related deaths and disabilities. Pollution is particularly severe in places such as India and China, where greater levels of economic development contribute to higher pollution levels. In addition, the environmental score assigned to each sovereign depends in part on the proportion of electrical energy generation that is obtained from sustainable sources such as solar, wind and geothermal energy. This data is provided by the International Renewable Energy Agency (IRENA).

For adaptability, we use the ND-Global Adaptation Index ("ND-Gain"), produced annually by the Notre-Dame Global Adaptation Initiative. This index reflects a country's vulnerability to climate change and other environmental challenges in combination with its readiness to improve resilience.

## Social Considerations

Here, we use the Social Progress Indicator published annually by the Social Progress Imperative. The Social Progress Indicator covers:

- **Basic Human Needs –** nutrition; water; shelter; safety
- **Foundations of Wellbeing –** health; environmental quality
- **Opportunity –** personal freedom; inclusivity

There is some overlap here with environmental considerations – environmental considerations such as water and sanitation are basic needs of society. We also consider the Corruption Perceptions Index produced by Transparency International. In addition, we consider income inequality using a country's Gini Coefficient.

## Governance Considerations

Good institutions – e.g., the rule of law, unambiguous property rights, efficient tax collection, public good provision and control of corruption – are fundamental prerequisites for sustained productivity-driven economic growth and development.

Historically, many sovereign defaults can be attributed to weak institutional and political arrangements which affect a country's willingness to service debt and can occur even at low debt/GDP levels.

Institutional and Political development is measured along three dimensions:

- Strength of the state
- Rule of law
- Accountability and corruption

Corruption is a particularly invidious problem that inhibits the productive allocation of resources, depletes social capital ('trust') and tends to exacerbate inequality.

To quantify these, we use the World Bank Governance measures. We also consider the World Bank's "Ease of Doing Business" rankings which rank economies according to their business environment.

### Corporate Credit Approach

Corporate credit analysis explicitly incorporates a proprietary environmental, social and governance rating. This contributes to our corporate credit rating for each issuer which in turn directly impacts how much of that issuer's debt can be held across our portfolios according to our issuer diversification limits.

All corporate bond issuers undergo a corporate credit analysis before being placed on our buy list. Following on from that, they also undergo additional corporate credit analyses on a periodic basis as part of our ongoing monitoring process. We assign an ESG rating, based on a scale similar to that of S&P's (i.e., AAA is 'well above average', BBB is 'average' and BB and below is 'well below average').

A credit must achieve a satisfactory ESG rating during our internal ESG review before it will be considered to be included on our buy list as Mondrian believes that these issues could materially impact a business, its credit rating, and in extreme cases, its ability to repay lenders. The criteria for the rating are as follows:

- We consider the social impact of the individual company's activities and the strength of the active ESG policies the company is pursuing
- We consider the governance of a particular company. Where we have concerns around a company, particularly regarding board or corporate structure, we will not invest in that company
- We consider the environmental policies of a particular company and adjust our internal rating accordingly

Meeting with company management is an integral part of Mondrian's due diligence and ongoing monitoring process. This is an ideal forum for direct engagement on areas where Mondrian has identified specific concerns, including those related to ESG issues. The close working relationship with Mondrian's equity teams is a direct benefit as they meet regularly with company representatives.

## Stewardship in Fixed Income

There is a long-held belief that engagement is the domain and responsibility of equity holders and fixed income investors cannot engage or do not have the tools to engage effectively with issuers. However, Mondrian has always believed that engagement is integral to the investment process on both the corporate and sovereign side as our analysts meet with debt issuers as a matter of course to further our understanding and highlight issues of importance.

More details on engagement are provided in Principle 9.

### Activities and Outcomes

Over the course of 2024, financially material ESG topics were discussed in all fixed income-related meetings with current and prospective issuers. Below are examples of ESG considerations impacting an investment decision over the reporting period.

**Sovereign Bonds**

Mondrian's integration of ESG metrics in our sovereign bond investment process, one of the key elements of our sovereign credit adjustment, is demonstrated in the following case study, which provides the ESG assessments for Brazil and Poland. It sets out a summary of some of key underlying data that feeds into our overall ESG assessment for each country.

# Mondrian Sovereign ESG Profile Summary — Brazil

## Overall ESG Assessment — Poor

| | | | |
|---|---|---|---|
| S&P | BB/Stable | **Mondrian Model Rating** | BB |
| Moody's | Ba1/POS | **Mondrian ESG Score (1-100)** | 35.2 |
| Fitch | BB/Stable | | |

*Where there is a difference, hard currency rating shown in brackets

## Environmental Profile — Moderate

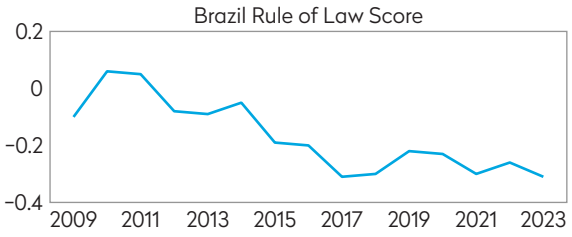
| | |
|---|---|
| Environmental Performance Index | 53.0 |
| Environmental Health | 42.4 |
| Ecosystem Vitality | 63.9 |
| Notre Dame - Global Adaptation Index | 49.5 |

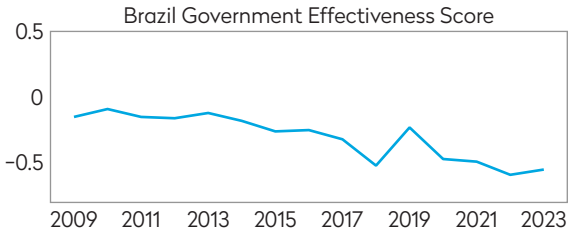
## Social Profile — Poor

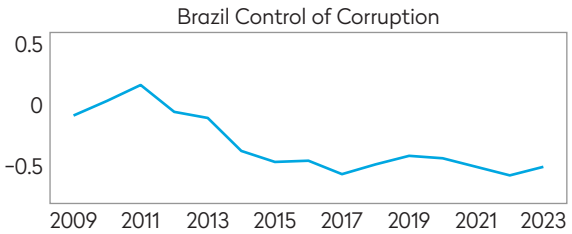
| | Brazil | BB Average |
|---|---|---|
| UN Human Development Index | 0.76 | 0.74 |
| Social Progress Index | 68.9 | 67.5 |
| Transparency International Corruption Perceptions | 36.0 | 40.6 |
| Political Rights (1= High; 7 = Low) | 2 | 3.7 |
| Civil Liberties (1 = High; 7 = Low) | 3 | 3.5 |
| Gini Coefficient (Income inequality) | 52.0 | 38.1 |

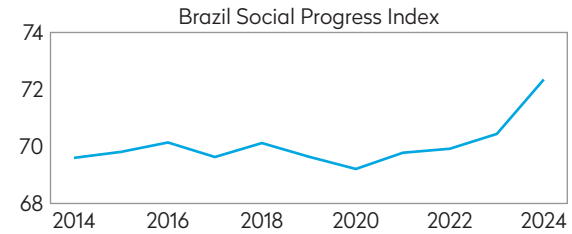
## Governance Profile — Poor

| World Wide Governance Indicators: | | BB Average |
|---|---|---|
| Government Effectiveness | -0.55 | -0.04 |
| Rule of Law | -0.31 | -0.13 |
| Control of Corruption | -0.50 | -0.35 |
| Political Stability | -0.41 | -0.15 |




Source: Mondrian Investment Partners, Yale Center for Environmental Law & Policy, Notre-Dame Global Adaptation Initiative, United Nations Development Program, Social Progress Imperative, Transparency International, World Bank, IRENA.

# Mondrian Sovereign ESG Profile Summary — Poland

## Overall ESG Assessment — Good

| | | | |
|---|---|---|---|
| S&P | A/Stable | **Mondrian Model Rating** | A |
| Moody's | A2/Stable | **Mondrian ESG Score (1-100)** | 71.7 |
| Fitch | A-/Stable | | |

*Where there is a difference, hard currency rating shown in brackets

## Environmental Profile — Good

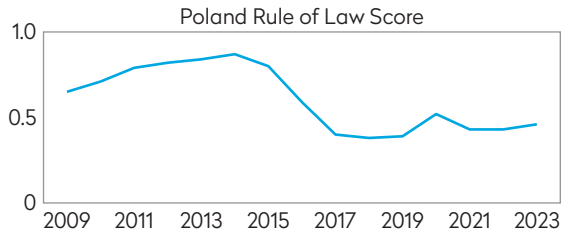
| | |
|---|---|
| Environmental Performance Index | 64.2 |
| Environmental Health | 50.1 |
| Ecosystem Vitality | 79.2 |
| Notre Dame - Global Adaptation Index | 61.6 |

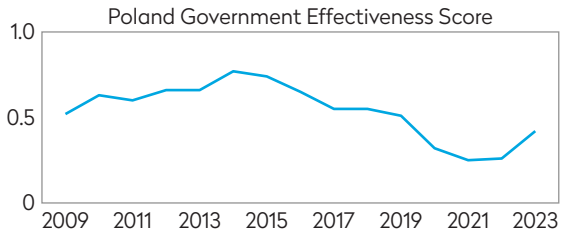
## Social Profile — Good

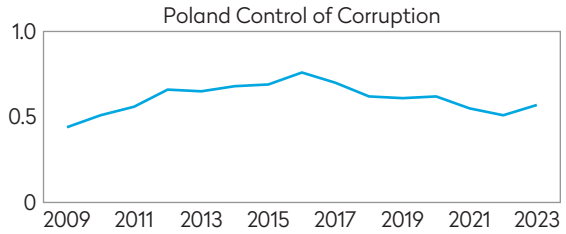
| | Poland | A Average |
|---|---|---|
| UN Human Development Index | 0.88 | 0.88 |
| Social Progress Index | 79.53 | 80.1 |
| Transparency International Corruption Perceptions | 54.0 | 57.6 |
| Political Rights (1= High; 7 = Low) | 2 | 2.1 |
| Civil Liberties (1 = High; 7 = Low) | 2 | 2.2 |
| Gini Coefficient (Income inequality) | 28.5 | 33.6 |

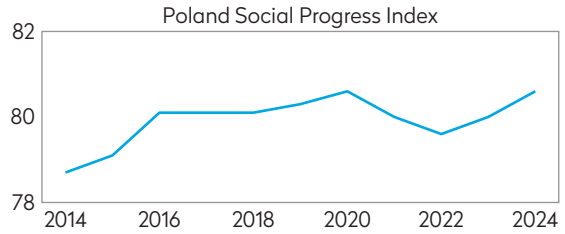
## Governance Profile — Good

| World Wide Governance Indicators: | | A Average |
|---|---|---|
| Government Effectiveness | 0.42 | 0.75 |
| Rule of Law | 0.46 | 0.70 |
| Control of Corruption | 0.57 | 0.63 |
| Political Stability | 0.56 | 0.57 |




Source: Mondrian Investment Partners, Yale Center for Environmental Law & Policy, Notre-Dame Global Adaptation Initiative, United Nations Development Program, Social Progress Imperative, Transparency International, World Bank

## Corporate Bonds

### LyondellBasell

**Topic:** Environmental – Science Based Targets (SBTi)
**Background:** LyondellBassell is a global chemical manufacturer, operating in a sector that is exposed, particularly, to key environmental risks. We hold bonds across our strategies. The Science Based Targets Initiative (SBTi) is an independent organisation that is creating and applying industry frameworks to measure, confirm and compare companies' climate targets and achievement levels. At present, there is no finalised framework from SBTi to apply to companies operating in the chemical sector and this creates a data input gap in our ESG analysis models.

**ESG Analysis**
We engaged with LyondellBassell to understand their involvement in the setting of the SBTi chemical sector framework, any concerns they had therein and whether they ultimately saw it as a valuable and worthwhile initiative to be involved in. We explained our context that we use SBTi data and information as part of our ESG models and find it a useful and standardised input to compare between companies and help clarify climate goals and tracking. We explained that sometimes company environmental targets can be vague, fluid, and difficult to track. It is therefore beneficial to track these through a standardised and independent process, at least as a base. LyondellBassell's core view was that SBTi is not pivotal to their climate initiatives as these are generated internally and strategically setup to be achieved (including dated emission reduction targets, net zero and renewable energy targets). They recognise, however, the value of independent verification and how useful that would be to asset managers and other investors. They said they were fully engaged with SBTi, alongside other sector peers, in the process to create the framework. Their view was that when the framework is finalised it will still have several issues – most importantly a non-chemical specific approach (instead more general), no distinction between self-generated power and externally procured and potential double counting of emissions across the production chain. This remains a work in progress with no current finalisation date. As it stands, LyondellBassell concentrate on their own climate targets.

**Outcome**
We continue to monitor developments from SBTi to see how the chemical sector framework develops and when/if implemented for LyondellBassell.

# Principle 8

Signatories monitor and hold to account managers and/or service providers

As detailed previously in this report, Mondrian conducts its own investment research, engagement, and for equity securities makes its own proxy voting decisions. While we do not outsource such investment activities, we do reference external ESG data / research providers and proxy advisers to support our investment process. Investment decisions do not rely solely on a specific ESG consideration or inputs from external ESG or stewardship research providers; third party resources are used as a completeness check. Analysts are expected to use external reports, including MSCI ESG research, to supplement their own findings and understanding of a company and are agnostic of MSCI's applied grades. To challenge or disagree with MSCI's ESG conclusions and gradings and proxy adviser recommendations is part of Mondrian's value-add in the investment process.

## Vendor Management

Mondrian has adopted a decentralised approach to vendor management whereby the first-line users primarily own the oversight of the relationship. Involving end-users in the vendor management process allows Mondrian to better assess the impact of service quality issues. This is particularly important for specific vendors whose risk profile can change as the business or operating environment evolves.

Mondrian's ESG Investment Steering Committee is responsible for ensuring that our resources and investment staff are capable of meeting ongoing developments associated with the continually evolving ESG space, helping to support our investment teams in their ESG analysis and stewardship practices.

## Service Provider Use

Each Business Manager is tasked with monitoring vendors delivery of service. Mondrian also maintains a Vendor Oversight Matrix as part of its Risk Management process. This is included as part of the Risk Management reporting that is assessed by the Compliance and Risk Committee and the Board of Directors. Third-party vendors are risk-rated and significant relationships are reviewed on a regular basis based on this matrix. Part of this review generally includes a review of the vendor's internal controls and financial position and in some cases a visit to the vendor with discussions held with management. Examples of this include but are not limited to custodians or vendors of hosted software.

## Modern Slavery Monitoring

As a financial services entity providing services to institutional clients, the risk of encountering modern slavery through Mondrian's business operations is low. Nevertheless, Mondrian is fully committed to preventing slavery and human trafficking in its corporate activities, and to ensure that its supply chain is free from slavery and human trafficking. Mondrian is committed to respecting human rights in all aspects of its operations and external business interactions.

### Addressing Modern Slavery and Human Trafficking – Supply Chain

As stated, Mondrian is committed to respecting human rights in all aspects of its operations and external business interactions. Mondrian prohibits, and expects all suppliers, to prohibit the use of forced, compulsory or trafficked labour of adults or children, held in slavery and/or servitude. Whilst we acknowledge the potential risk due to increasingly complex and multifaceted globalised supply chains, Mondrian does not act as a producer, manufacturer, or retailer of any physical goods and has a straightforward supply chain. Mondrian's primary suppliers include information and data technology specialists, professional services firms (tax, accounting, law), custodians and fund administrators. Mondrian does not outsource any of its core services (including, but not limited to, asset selection, trading, settlement, administration).

Suppliers that are engaged by Mondrian are professional service organisations, having minimal contact with countries and sectors that are generally considered to have a risk of modern slavery. Mondrian chooses suppliers who are leaders in their industry and aims to create long-standing relationships. Mondrian aims to work in collaboration with suppliers to ensure that their business actions align with Mondrian's Modern Slavery and Human Trafficking Statement. Accordingly, Mondrian provides its Modern Slavery and Human Trafficking Statement to its suppliers to ensure that they are made aware of Mondrian's commitment to preventing modern slavery and human trafficking in its own business and through it supply chain.

As a result of the nature of Mondrian's business, the locations in which it operates, the limited range of Mondrian's supply chain and the choice of suppliers, Mondrian faces a low risk of involvement with modern slavery through its business and supply chains.

Mondrian's supplier due diligence:

- Requires suppliers to provide their Modern Slavery Act Statement or equivalent information during Mondrian's due diligence process
- Reviews the information provided by the supplier, taking into consideration the region of operation and the goods and services to be provided by the supplier to assess risk of modern slavery and to ensure it conforms to fair employment practices
- Provides Mondrian's Modern Slavery and Human Trafficking Statement to ensure that the supplier is aware of Mondrian's requirements with regard to modern slavery and human trafficking
- Oversees all suppliers continuously, with updated due diligence reviews and annual risk assessments of core and critical suppliers

Mondrian would re-evaluate whether to continue an engagement with any supplier that does not carry out its business in alignment with Mondrian's Modern Slavery and Human Trafficking Statement.

More details regarding our vendor management practices and oversight are available in Mondrian's Vendor Management Policy.

## Examples of Service Provider Monitoring Related to Investment and Stewardship

### ESG Research Service Providers

The majority of ESG inputs for Mondrian's fundamental research process are obtained by the analysts themselves through proprietary research and meetings with company management and boards. Alongside quantitative data sources, company produced documents such as annual reports and broker research, Mondrian uses the following third-party providers to assist in our evaluation of financially material ESG risks and opportunities. Our portfolio ESG analysis occurs at the fundamental level, and while we reference third-party ESG research, we are not dependent on third-party ESG scores or ratings.




### Activities and Outcomes

Mondrian does not rely solely on the data provided by ESG data vendors for investment decisions. If data is missing from data feeds or deemed inaccurate, we aim to highlight these issues to the data provider to correct. Mondrian engaged with our ESG data providers multiple times in 2024 regarding data quality and data feed issues. We continue to review our service providers and work with them on data quality and coverage.

### Proxy Advisers

As detailed in Principle 12, Mondrian does not have a default voting position. Each motion is reviewed and instructed by a portfolio manager from the investment team responsible for research coverage of that stock. Mondrian contracts with Institutional Shareholder Services ("ISS") for the provision of voting advice and to facilitate the process of voting proxies.

Mondrian conducts a due diligence process review prior to appointing and renewing contracts with a Proxy Adviser. Mondrian will continuously assess the Proxy Adviser in their capacity to provide proxy voting services, addressing any concerns as they arise and where necessary, escalating these concerns to the Proxy Voting Committee.

Mondrian's due diligence procedures considers factors including, but not limited to, the adviser's capacity and competency to adequately discharge contracted services, disclosure on methods for formulating voting recommendations, procedures to identify and correct material deficiencies and provide updates regarding its methodologies, guidelines, and voting recommendations on an ongoing basis, including relevant business changes. Any material inaccuracies, methodological weakness, potential factual errors, and deficiencies in the Proxy Voting Advisers' advice will be addressed to them at the time, during periodic service reviews and escalated to the Proxy Voting Committee as part of its performance evaluation.

Please refer to Principle 12 and Mondrian's Proxy Voting Policy and Procedures for further details.

## Activities and Outcomes

In 2024 Mondrian re-engaged ISS as our primary proxy adviser and continued to complement its recommendations with that of a separate proxy adviser where analysts deemed more guidance was needed. Principle 12 provides some examples of votes against our proxy adviser's recommendations during the period.

## Ongoing Reviews

We periodically review marketplace offerings for ESG research and data service providers to ensure our needs are being well met, however ESG data quality and coverage remains a challenge. We note that more open source ESG data is becoming available, for example, through the Science Based Targets Initiative or the Transition Pathway Initiative; also, corporates are beginning to disclose data more consistently and in line with global reporting standards such as ISSB Standards. We continue to look at ways to potentially incorporate such data into our systems for investment team reference.

# Principle 9 - Engagement

Signatories engage with issuers to maintain or enhance the value of assets

## Mondrian Equity Engagement

Mondrian engages with company management. When our views, particularly regarding governance, differ with that of the company or where there is a failure to achieve our reasonable expectations for shareholder return, we will more actively discuss this with said management team.

As part of Mondrian's research process, our analysts are expected to gain a strong understanding of the quality of management and board-level oversight. We meet regularly with senior management of investee companies, and our scale generally grants us access to company board members. Typically, our engagements happen directly with companies via one-to-one meetings. We also use written communication such as emails and letters where necessary. Local practice and governance are taken into account when voting shares or engaging with the management of companies particularly in less developed markets, and actions are taken on a case-by-case basis. We prioritise engagement where we feel there is a material misalignment between company practice and long-term shareholder value.

To support their analysis, at meetings with management our analysts will discuss:

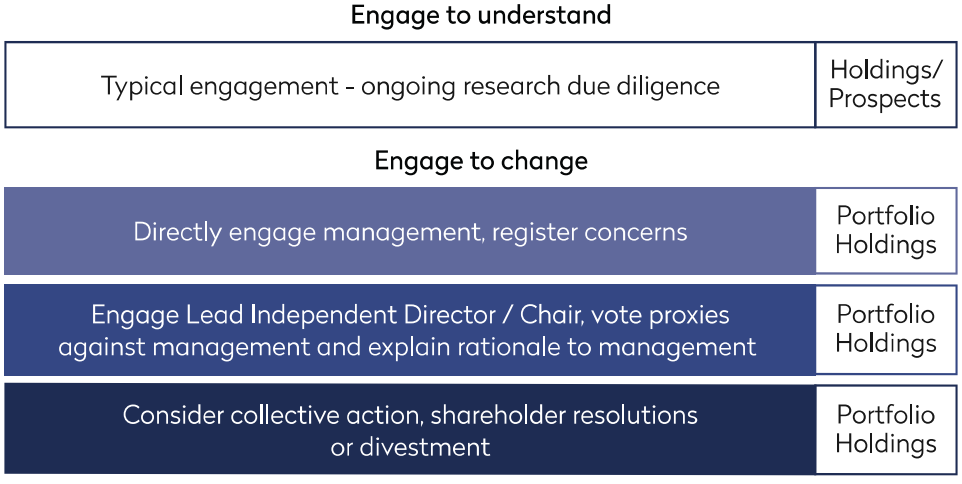
1. The current and long-term outlook for the business
2. The risks to that outlook and the company's business
3. The company's future business strategy
4. Governance policies and structures that support or hinder our confidence in the future outlook

The latter will potentially include a discussion of governance policies, corporate structure, management and board experience and composition, remuneration policies, board oversight policies and procedures as well as policies on shareholder returns. To the extent that issues such as climate change, carbon emissions, human capital including human rights concerns and energy usage have been identified as potentially financially material risks to consider in evaluating the investment case of a particular company, our analysts will conduct further investigation into the extent of these risks as well as risk mitigation. The findings from this questioning and disclosure will be incorporated into our overall investment evaluation of the company and highlighted in the ESG Summary Report. Our engagement practices across equity strategies are consistent and utilise various stewardship levers as appropriate.

## Escalation

Where we feel that long-term shareholder interests are not being protected, we will typically engage the company formally at the senior management or board level to communicate our concerns and recommend remedial actions. When our views, particularly regarding governance, differ with that of the company or where there is a failure to achieve our reasonable expectations for shareholder return, we will more actively discuss this with the investee company's management team or vote proxies against management. Should engagement continue to prove unsuccessful in fulfilling the required objectives, Mondrian may choose to divest the shares.

### Engagement Framework



## Activities and Outcomes

Over the 2024 calendar year, Mondrian equity analysts participated in approximately 1,500 meetings with companies. We aim to meet with all companies in the portfolio at least once. Most of these meetings were to further our understanding of the research company's practices and were with companies not held in portfolios.

## Breakdown of Engagement Types

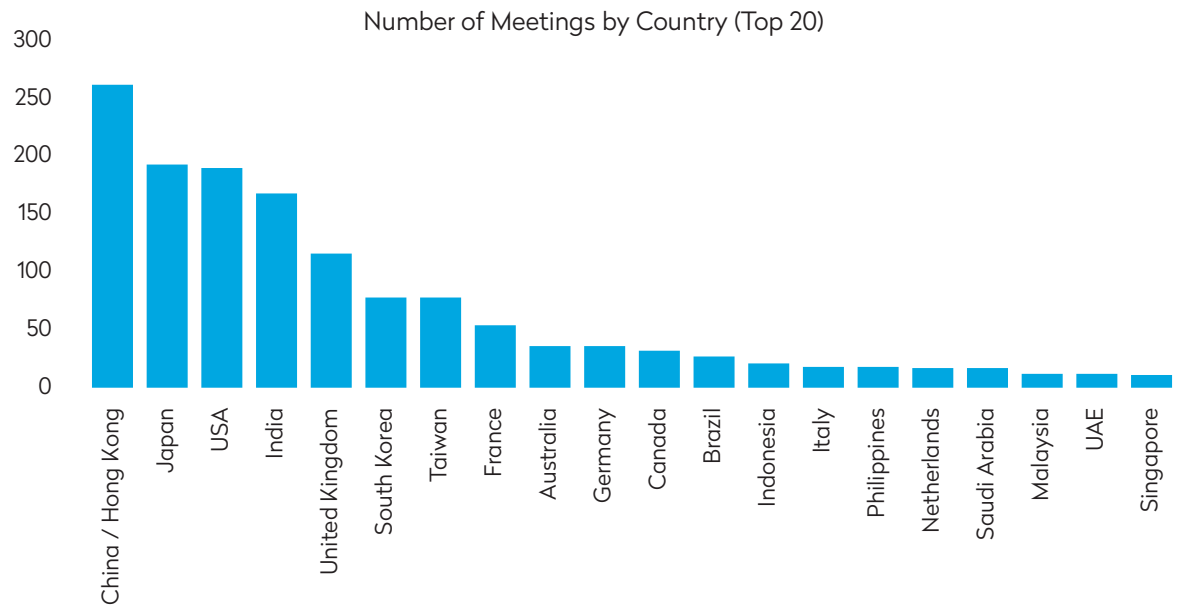
| For Understanding | For Change | For Both Understanding and Chance |
|---|---|---|
| 96.7% | 0.5% | 2.8% |

## ESG-related topics Discussed

| Issue | Topic | Number of Times Discussed |
|---|---|---|
| Environmental | Climate Change | 145 |
| | Natural Capital | 34 |
| | Pollution and Waste | 110 |
| | Green Opportunities | 266 |
| | Green Bonds | 5 |
| | Other Environmental | 85 |
| Social | Labour | 245 |
| | Supply Chain | 238 |
| | Product Safety and Security | 104 |
| | Social Opportunities | 44 |
| | Diversity and Inclusion | 16 |
| | Other Social | 109 |
| Governance | Board Composition | 239 |
| | Remuneration | 67 |
| | Ownership | 310 |
| | Accounting | 331 |
| | Other Governance | 370 |

Please note that multiple items could be discussed in the same meeting.

## Number of Meetings by Company Domicile



## Engagement for Understanding Examples

### Kering

**Topic:** Environmental – Climate, Disclosure, Emissions; Social - Supply Chain, Labour, Employee Wages; Governance – Board changes
**Background:** Kering is a French multinational company specialising in luxury goods, headquartered in Paris. Kering have a 2017-2025 roadmap which aims to promote sustainability in their business and develop more sustainable and responsible luxury. This road map is shaped by their three pillars "Care, Collaborate, Create".

**Objective**
Further our understanding of Kering's initiatives around sustainability, as well as the company's commitments and management of employment practices and supply chain.

**Activity**
On November 21st, 2024, Mondrian engaged with IR, International Development and Legal Counsel from Kering to discuss the evolution of their sustainability practices and an ESG update on the company's initiatives, changes and future plans around sustainability, including:

- Kering's ESG disclosures are designed to address the needs of a variety of stakeholders including investors, NGOs, and regulators.
- Kering emphasised that they aim to go beyond required disclosures and regulatory minimums.
- Some changes to Board composition last year which means that all committees are chaired by independent members. They appointed a new head of their sustainability committee; this is a joint committee between audit and sustainability to monitor ESG KPIs.
- Kering are now SBTi Net Zero certified with a trajectory to be net zero by 2025 from a 2022 starting point. Additionally, they are SBTN certified, a certification which very few companies have obtained. To get this certification they must have KPIs, good data, performance proof which is linked to the business.
- Kering have visibility of their supply chain (to Tier 4), a diverse supply chain including, cotton, wool, silk, cashmere production. They have a raw material provenance system and 93% of all their raw materials are known. With respect to traceability of specific materials, in leather coverage is 97%, wool 97%, cotton 95%, cashmere 97%, cellulosic fibres 60%, Gold 100%. They are aiming for 100% everywhere by 2025.
- Kering work with Fair Wage Network to ensure fair minimum wage for employees. They have a specialist in this area that works with a third-party to determine fair wages.

Kering highlighted that ESG is not a new concept for the company and that they have had a focus on sustainability for over 10 years.

**Outcome**
We gained an increased understanding of the company's sustainability goals and initiatives. We intend to continue engagement with the company in these areas.

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### Andritz AG

**Topic:** Governance – Board Independence
**Background:** Andritz is an Austrian diversified industrial company that supplies equipment, plants and services to the pulp and paper, hydropower generation, metals forming and solid/liquid separation industries.

At the 2024 AGM there were two proposals regarding the election of supervisory board members. Our proxy adviser recommended a vote against these items as Andritz had not disclosed whether the proposed directors were independent.

**Objective**
Understand proposed supervisory board director independence.

**Activity**
Mondrian engaged with Andritz to understand whether the two proposed supervisory board directors at the 2024 AGM were considered independent. The CFO confirmed that both persons to be elected to the supervisory board would declare that they did not have any business with Andritz and that they did not receive any services or compensation from the company in 2023. As such, the supervisory board would declare that both are independent. The company also noted it had followed up with our proxy adviser, who noted it would change its voting recommendation given the additional information and recommend a vote for both proposed director elections.

**Outcome**
Mondrian voted for the 2024 AGM proposal items to elect Regina Prehofer and Elisabeth Stadler as Supervisory Board Member, which both passed.

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## VINCI

**Topic:** Social – Labour, Human Rights
**Background:** VINCI is a French concessions and construction company. The company faced allegations of labour violations related to projects in Qatar, particularly concerning construction sites linked to the 2022 World Cup.

In November 2022 the company published a press release where it denied the allegations made against it concerning its projects in Qatar conducted by the company QDVC, in which VINCI Construction Grands Projets has a 49% stake. Additionally, it noted that none of the projects awarded to QDVC have any connection with the 2022 Football World Cup in Qatar, as such projects were entrusted to QDVC before the competition was awarded to Qatar.

**Objective**
Gain a better understanding of VINCI's exposure and approach to labour and modern slavery issues to help assess the impact of such financially material risks on the company's valuation.

**Activity**
In June 2024 Mondrian held a call with VINCI's head of CSR and IR to discuss the labour violation allegations, along with the company's labour practices and policies. The company noted that the case is still ongoing due to the French legal process being very slow – the first complaint was filed in 2015, then closed in 2018, and then re-filed in 2018 by the same NGO for which VINCI are still waiting on an answer from the courts. The company mentioned that subcontractors and VINCI employees work alongside each other at the same worksites, where the same policies (i.e. Health and Safety, etc.) apply to all. Additionally, the same general rules are implemented in every country where VINCI operates. The company only has one construction project ongoing in Qatar and don't see it as a meaningful location for business going forward as the cadence of infrastructure projects has slowed.

We also discussed the company's approach to corruption risks, decarbonisation of highways, and its governance practice of a combined Chairman/CEO role.

**Outcome**
Mondrian initiated a position in VINCI in June 2024. After gaining a better understanding of the labour violation allegations, as well as the company's policies and approach to mitigate such issues, Mondrian came away with no major concerns on potential systemic issues within the company. The discussion reiterated the weakness of the claim and the strength of VINCI's policies, as well as its track record in its Qatar operations, which are industry leading. However, we continue to monitor such potential risks with the company.

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## Dollar Tree

**Topic:** Social – Labour, Supply Chain; Environmental - Other
**Background:** Dollar Tree is an American multi-price-point chain of discount variety stores.

**Objective**
To gain a better understanding of financially material ESG risks and opportunities, particularly around labour practices, supply chain risks, as well as a legacy environmental risk around rodents in a distribution facility

**Activity**
Mondrian met with Dollar Tree in January 2024 and discussed various ESG items, including:

- Social – Labour: Discussed the labour struggles of peers and the investments made to mitigate such risks from occurring at Dollar Tree. The company noted it has been investing in its employees to reduce turnover and acknowledged that having long-term store managers tends to reduce turnover as well as shrink.
- Social – Supply Chain: Discussed ocean freight routes and potential risks related to the Red Sea conflict, with the company highlighting that ocean freight is more west to east and near-term impact to margins is minimal.
- Environmental – Other: The distribution centre that had previously been closed due to a rodent infestation has been reopened. It had essentially been completely rebuilt, and the company does not expect to see a recurrence of the issues they saw before on quality control.
- Governance – Other: Additionally, we discussed the company's dividend policy.

**Outcome**
Mondrian gained a better understanding of Dollar Tree's approach to its ESG risks and opportunities. We continue to monitor the company's practices.

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### Kia Corp.

**Topic:** Green Opportunities and Shareholder Return
**Background:** Kia is a South Korean multinational automobile manufacturer. The transition from an ICE fleet to an EV fleet is progressing, but at an uneven pace across major regions, and year to year. OEM and government commitment to EVs, and consumer demand for EVs fluctuate in an interdependent manner; with consumer demand influenced by the economic climate and level of government policy support, government policy in turn influenced by the prevailing political climate, and OEM EV production plans influenced by all of these factors. This creates significant opportunities and threats for auto OEMs depending on their flexibility vs. competitors in bringing to market EV line ups which can best anticipate prevailing consumer demand and capitalise on any government subsidy support available.

**Objective**
To better understand Kia's green opportunities in electric vehicles as well as the impact of South Korea's "Value Up" policy on shareholder return.

**Activity**
In September 2024 Mondrian met with Kia and discussed the advantage the company believes it has vs. most legacy OEMs from Europe and the US, due to their flexible model line-up which include mild hybrids that are currently strongly in demand as compared to pure EVs. We discussed whether this advantage is likely to prove sustainable in terms of the company's technology patents in this area, and if it would be resilient to a reversion back to greater pure EV demand, in terms of the flexibility of their production platform. We also discussed the anticipated impact of the step up in EU emissions requirements beginning in 2025 as a potential catalyst for a revival in pure EV demand. Separately, we discussed the "Value Up" policy drive by the South Korean government introduced this year, and the potential impact on Kia's shareholder return policies.

**Outcome**
We continue to monitor this with the company.

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### National Central Cooling (Tabreed)

**Topic:** Environment
**Background:** Tabreed is the largest district cooling utilities provider in the Middle East and North Africa region. It targets corporate and government clients in the UAE, Qatar, Kingdom of Saudi Arabia, Oman and Bahrain offering cooling solutions to landmark and public projects.

**Objective**
The United Arab Emirates announced a national commitment to achieve net-zero emissions by 2050, and we wanted to better understand the potential impact on Tabreed.

**Activity**
Mondrian visited the region during the fourth quarter 2024 to engage with the company and understand its roadmap as well as progress towards the national Net Zero 2050 emissions target. We discussed the Tabreed and Abu Dhabi National Oil Company (ADNOC) start of operations at the G2COOL plant, which harnesses geothermal energy to decarbonize the way buildings are cooled in Abu Dhabi's Masdar City. It leverages geothermal water as a natural heat sink in district cooling plants, providing a clean and efficient energy source. Further, it was noted that Tabreed decreased its usage of petrol, diesel, natural gas, and electricity, representing an 11% reduction in energy consumption. It also purchased 116,000 MWh of solar-sourced clean energy certificates from the Emirates Water and Electricity Company as part of its commitment to a diverse energy mix.

**Outcome**
We gained a better understanding of the company's green opportunities, as well as its approach to decreasing energy consumption (and thus emissions).

---

### Sixt

**Topic:** Governance – Minority Shareholder Protection
**Background:** : Mondrian takes a long-term view in analysing prospective investments. Prior to undertaking a position in Sixt, Mondrian held calls with the company to better understand it and the broader rental market in which it operates. Whilst we liked the company's fundamentals, strong track record and future growth opportunities, we wanted to understand the Board's attitude to minority shareholder protection as we had not been able to identify anything contained within its Articles of Association. As such, we sought to engage with a Board member.

**Objective**
To understand the company's approach to minority shareholder protection

**Activity**
In August 2024 Mondrian held a call with Dr. Julian zu Putlitz, Member of the Sixt's Supervisory Board and Chairman of the Audit Committee. We discussed governance practices, particularly to understand minority shareholder protections given the founder Erich Sixt's ownership and his position on the Supervisory Board, with his sons sitting on the management Board as Co-CEOs.

**Outcome**
Through our engagements with Sixt, we gained comfort in the company's approach to minority shareholder protection, and initiated a position in September 2024.

## Engagement for Change Examples

### GSK plc

**Topic:** Governance - Remuneration
**Background:** GSK is a global biopharmaceutical company headquartered in the UK. Following the spin-off of Haleon, the company proposed a series of changes to its CEO remuneration package for discussion with shareholders.

**Objective**
To encourage remuneration packages that align company interests with those of shareholders.

**Activity**
In November 2024 Mondrian met with Sir Jonathan Symonds, Chairman of the Board, and Wendy Becker, Head of the Remuneration Committee, to discuss GSK's initial remuneration proposal. The company proposed that, following the spin-off of Haleon, a global biopharmaceutical peer group would be a more relevant benchmark for pay. Against this benchmark, CEO Dame Emma Walmsley's pay appears to be too low. Therefore, the company proposed lifting the on-target bonus from 100% of base to 150% (median compared to peers) and the LTI max potential from 575% to 850% (again, median compared to peers). We noted that there has been a disconnect between the vesting percent and the Total Shareholder Return (TSR) experience, so alignment with shareholder interests has been poor. Additionally, with the Haleon spin out, we felt that the business became simpler, thus the proposal to significantly increase the maximum pay-out was not necessarily justified.

In December 2024 Mondrian received a letter from GSK outlining its updated proposal following the initial shareholder consultation meetings. Amongst the various updates, we noted that as a concession to our point on poor alignment, GSK proposed to increase the weight of relative TSR in the LTIP if the increase in the max LTIP payout was deemed acceptable.

In January 2025 Mondrian wrote a letter to GSK providing feedback on the updated proposals, highlighting that historically, the alignment of CEO pay and shareholder outcomes has been weak: over a significant period of time, the relative TSR component of the LTI has failed to vest whilst other components have vested, often in full. Simplistically, this implies that either the performance criteria are not the right criteria, otherwise the targets have not been sufficiently demanding. We noted that we support an increase in the LTI weighting to relative TSR to mitigate and de-risk this alignment issue. Furthermore, we noted that while we are not opposed to the principle of adjusting the policy so that it is more aligned with the global biopharma peer group, we believe there are factors that argue for a more modest adjustment to the on-target bonus and to the potential LTI award multiple. We reiterated that the business has become simpler, and that investors have exhibited a significant amount of patience. Finally, we stated that it would be difficult to support a full adjustment to median on both the on-target bonus and the potential LTI award.

In February 2025 Mondrian held a call with the Chairman, who indicated that GSK had further amended some of the CEO remuneration proposals, taking into account shareholder feedback. Changes from the initial proposal included slightly lowering some of the previous parameters and thresholds to support further shareholder alignment. GSK noted that the amended proposal takes its highly experienced CEO to mid-way between lower quartile and median with a longer-term intent to move towards median, linking that path more closely to shareholder experience.

**Outcome**
This engagement is ongoing. We continue to monitor the company's proposed remuneration package and expect to vote upon it at the upcoming 2025 AGM.

### Kyocera

**Topic:** Governance
**Background:** Kyocera Corporation is a Japanese multinational ceramics and electronics manufacturer.

**Objective**
Improve corporate governance and capital allocation to help to realise increased shareholder value

**Activity**
During 2024 we continued to engage with Kyocera for change during three meetings, including at their office in Kyoto. This was a continuation of ongoing engagement with the company over a period of approximately five years. In 2023 we had spoken to both an independent director and the Chairman after writing a letter to the company explaining why we voted against management in the AGM that year. We have seen significant potential value in Kyocera not being realised by the current management team and have engaged for change over several years particularly regarding capital allocation, shareholder returns, board composition, better alignment of management remuneration with shareholders, increased ROIC/ROE focus. We have also specifically discussed the excessively large cross-shareholding in KDDI and the overly diversified nature of Kyocera, with scope to divest lower return businesses.

**Outcome**
In 2025, we have seen meaningful progress from Kyocera in several areas where we have engaged:

- Accelerating sell-down of very large KDDI cross-shareholding: 1/3 will now be sold over 2 instead of 5 years, and commitment to further reduce its holdings thereafter
- Announced 200bnY SBB this year (up to 8% outstanding) and further 200bnY in subsequent 3 years
- Moving top management re-election votes at AGMs to annual (previously every 2 years)
- Increasing proportion of stock-based management compensation
- Commented that aware that current stock price is a matter that requires fundamental action, including bringing P/B to at least 1x
- The above measures were in addition to a 2024 commitment to exit some low return businesses (c.10% group sales)

Whilst we had been frustrated by the pace of change at Kyocera until now, we have continued to engage, and these measures are encouraging. We will meet with management again in Japan in 2025 to engage and discuss this further.

### Fujifilm Holdings Corporation

**Topic:** Climate Change, Product Safety and Security, Board, Pay and Other Governance
Background: Fujifilm is a Japanese multinational conglomerate that has successfully evolved from a photographic film maker into a diversified healthcare and imaging company. It has a diversified and well-balanced portfolio of businesses and continues to invest a good share of profits from cash cow businesses into higher growth areas, alongside maintaining good shareholder returns.

**Objective**
Further our understanding of Fujifilm ESG initiatives as well as encourage a majority independent board and increased board diversity by nationality.

**Activity**
In April 2024 Mondrian held a call with the Board Member, GM Corporate Communications Division and ESG Division; GM, Legal; GM, ESG; and IR for an update on the company's ESG initiatives, discussing changes in the past year and the company's new Mid-Term Plan, including:

- New internal GX Committee (Green Transformation) to accelerate decarbonisation initiatives, and the announcement of PPA power agreements for Bio CDMO sites in North America and Denmark
- Target of 50% emission reduction by 2030 versus FY19, and with aim for Net Zero by 2040 (Scope 1 and 2)
- CEO-led DEI committee to promote diversity
- Employee personal growth support programme to encourage employees to develop and take on challenges
- Introducing a new stock-based remuneration scheme where the major change is to grant restricted shares to external directors too
- Board diversity by nationality and independence. Noted that international board members may be helpful. The company has been gradually increasing the number of independent directors (now 5), however it is not yet majority independent
- Potential product safety risks and mitigation through long-term contracts and a partnership framework

**Outcome**
We gained an increased understanding of the company's new Mid-Term Plan as well as ESG initiatives that have been introduced over the past year. Additionally, we reiterated our preference for a majority independent board and encouraged the company to consider international Board candidates given its international business. Fujifilm continues to gradually improve its corporate governance and has a credible and considered approach to climate related risks and opportunities.

## TC Energy

**Topic:** Governance – Remuneration
**Background**: TC Energy is a Canadian oil and gas pipeline company. At the end of 2023 management proposed a carve-out of the liquids pipelines business into a separately-listed entity, and in June 2024 shareholders voted in favour of the transaction.

**Objective**
Within the current executive compensation structure, certain performance measures at the group level are based on forward-looking measurement periods, for example January 2023 to December 2025. By 2025 the current management team will be responsible for the "RemainCo" and a separate management team will be running the carved-out liquids pipelines business. Additionally, current executives will hold unvested TC Energy shares. Accordingly, we wanted to understand how the current compensation structure and unvested shares would be affected by the carve-out.

**Activity**
We initially raised the question in December 2023 at a meeting in our offices with CFO Joel Hunter. The response was that the current compensation structure would have to be altered, but at the time, the changes had not been agreed or communicated to shareholders.

We subsequently held a video call in January 2024 with CEO Francois Poirier. During this call we engaged to push for alignment of management and shareholder interests in the event of the carve-out. We discussed potential remuneration structures under consideration by the special carve-out committee, noting our preference for the "investor approach", under which the current executive team would retain a share in both the RemainCo and SpinCo, which we believe would better align compensation with shareholder interests.

In April 2024 the company released detailed plans for the carve-out, including treatment of unvested incentive securities. Under the plan, RemainCo employees would have their unvested TC Energy shares exchanged for RemainCo shares, and SpinCo employees would have their unvested TC Energy shares exchanged for SpinCo shares.

In May 2024 at a meeting in our offices with CEO Francois Poirier we asked him to talk us through the decision to ultimately not proceed with the "investor approach". Mr Poirier explained that the decision was based on the advice of external consultants and based on the reasoning that aside from the CFO and CEO, the other 60 TC Energy executives have only had influence over either RemainCo or SpinCo performance. However, he noted that following our conversation in January, he made an offer to the board to lock up his own SpinCo shares that would be received as part of the carve-out for 18 months. This offer was accepted and included in the final carve-out plan.

**Outcome**
The special carve-out committee decided that RemainCo employees would have their unvested TC Energy shares exchanged for RemainCo shares, and SpinCo employees would have their unvested TC Energy shares exchanged for SpinCo shares. The CEO's SpinCo shares received as part of the carve-out would be subject to an 18-month lock-up period.

We continue to monitor this with the company.

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## China Tower

**Topic:** Governance – Shareholder Return
**Background:** China Tower is a telecommunications tower infrastructure service provider principally engaged in the construction, maintenance, and operation of base station ancillary facilities such as telecommunications towers, public network coverage in high-speed railways and subways, and large-scale indoor Distributed Antenna Systems (DAS).

Mondrian initiated a position in this company for client portfolios in June 2024, and historically have had productive discussions with management to understand the company's operating performance and outlook, most recently in London in September 2024.

We have been reassured by management's efforts to continue growing earnings and generating free cash flow despite the challenging macro-economic backdrop. We are also encouraged that management has acknowledged the need to address the deep share price discount through increased shareholder returns, given the company's low net debt position and healthy cash flow. To date, the company has committed to increasing the dividend payout ratio to no less than 75% of the annual distributable profit.

Objective: Encourage China Tower to raise its dividend payout ratio to align with its free cash flow generation. Such an improved shareholder return profile would demonstrate China Tower's confidence in its ability to continue growing and generating healthy profitability and free cash flow. It would also show strong alignment with minority shareholders and a focus on total shareholder return. Additionally, Mondrian advocated for China Tower to investigate a REIT-type structure to potentially unlock value and maximize shareholder returns.

**Activity**
In December 2024 Mondrian wrote a letter to the Chairman of China Tower post our discussion in London with management in September. We reiterated that we do not believe such a gradual increase in the dividend payout ratio will be sufficient to narrow the significant discount at which China Tower's stock trades relative to its book value and international peers. We therefore proposed that China Tower raise its dividend payout ratio from 75% to 100% of annual distributable profit. We highlighted that ideally, China Tower's dividend payout would align with its free cash flow generation, which we understand is significantly higher than its annual distributable profit base. However, we recognize there may be regulatory limitations associated with this approach. As such, we also advocated for China Tower to investigate a REIT-type structure (similar to US peers) to potentially unlock value and maximize shareholder returns.

**Outcome**
In early January 2025 China Tower responded, acknowledging our proposals. The Chairman noted that since its listing on the Hong Kong Stock Exchange, the company has consistently attached great importance to shareholder returns and has honoured its commitment to shareholders by maintaining a consistently increased dividend payout ratio. The Board of Directors take into account factors such as shareholders' requests, asset structure and financial position, as well as building capabilities for future development, and will endeavour to ensure that its capital allocation strategy better serves the company's long-term development and value enhancement. China Tower believes that by continuously improving operational efficiency, reinforcing business resilience, and optimising the capital structure, it can drive the sustainable increase in company value.

Our engagement for change on China Tower's shareholder return practices is ongoing. We will continue to monitor this and encourage the company to improve its shareholder return practices as proposed.

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## China Merchants Bank

**Topic:** Governance – Capital Return
**Background:** China Merchants Bank (CMB) is a Chinese bank.

Mondrian has been a shareholder in CMB since May 2019. Historically we have had good discussions with management in understanding the company's operating performance and outlook.

We were reassured by CMB's pre-announcement of the FY23 unaudited net profits demonstrating that despite industry challenges, the company continues to generate a robust return on equity, and strong capital generation significantly superior to industry peers.

We are also encouraged by CMB's historic track record of strong corporate governance with a fair dividend pay-out ratio and market orientated incentive mechanism.

However, notwithstanding these differentiating fundamental qualities, CMB's share price has fallen sharply and indeed fallen further than industry peers such as the big four policy banks.

Whilst we recognise there are clear macroeconomic challenges facing China currently, we nonetheless believe that CMB's substantial de-rating relative to peers is unwarranted. We believe a more proactive approach from CMB around shareholder return would help differentiate the company and showcase confidence in the bank's stronger relative fundamental qualities.

**Objective**
Mondrian aims to persuade CMB to raise its dividend pay-out from 33% to at least 45% of net profits.

**Activity**
In February 2024 Mondrian wrote a letter to CMB's President and Chief Executive Officer, along with the Board, explaining that we believe CMB has the capacity to improve shareholder returns given various factors, and to encourage the company to consider raising its dividend pay-out.

In our letter we explained that we believe that adopting this proposed policy would demonstrate firstly CMB's confidence in its ability to continue to grow and generate healthy profitability and capital, and secondly, CMB's better alignment with minority shareholders and focus on total shareholder return. Based on the current share price, this would lift CMB's dividend yield to approximately where the big 4 policy banks are currently, which should help drive up the share price.

Given CMB's substantial excess capital, we believe the above represents a healthy balance between capital preservation, retaining sufficient funds to continue to invest and grow the core business, whilst also substantially improving shareholder return.

**Outcome**
We continue to engage the company on this issue.

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## Baidu

**Topic:** Governance – Capital Return
**Background:** Baidu is a Chinese multinational technology company specialising in Internet-related services, products, and artificial intelligence.

Mondrian has been a shareholder in Baidu since June 2020. We were reassured to hear at the latest quarterly results that despite macro-economic challenges, Baidu continues to generate robust levels of profitability and free cash flow.We were also encouraged that Baidu acknowledged that the company needs to take steps to address the deep enterprise value (EV) discount and increase shareholder returns. Baidu announced in early 2023 that it authorized a new share repurchase program under which the company may repurchase up to $5bn of its shares, effective through December 31, 2025. However, we understand that the shares currently bought back are expected to be allocated to Baidu's ESOP program and not cancelled. Additionally, Baidu has not initiated a dividend policy to shareholders. This means Baidu is falling meaningfully behind its KWEB peer group in terms of shareholder return either via share repurchase cancellation or dividend distribution.

**Objective**
Mondrian aims to persuade Baidu to adopt a cash dividend pay-out of at least 40% of net income in line with market leading peers, representing around a 3.5-4% dividend yield on Baidu's current share price. Further, we aim to persuade Baidu to cancel repurchased shares. in line with industry best practices.

**Activity**
In March 2024 Mondrian wrote to the Co-Founder, Chairman and CEO along with the Board to encourage the company to change its capital return policies and review its decision in the treatment of shares repurchased amidst industry best practice. The main points made in the letter were as follows:

Historically, Baidu operates a relatively capital light business model whereupon capital investment requirements are low. From our prior meetings, while Baidu has identified a few areas for investing, we are not aware of any substantial increase in other capital investments or M&A. As such we believe the company's net cash balance is an overly prudent amount that only continues to increase year on year (especially with the downsizing of Baidu's long term investment portfolio; a recent example being the reduction of the Trip.com stake). We believe there is no justification for this cash balance to increase further.

With respect to the treatment of share repurchased, while we understand there is an administration cost to cancelling and reissuing shares later for ESOP programs in the future, cancelling shares once repurchased helps to signify a clear immediate accretion to shareholder as share count is reduced.

Adopting the proposed policies would firstly demonstrate Baidu's confidence in its ability to continue to grow and generate healthy profitability and free cash flows, and secondly, align Baidu to industry best practice and ultimately drive a re-rating to the share price for minority shareholders, employees, and the major shareholders alike.

Given Baidu's substantial net cash balance, we believe the proposal represents a healthy balance between cash preservation; sufficient funds to continue to invest and grow the core business, as well as take advantage of shareholder accretive M&A - whilst also substantially improving shareholder return.

**Outcome**
We continue to engage the company on this issue.

# Mondrian Fixed Income Engagement

Mondrian has always believed that engagement is integral to the investment process on both the corporate and sovereign side as our analysts meet with debt issuers as a matter of course to further our understanding and highlight issues of importance.

Mondrian utilises a common framework to engage with both sovereign and corporate issuers as summarised in the diagram below.




## Direct Engagement

Mondrian engages directly with issuers as an integral part of both our sovereign and corporate research process. Findings from engagement will feed into our ESG rating awarded to each issuer, which in turn directly impacts the valuation we assign to the bonds.

On the sovereign side, members of Mondrian's Global Fixed Income and Currency Team meet with individuals at central banks and government agencies in the course of their research to raise issues we deem of importance.

On the corporate credit side, Mondrian benefits from the close relationship with our equity-analyst colleagues, providing good access to company management. We raise the ESG issues we deem material to a company at the time of each credit review and follow up during subsequent reviews as part of a structured program of ESG engagement.

In addition to direct engagement inherent in the research process, Mondrian carries out a program of targeted engagement for both sovereign and corporate issuers, focusing on a particular ESG metric and engaging with laggards on this metric. We maintain that targeting what we perceive as a concise number of key considerations is the most effective way to engage with issuers. This is consistent with our philosophy and process but has the added benefit of avoiding the fatigue we understand that issuers are experiencing from receiving ever increasing numbers of long form ESG questionnaires, not necessarily tailored to the issuer, as ESG concerns gain in prominence.

## Activities and Outcomes

Below are some examples of engagements for understanding over the period.

**Australia**
**Engagement Type:** For Understanding and Change
**Topic:** Environmental – GHG Emissions Reduction
**Background**: Our ESG analysis uses a range of indicators, published by entities such as the World Bank and Transparency International, amongst others, to evaluate the ESG performance of the countries we invest in. Countries that score highly on ESG indicators generally have a stronger sovereign credit profile, which in turn is a factor making us more likely to invest in their sovereign debt. Conversely, countries that score poorly on ESG indicators tend to have a weaker sovereign credit profile, making us less likely to invest in their sovereign debt.

As part of this process, we actively seek to engage with governments to better understand what policies are in place to support and improve their country's ESG profile.

It would seem clear that policies and targets must change at the country level to reach the overall objective of the Paris Agreement. There are a number of risks each and every country faces in its pursuit of its Nationally Determined Contributions (NDCs) both in terms of execution as well as financial impact. We recognise the significant complexities around this issue and sought further clarification on how the Australian government intends to meet its NDCs.

**Activities**
In November 2024 Mondrian's Global Fixed Income and Currency Team wrote a letter to the Minister for Climate Change and Energy of Australia trying to better understand the country's evolution of climate policies and actions, its approach to coal mining, and published Net Zero target.

**Outcome**
This engagement is ongoing. We continue to monitor Australia's policies to support emissions reduction in line with its NDC.

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### Mexico

**Engagement Type:** For Understanding and Change
**Topic**: Environmental – GHG Emissions Reduction
**Background:** Our ESG analysis uses a range of indicators, published by entities such as the World Bank and Transparency International, amongst others, to evaluate the ESG performance of the countries we invest in. Countries that score highly on ESG indicators generally have a stronger sovereign credit profile, which in turn is a factor making us more likely to invest in their sovereign debt. Conversely, countries that score poorly on ESG indicators tend to have a weaker sovereign credit profile, making us less likely to invest in their sovereign debt.

As part of this process, we actively seek to engage with governments to better understand what policies are in place to support and improve their country's ESG profile.

It would seem clear that policies and targets must change at the country level to reach the overall objective of the Paris Agreement. There are a number of risks each and every country faces in its pursuit of its Nationally Determined Contributions (NDCs) both in terms of execution as well as financial impact. We recognise the significant complexities around this issue and sought further clarification on how the Mexican government intends to meet its NDCs.

**Activities**
In November 2024 Mondrian's Global Fixed Income and Currency Team wrote a letter to the Secretary of Environment and Natural Resources of Mexico trying to better understand the country's evolution of climate policies and actions, its approach to oil refinery given the acquisition of an oil refinery in the US and the construction of another in Tabasco, and whether or not there are plans to introduce a Net Zero target to support its NDC.

**Outcome**
This engagement is ongoing. We continue to monitor Mexico's policies to support emissions reduction in line with its NDC.

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### América Móvil

**Engagement Type:** For Understanding
**Topic:** Environmental – net zero/emission reduction targets
**Background:** América Móvil is a Mexican telecommunications corporation headquartered in Mexico City, Mexico. It is the leading integrated telecommunications services company in Latin America.

**Activity**
In December 2024, Mondrian engaged with América Móvil regarding their net zero transition plan and targets. América Móvil have targets to reduce absolute scope 1 and 2 GHG emissions 52% by 2030 from a 2019 base year, and to reach net zero by 2050. They also commit to a 14% reduction of absolute scope 3 GHG emissions, generated by the goods and services purchased from their suppliers by 2030 from a 2019 base year. We wanted to understand more about their ability to set and measure realistic targets, as well as why they had not submitted targets to SBTi within 24 months of their initial commitment as required. We also had questions around an increase in their absolute Scope 3 GHG emissions.

América Móvil assured us that they felt confident in meeting their Scope 1 and 2 emissions reduction commitments. They highlighted that their progress year end of 2023 was 21% vs 2019, which keeps them on track to meet their target. América Móvil confirmed that they are still using SBTi as an independent arbitrator for net zero targets, and although they had not submitted within 24 months of making their initial commitment as required by SBTi, they are now in a position to have their targets validated. They expect to have their 2030 target revalidation by 2026.

They noted that their Scope 3 emissions increased due to the exclusion of certain categories initially reported in 2019, as assumptions used required refinement to align with improved methodologies. They plan to adopt these methodologies group-wide for more accurate future assessments.

**Outcome**
This engagement contributed to our due diligence and ongoing monitoring process which helped us assign our internal ESG rating for América Móvil. Mondrian continues to hold the bonds of this company, with a strong ESG rating contributing positively to the overall internal credit rating we assign the issuer.

## Collaborative Engagement

Mondrian is a signatory to the PRI's Statement on ESG in Credit Ratings, an initiative supported by asset managers, the rating agencies, debt issuers and asset owners that facilitates discussions in the context of ESG topics amongst these groups. The Global Fixed Income and Currency Team attends this initiative's round table events which have covered multiple ESG topics such as engagement in the asset class; the varying approaches taken to ESG in credit analysis; the importance of timescales to analysts when considering ESG; and how data can be improved.

In addition, Mondrian is a member of the Emerging Markets Investors Alliance ("EMIA"), which is a not-for-profit organisation that enables institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest. EMIA seeks to raise awareness and advocate for these issues through collaboration among investors, companies or governments, and public policy experts.

More details on collaborative engagement activities and outcomes during the period are provided in Principle 10.

## Engagement with Non-Issuer Stakeholders

To further our engagement objectives within fixed income, we also regularly engage with non-issuer stakeholders on items such as index advisory committees on the composition of key benchmarks, the external credit rating agencies on their approach to ESG integration and transparency of information.

## Activities and Outcomes

Members of our Global Fixed Income and Currency Team have frequent discussions with Haver Analytics, our data provider, regarding additional data we would like to see on their platform. In 2024 we requested they make certain data on carbon intensity more widely available. This would help evolve client reporting. Discussions are ongoing.

# Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers

## Collaborative Engagements - Equity Approach

Although Mondrian may act collectively with other shareholders and governance organisations, most of Mondrian's equity engagements are conducted directly with investee companies given the level of access that our equity teams typically have to management and boards.

Where we find that the approach of direct engagement with the management and board of a company is ineffectual in dealing with Mondrian's concerns, subject to any regulatory restrictions and where it is in our clients' best interests to do so, Mondrian may act collectively with other shareholders and governance organisations. While Mondrian recognises the benefits of working alongside other likeminded investors and the likelihood that such engagement may be the most effective means of securing the required change, Mondrian would generally only participate in collective engagement on critical issues which may have a material impact on shareholder value. Any engagement would be reviewed on a case-by-case basis and would require the knowledge of the product CIO and the Compliance Officer.

Any conflict of interest would be managed in accordance with Mondrian's Conflicts of Interest Policy. Similarly, the receipt of inside information would be managed through the procedures outlined in Mondrian's Market Abuse Policy.

## Equity Collaborative Engagements

Issues where we have previously engaged in informal collective action include circumstances where we held serious concerns about the capability or independence of senior management, concerns about specific social or environmental risks, concerns on the price level of a proposed transaction, management remuneration, and circumstances where we felt the management was not acting in the interest of minority shareholders. Collective action has included speaking to the press, attending and speaking at an AGM or EGM and joining other shareholders to press management for changes to leadership, transaction prices or specific risk operations. Where activist investors are engaging portfolio companies for change, we may meet with the activist investor to understand their perspective and may then engage directly with the company on the issue ourselves.

### Activities and Outcomes

Please note that Mondrian did not collectively engage on our equity holdings during this period.

## Collaborative Engagements – Fixed Income Approach

As direct engagement with sovereigns can be challenging, especially in emerging markets, Mondrian's Global Fixed Income and Currency Team participates in collaborative engagements with issuers, credit ratings agencies and other non-issuer stakeholders including index and ESG data providers, supranational organisations and business associations.

## Collaborative Engagements via the Emerging Markets Investors Alliance

Through the Emerging Markets Investors Alliance members of Mondrian's Global Fixed Income and Currency Team participate in the Debt and Fiscal Governance, Sovereign Decarbonisation and Extractives Industries Working Groups.

### Activities and Outcomes

Please see below for examples of collaborative engagements during the period.

**Brazil**

**Topic:** Environmental - Biodiversity Conservation

**Background:** Through Mondrian's membership of the Emerging Markets Investors Alliance (EMIA), we are a member of EMIA's Sovereign Biodiversity Program Working Group. The objective of this working group is to seek to improve biodiversity conservation in Sovereign issuers and is guided by the work of EMIA's policy partner, Conservation International. In the specific case of Brazil, the focus was on the significant economic implications of mangrove preservation / restoration. Mangroves reduce property damage and protect millions of people. One of the areas in the world where mangroves are most valuable in terms of both people and property protected is the Amazon delta in northern Brazil.

**Activities**

We sent an email to Brazil's Ministry of the Environment and Climate Change asking them if they could schedule a call with us in order to start a dialogue and discuss the importance of enhancing the disclosure and regulation of mangroves and the surrounding blue carbon ecosystem. More specifically, we asked for the following:

- Disclosure on the quantity of mangroves: annual disclosure on the quantity of mangroves in Brazilian waters, which would highlight annual restoration and/or loss of mangroves
- Disclosure on the quality of mangroves: development of a scale, perhaps with an academic institution, to disclose information on the quality of mangroves
- Regulatory updates and changes: in recent years, Brazil has made progress on deforestation regulations and enforcement of these regulations, we would ask that similar regulations be contemplated and put into effect for the preservation and restoration of mangroves. This would be a good step towards having clear and tangible plans to strengthen Brazil's Blue Amazon and the surrounding Blue Carbon Ecosystem, which we urge you to consider including within your NDCs in the future
- Regulatory updates and changes: We understand the economic importance of the agriculture sector in Brazil, but also the negative impact of fertilizer / pesticide run-off to marine ecosystems, including mangroves in some cases. We would like to discuss the possibility for reforms that would further regulate run-off and/or provide incentives or subsidies for farmers to use cleaner fertilizers, crop protection products, or other regenerative farming techniques

**Outcome**

We had an introductory call with the Brazilian government to discuss the contents of our engagement letter, but unfortunately, they had not yet read our engagement letter in detail, therefore the call was very high level and introductory in nature. Whilst they did express a wish to have a follow up call with us after they had some time to read our engagement letter in more detail, they later on declined our request for a follow up call, citing that they were too busy with other priorities. We are still committed to engaging with Brazil, so we will try and find alternative contacts that may be more receptive to our engagement requests.

# Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers

## Escalation of Equity Stewardship

Where we feel that long-term shareholder interests are not being protected, we will typically engage the company formally at the senior management or board level to communicate our concerns and recommend remedial actions. When our views, particularly regarding governance, differ with that of the company or where there is a failure to achieve our reasonable expectations for shareholder return, we will more actively discuss this with the investee company's management team or vote proxies against management. Should engagement continue to prove unsuccessful in fulfilling the required objectives, Mondrian may choose to divest the shares.

### Activities and Outcomes

**Autohome**

**Topic:** Governance – Shareholder Return

**Background:** Autohome is the leading online auto service platform in China, providing a complete selection of auto-related content that is monetised as a distribution channel for auto advertising, lead generation services, financial products, and data products. Autohome is a highly profitable business and has consistently generated strong free cash flow.

**Objective**

Improve capital return practices to unlock value

**Activity**

In June 2023 Mondrian wrote to Autohome's Chairman and Board regarding capital return policies. At that time, we had proposed that the company consider returning 100% of free cash flow (after capital investments) via a dividend on an annual basis. We highlighted that adopting this policy would firstly demonstrate Autohome's confidence in its ability to continue to grow and generate healthy profitability and free cash flows, and secondly, Autohome's better alignment with minority shareholders and focus on total shareholder return.

In December 2023 Autohome announced that the company's board of directors had approved a cash dividend of USD1.15 per ADS (American depositary share). Additionally, it stated that in light of Autohome's strong cash balance and healthy cash flow, the Board also approved an amendment to its dividend policy, pursuant to which the Board intends to declare a cash dividend semi-annually from 2024 to 2026. The total yearly cash dividend is expected to be no less than RMB1.5B with the exact amount to be determined by the Board based on the company's then financial performance, cash position, and applicable foreign exchange laws and regulations in China, among other factors. While it was encouraging that Autohome management heeded calls from investors to increase shareholder distributions, we continued to encourage Autohome management to distribute the entirety of its free cash flow to investors, and to additionally consider distributing excess capital via special dividends to shareholders.

In 2024 Mondrian again wrote to Autohome's Chairman and Board explaining that while we were encouraged to see that the Board had incorporated some of our feedback and committed to a dividend of no less that RMB 1.5Bn for the years 2024 to 2026, the December announcement had not resulted in a narrowing of the company's substantial EV to EBITDA discount relative to industry peers, nor materially altered the share price. This was in contrast with other companies that we have seen undertake a more aggressive unlock for shareholders. As such, we proposed that the Board consider distributing a special dividend of no less than RMB $15Bn to shareholders. This would align Autohome's net cash as a percentage of market cap with that of industry peers whilst still retaining nearly RMB $9Bn in net cash, sufficient funds to continue to invest and grow the core business, as well as take advantage of shareholder accretive M&A. We believe this would represent a clear message to the market of firstly demonstrating Autohome's confidence in its ability to continue to grow and generate healthy profitability and free cash flows; and secondly, Autohome's better alignment with minority shareholders and focus on total shareholder return.

**Outcome**

We continue to monitor this and engage with the company.

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**Toyota Industries Corp. (TICO)**

**Topic:** Governance

**Objective:** Encourage an increase in Board independence and the unwinding of cross shareholdings

**Background:** Toyota Industries Corporation is a Japanese forklift truck and auto parts maker. The company does not have a majority independent board and the board has no diversity by gender or nationality. It also has a highly inefficient balance sheet with c.100% market cap in cross-shareholdings. Mondrian has been engaging with the company to increase its Board independence and unwind cross shareholdings since 2020.

2020 Activities
We abstained from the AGM proposal to elect Mitsuhisa Kato as a non-independent outside director and wrote to the company explaining that directors designated as outsiders should be independent. We stated that in the future, we would vote against non-independent outside directors until at least 50% of directors are independent. 2020 AGM Item 1.9 – Elect Director Kato, Mitsuhisa, passed. We continued to engage the company on improving its Board independence, however, no material positive changes have been made since then.

2021 Activities
At a meeting in November, Mondrian discussed the need for a majority independent Board with investor relations. At that point there were only two independent directors (Mr Sumi and Mr Yamanishi). The company acknowledged this governance issue but noted it had not yet concluded if increasing independent directors would be beneficial to management and they have not seen scandals. We reiterated our views on outside directors and how they should be independent.

2022 Activities

- May: Mondrian met with TICO in Japan, and explained the importance of unwinding cross shareholdings, majority independent boards and board diversity.
- June: Met and reiterated governance points; asked to speak to an independent director. The company explained that for now, there was no precedent to facilitate meetings between an independent director and investors. We also highlighted our concern that executive remuneration was not aligned to share price but based on business performance (mostly operating profit). The company said it would investigate this further.
- June: At the AGM, Mondrian voted against items 2.1 and 2.2 – the election of two directors - due to the excessive cross-shareholdings of those directors. Mondrian also voted against items 2.3 and 2.5 as Yojiro Mizuno is an internal director in a board lacking independence, and Masahiko Maeda is from Toyota Motor which can be seen to exert undue influence on Toyota Industries and is designated a non-independent outsider. These proposals were deemed significant votes, as they were votes against management recommendations, and Items 2.3 and 2.5 were votes against both management and our proxy adviser's recommendation. The four proposals passed.
- August: Met with Koichi Ito, Senior Executive Officer of TICO, along with Investor Relations to further discuss our key corporate governance concerns. TICO continues to be a corporate governance laggard with issues including remuneration not aligned with shareholders, lack of board independence or diversity, and large cross-shareholdings. We discussed our views on these topics and Mr Ito said he would share our thoughts with top management. The conversation was amicable and laid the groundwork for future engagement even though most of their responses were limited. There remains significant potential upside in the potential event of material improvement in these governance areas. Additionally, we discussed the recent AGM and our proxy advisor's voting recommendations, noting that ISS recommends voting against top management of companies with greater than 20% net assets in cross shareholdings and Japanese companies with no female directors.

2023 Activities

- March: During a meeting with IR, Mondrian again raised our governance concerns related to Board independence. Additionally, we asked again to speak to the company President or Chairman.
- May: Mondrian met with Koichi Ito (incoming President) and IR at TICO's offices in Japan. Mr Ito noted that his top two priorities are 1) ensuring that the business is well placed to benefit from electrification and automation trends and 2) corporate governance improvements. During the meeting we spoke at length about governance, cross-shareholding, and board structure. He seemed quite receptive to many of our concerns and suggestions. He mentioned that he is not a TICO lifer and studied Economics at university so agrees with our assessment on many areas. However, Mr Ito did request patience in implementing reform given the conservative nature of TICO.
- June: At the 2023 AGM Mondrian voted against the proposals to elect several directors and wrote to the company to explain the rationale for our proxy voting decisions. We were not able to support the election of Mr Toyoda, Mr Onishi, Mr Ito, Mr Kumakura or Mr Tomozoe given ongoing concerns in five key areas where we were still disappointed with progress to date. This was further exacerbated by the recent quality control issues in both the US and Japan.

    1. Lack of board independence or diversity, including by nationality
    2. Lack of alignment between management remuneration and long-term shareholder interests (e.g., we cannot see any component of remuneration linked to total shareholder return or ROE (return on equity)/ROIC (return on invested capital); while targets based on absolute operating profit can incentivise M&A even if value destructive)
    3. Excessive group cross-shareholdings (worth more than total market cap) and inefficient balance sheet structure
    4. Potential conflicts of interests with Toyota Motor (relevant for Mr Kumakura especially)
    5. Lack of proactivity in shareholder returns, including relative to other major Toyota Group companies which have been active in share buybacks. We have discussed our views on the unnecessary dividend cut in FY20 in previous correspondence and would like to see a commitment to sustainable dividend growth

We noted that we were encouraged by the meeting with Mr Ito and hoped to see developments in the above areas in the coming years.

With respect to Mr Kazunari, he is Purchasing Director for Toyota Motor, which is a key customer contributing c.13% TICO revenue, creating a conflict of interest. Toyota Motor also owns c.25% of TICO shares. Toyota Motor can exert undue influence and there is a risk that TICO is run in the interests of Toyota Motor and the Toyota group rather than minority shareholders in TICO. This risk is reflected in TICO trading at a market cap lower than the value of its own cross-shareholdings. These proposals have been deemed significant votes, as they are votes against management recommendations, and Item 1.6 is a vote against both management and our proxy adviser's recommendation. All four items passed. We continued to monitor and engage Toyota Industries for changes in its governance practices. The stock performed well in Q2 (+29%) as investors began to anticipate future governance improvements, but changes to date have been limited.

2024 Activities

- May: Mondrian met with Mr. Ito at the company's headquarters in Japan. We were the first investors to meet with him in 2023 when he was about to take reign and he had challenged us to "come back next year" to assess progress. At this meeting we also encouraged Mr Ito to travel outside of Japan to meet investors. He will now be visiting our office in London in August as part of what we understand to be the company's first ever management overseas trip to meet investors. We believe this increased dialogue between management and investors should be a meaningful positive step. Since then, TICO has made good progress (albeit from a low base). It published its first ever capital allocation plan, agreed to reduce some cross shareholdings and decided to significantly increase shareholder pay-out through a ¥180bn p.a. SBB for three years. While progress on capital allocation has been positive, we continued to encourage a majority independent board.

- June: We continued our escalation of this engagement for change in 2024 by voting against director elections and continuing discussions with the company.

- August: Mondrian met with Mr. Ito and the Head of IR in London at our offices as part of management's first ever overseas trip to meet investors. Mr. Ito described the meeting as an embodiment of his efforts to change TICO. The meeting was positive in clarifying that the very large Toyota Motor cross-shareholding was no longer considered untouchable, though we expect any unwinding would be gradual. Additionally, 30% of top management remuneration was now driven by restricted stock. We continue to engage on capital allocation, return to shareholders, and increasing the amount of independent board members.

2024 AGM Item(s):

- Item 1.2: Elect Director Ito, Koichi
  - Proponent: Management
  - Management Recommendation: For
  - Mondrian Vote Instruction: For
- Item 1.5: Elect Director Kumakura, Kazunari
  - Proponent: Management
  - Management Recommendation: For
  - Mondrian Vote Instruction: Against
- Item 1.6: Elect Director Terashi, Shigeki
  - Proponent: Management
  - Management Recommendation: For
  - Mondrian Vote Instruction: Against

**Activity**

Mondrian voted against our proxy adviser recommendation on Item 1.2 regarding the re-election of CEO Mr. Ito, as he has only been in the CEO post for a year and has made a good start on corporate governance improvements at the company (published the first capital allocation plan with clear shareholder return targets, business return targets and a commitment to unwind part of its cross shareholdings, and pushed for the first female Director appointment to the Board). Our meetings with Mr. Ito confirm our belief that he is committed to further positive reforms, as such merits our support.

We also voted against management's and our proxy adviser's recommendations for Items 1.5 and 1.6 to push for a majority independent board. A majority independent Board is more likely to support Mr. Ito in reversing a history of poor governance at the company, which resulted in (i) trapped value from very high levels of cross-shareholdings, (ii) failures of internal control (emissions cheating in forklift trucks) and (iii) a persistently low dividend pay-out ratio.

**Outcome**

- Item 1.2: Elect Director Ito, Koichi, passed
- Item 1.5: Elect Director Kumakura, Kazunari, passed
- Item 1.6: Elect Director Terashi, Shigeki, passed

We continue to engage with the company on Board independence and cross shareholdings.

## Escalation of Fixed Income Stewardship

As detailed in Principles 9 and 10, Mondrian's Global Fixed Income and Currency Team engages with issuers directly and collaboratively. In the event that issuers do not respond to our engagements, we will continue to follow up with them. If there is limited improvement in ESG metrics, then our sovereign credit adjustment / corporate credit rating would remain weak and all else equal, a bond with a weak sovereign / corporate ESG score is less attractive than an equivalent. Again, the weaker the overall credit assessment, the higher the sovereign credit adjustment, resulting in a greater PRY premium required to drive an allocation.

### Activities and Outcomes

**Topic**
Emissions targets

**Escalation**
During 2024, as part of an ongoing collaborative engagement with a state-owned oil major, Mondrian was a signatory to a group communication with management following publication of a new sustainability plan. The group consulted with policy expert's and engaged further with management, making suggestions, and asking for clarification.

**Outcome**
We continue to follow up on our request and a lack of action to address the issues raised will weigh on the internal ESG rating assigned to the issuer, which will impact the overall credit rating which in turn directly impacts how much of that issuer's debt can be held across our portfolios and the value we demand before investing.

# Principle 12 - Exercising Rights and Responsibilities

Signatories actively exercise their rights and responsibilities

## Exercising Rights and Responsibilities – Equity: Proxy Voting

As previously described, all of Mondrian's fundamental equity investment products are driven by extensive, bottom-up fundamental company analysis and comprehensive engagement that includes active participation through the proxy voting process. This is consistent across all equity asset classes and geographies. Mondrian has developed its Proxy Voting Policies and Procedures ("Procedures") to enable it to meet its fiduciary obligation to vote proxies in the best interests of its clients.

## General Voting Principles

Mondrian is committed to voting all proxies where possible. Mondrian's aim is to vote in the best interests of all clients, providing overall value to clients by focusing on risk-adjusted returns and maximizing the value of the underlying company shares. Recognising that proposals may be unique to a specific company's circumstances, Mondrian does not have a default voting position. It votes proposals based on the merit of the proposal itself on a case-by-case basis. Each motion is reviewed by a portfolio manager from the investment team responsible for research coverage of that stock. This includes matters to be voted on related to social and environmental items, including climate change. Mondrian will typically support management for shareholder proposals but will still review each proposal on a case-by-case basis.

## Voting Authority

Mondrian's client agreements define the scope of its authority and responsibilities to vote proxies on behalf of each client. These typically fall into four categories:

1. Clients that delegate full discretion to Mondrian to vote proxies on their behalf
2. Clients that vary the scope of Mondrian's voting authority by imposing specific guidelines
3. Clients that receive proxy voting advice from Mondrian in specific circumstances but undertake voting themselves
4. Clients that undertake to vote proxies themselves

Mondrian's proxy voting procedures apply to all clients who grant discretion to vote proxies on their behalf. Where clients have adopted specific proxy voting policies, Mondrian will assess the extent to which they are consistent with its adopted guidelines. Where a client's own proxy voting policy diverges significantly from Mondrian's own guidelines, that client's policy will be considered separately in order to vote those client's proxies pursuant to their individual guidelines. Please note that Mondrian has full discretion to vote proxies for pooled vehicles.

## Proxy Voting Committee

Mondrian has established a Proxy Voting Committee ("the Committee") to oversee the proxy voting process and ensure client proxies are voted according to the Procedures. The Committee consists of senior equity investment and operational staff. The Committee will meet as necessary to enable Mondrian to fulfil its fiduciary duty to vote proxies for clients.

## Determining the Proxy Voting Procedures

The Committee reviews and approves the Procedures on a yearly basis. The Procedures are reviewed during the first quarter of the year and may be reviewed at other times as necessary. When reviewing the Procedures, the Committee seeks to establish if the Procedures are consistent with the goal of voting in the best interests of all clients and maximising the value of the underlying shares. The Committee will also review the Procedures to ensure compliance with rules promulgated by the SEC and other relevant regulatory bodies. After the Procedures are approved by the Committee, Mondrian will vote proxies or give advice on voting proxies in accordance with such Procedures.

## Proxy Voting Guidelines

Mondrian contracts with a Proxy Voting Adviser for the provision of voting advice and to facilitate the process of voting proxies. Proxy Voting Advisers commonly produce guidelines for proxy voting ("the Guidelines") that summarise their approach to voting on commonly occurring issues. The Committee reviews these Guidelines annually to determine whether voting proxies pursuant to the Guidelines is in the best interests its clients. If the Guidelines remain consistent with Mondrian's fiduciary duty and expectations for good corporate governance, Mondrian will adopt the Guidelines as the basis for its own proxy voting policy.

Mondrian may vote certain issues counter to the Guidelines if, after a thorough review, it determines that a client's best interests would be served by such a vote. In situations where the Guidelines do not cover a specific voting issue, Mondrian will vote on such issues in a manner consistent with the spirit of the Guidelines and that promotes the best interests of the client.

## Exercising Rights and Responsibilities – Equity: A General Description of Mondrian's Voting Behaviour

Mondrian is typically delegated the authority to vote proxies for securities held in a client's account, and votes proxies on behalf of clients pursuant to its Proxy Voting Policy and Procedures. The aim is not to micro-manage but to ensure that each company is run in the best interests of the shareholders.

Mondrian does not have a default voting position. Each motion is reviewed by a portfolio manager from the investment team responsible for research coverage of that stock. This includes matters to be voted on proposed by shareholders and proposals related to ESG, including climate change. The portfolio manager considers each motion, taking into account the relevant facts and circumstances that apply to that company, the Proxy Voting Adviser's recommendation and any conflicts of interest that may exist. Where voting items are more complex, the portfolio manager will conduct further research and analysis as necessary to determine the voting action that is in the best interests of the client. In conducting the review, portfolio managers consider the advice of the Proxy Voting Adviser critically and are watchful for material errors of fact or methodology, particularly where these impact the voting recommendation. Where the portfolio manager's review identifies potential errors or omissions in advice, they may conduct further research, including, but not limited to engaging with the company to gather further information, engaging with the Proxy Voting Adviser and reviewing such other Proxy Adviser's advice that may be available to us. As a result of this engagement, Proxy Voting Advisers may issue updated advice and recommendations.

Where Mondrian's analysis indicates that it is in the client's best interests to vote contrary to the Proxy Adviser's recommendation, Mondrian has procedures to ensure that a proxy is exercised in accordance with our Guidelines, uninfluenced by considerations other than the best interests of our portfolios. In such circumstances, it is the responsibility of the product's Chief Investment Officer ("CIO") to ensure the vote is consistent with Mondrian's Procedures.

Mondrian attempts to vote every proxy which they or their agents receive where we have authority to do so. However, there have been a small number of situations where Mondrian was not able to process a proxy. For example, in a number of countries in which Mondrian invests client assets, local laws require the imposition of a trading block on shareholders once they have voted their proxies in relation to companies registered in that country. These trading blocks are usually for a defined period and can be for a number of weeks. Mondrian believes that in certain circumstances it is in the client's greater interest to retain the ability to sell the shares rather than to participate in the proxy vote.

## Stock Lending

Mondrian does not participate in any securities lending activities other than to provide support for any programs that clients may independently arrange with their appointed custodians or third-party lending agents.

## Monitoring of Shares and Voting Rights

Mondrian reviews its shareholdings (shares held on behalf of clients in Mondrian's role as a noncustodial discretionary investment manager) regularly regarding its reporting obligations and will make holdings disclosures as required by the relevant exchange or regulatory body. The Compliance Monitoring Program incorporates periodic reviews of Mondrian's shareholding disclosure requirements, and an annual review of Director and Officer affiliations.

Mondrian authorises and instructs client custodians to forward proxy materials to Mondrian's Proxy Voting Adviser to enable it to facilitate the voting of proxies. Mondrian provides the Proxy Adviser with a list of client accounts and security holdings to make the adviser aware of which proxies it will vote on. This list of clients and client holdings is regularly updated.

Please refer to Mondrian's Proxy Voting Policies and Procedures, available at www.mondrian.com/ESG-at-Mondrian for more details.

## Exercising Rights and Responsibilities – Fixed Income

Mondrian's Fixed Incomes strategies are typically comprised of sovereign and supranational issues, investment grade credit and mortgage-backed securities are also utilised, with allocations varying depending on the strategy and client restrictions. As such, the Global Fixed Income and Currency Team generally does not seek amendments to terms and conditions in bond indentures or contracts, or access to information provided in trust deeds and impairment rights. Also, given our relatively small size compared to our larger fixed income peers, it's not part of our investment model. With respect to reviewing prospectus and transaction documents, when our team reviews bond documents, it is to inform themselves on risks. For example, if a subordinated bank bond is eligible to be converted into equity, what the triggers may be, etc.

### Activities and Outcomes

As of 31 December 2024, Mondrian was delegated full discretion to vote proxies and voted on behalf of clients for 64% of equity accounts, clients voted their own proxies for 32% of equity accounts, and Mondrian facilitated the voting of client proxy voting policies for 4% of equity accounts.

Please see below for a summary of how Mondrian has cast votes in general meetings of investee companies over the reporting period.

## Summary of Mondrian's Voting Behaviour

| Description | 1 Jan 2024 to 31 Dec 2024 |
|---|---|
| Number of Votable Meetings | 574 |
| Number of Meetings Voted In* | 562 |
| Number of Votable Proposals | 6401 |
| Number of Proposals Voted* | 6273 |
| Number of Meetings with At Least One Vote Against Management Recommendations | 181 |
| Number of Meetings with At Least One Vote Withheld or Abstained Against Management Recommendations | 8 |
| Number of Votes with Management** | 5664 |
| Number of Votes Against Management** | 388 |
| Number of Abstentions/Withheld Votes | 179 |

| Region | Number of Votable Meetings | % Votable Meetings by Region |
|---|---|---|
| Asia Pacific | 303 | 53% |
| Europe | 129 | 22% |
| North America | 81 | 14% |
| Latin America | 41 | 7% |
| Middle East | 20 | 3% |

| Proposal Category | Number of Votable Proposals | % Votable Proposals by Category |
|---|---|---|
| Director Election | 2499 | 39% |
| Routine Business | 954 | 15% |
| Capitalization | 654 | 10% |
| Compensation | 660 | 10% |
| Director Related | 597 | 9% |
| Audit Related | 335 | 5% |
| Company Articles | 152 | 2% |
| Non-Routine Business | 149 | 2% |
| Strategic Transactions | 94 | 1% |
| Social | 89 | 1% |
| Miscellaneous | 89 | 1% |
| Takeover Related | 54 | 1% |
| Environmental | 26 | 0% |
| E&S Blended | 27 | 0% |
| Other | 16 | 0% |
| Corporate Governance | 6 | 0% |

*Instances where Mondrian elected to not vote proposals at meetings include situations where companies were listed in countries where share blocking laws were in place, holdings were sold post the record date but prior to the AGM, or meetings had two sets of voting cards where shareholders voted one card but not the other. In summary, where it was possible to vote on a proposal, Mondrian voted on the proposal.

**There were instances in 2024 where management did not provide a recommendation for the proposal. These have been removed from the number of votes against and with management.

Please see www.mondrian.com/ESG-at-Mondrian for our most recent voting records.

The below provides more details of where Mondrian has cast significant votes in the annual general meetings of companies invested in on behalf of our clients. Mondrian's Proxy Voting Committee has made this determination and as stated in our Engagement Policy, votes are typically considered 'significant' where Mondrian has voted against management, against our proxy adviser's recommendation or determined that a vote is considered significant for any other reason.

## Vote Against Management Recommendation

### Takeda Pharmaceutical

**2024 AGM Proposal(s)**

- Item 2.1 - Elect Director Christophe Weber
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST
- Item 2.10 - Elect Director Higashi, Emiko
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST
- Item 4 - Approve Annual Bonus
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST

**Background**

Takeda is the largest Japanese pharma company by revenue. It has been taking steps to bring itself in line with global best practice and improve the efficiency of the business. In 2014 it appointed a French CEO (Christophe Weber), and it has several other non-Japanese employees in senior executive positions. Takeda has a majority independent board with an independent chairman, two female directors and four directors with pharma experience. However, performance with respect to capital efficiency and total shareholder return over the past 10 years under CEO Weber's leadership has lagged peers.

**Activity**

Mondrian voted against the reappointment of director Christophe Weber on the basis that senior management is responsible for the company's poor R&D productivity, excessive financial leverage and total shareholder return that lags international peers over 10 years.

Mondrian voted against the annual bonus as we believe that the economic interests of company executives are not aligned with those of shareholders under the current compensation system. This is particularly true of CEO Weber, in light of TSR underperformance against peers during his 10-year presidency.

Mondrian voted against the re-election of director Higashi, Emiko. Ms. Higashi as chairperson of the compensation committee, oversees the design of executive incentive plan, which, despite having a framework that is theoretically sound, has led to material misalignment of economic interests between long term shareholders and management.

We wrote to the company to explain the rationale for Mondrian's voting decisions for the June 2024 AGM, where we found ourselves unable to support the re-election of Mr. Weber, Ms Higashi, and the approval of the executive bonus. As long-term fundamental investors, Mondrian seeks sustainable value creation through disciplined capital allocation that balances investment for growth, financial health, and shareholder returns. We expressed our concerned that the adequacy of Takeda's R&D strategy is yet to be proven, whilst the timeline to resolve excessive financial leverage remains unclear. These concerns are reflected in the 10-year total shareholder return of Takeda's stock, where we see a material lag against international peers.

Additionally, we highlighted that we have been disappointed to see the persistent lack of interest alignment between senior management and shareholders. The poor economic outcome for Takeda's long-term investors like us over the past decade contrasts sharply against the realized pay for the executives. We noted that we would like to see greater alignment of outcomes and believe responsibility for this lies with the Chairperson of Compensation Committee.

Further, we explained that we supported the re-election of Andrew Plump as a director this time as we acknowledge that we are not in possession of sufficient information to determine the effectiveness of his work as Head of R&D. However, we note that as a long-term shareholder, we remained highly concerned about Takeda's R&D strategy and productivity.

**Outcome**

- Item 2.1 - Elect Director Christophe Weber, passed
- Item 2.10 - Elect Director Higashi, Emiko, passed
- Item 4 - Approve Annual Bonus, passed

We continue to monitor and engage the company on these issues.

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### TC Energy

**2024 AGM Proposal(s)**

- Item 3: Approve Spin-Off Agreement with South Bow Corporation
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST
- Item 4: Approve Shareholder Rights Plan of South Bow Corporation
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST

**Background**

TC Energy is a Canadian oil and gas pipeline company. At the end of 2023 management proposed a carve-out of the liquids pipelines business into a separately-listed entity, and in June 2024 shareholders voted in favour of the transaction.

**Activity**

Mondrian had engaged the company several times regarding aspects of the potential transaction from December 2023 to May 2024, particularly with respect to resulting compensation structures.

Mondrian voted against items 3 and 4 as we had a number of concerns around the risk of dilution to shareholder value, in particular, the higher cost of capital for South Bow as a standalone entity and the duplication of costs. Relying on a highly-leveraged standalone South Bow to be able to access equity markets at an appropriate valuation to finance necessary investments seems a significant risk. In short, we believed South Bow was more likely to maximise its potential as part of TC Energy than as a standalone entity. We understood the desire strategically to shift away from liquids, but believed this transaction would not achieve this for shareholders given our ongoing ownership.

**Outcome**

- Item 3: Approve Spin-Off Agreement with South Bow Corporation
- Item 4: Approve Shareholder Rights Plan of South Bow Corporation

We continue to monitor the performance and shareholder value of TC Energy and South Bow.

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Please also refer to the Toyota Industries example in Principle 11.

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## Vote For Shareholder Resolutions

### Colgate-Palmolive Company

**2024 AGM Proposal(s)**

- Item 4: Require Independent Board Chair
  - Proponent: Shareholder
  - Management Vote Recommendation: AGAINST
  - Mondrian Vote Instruction: FOR

**Background**

Colgate-Palmolive is the global leader in oral care, and a strong operator in addition in home and personal care. The company also has a strong pet food business, especially in developed markets. The company has a combined CEO and Chair role, which we do not believe is in shareholders' best interests.

**Activity**
A proposal was raised by a shareholder at the company's AGM, requesting the company to amend its governing documents and commit to the separation of the offices of the Chairman of the Board and the Chief Executive Officer. Part of the proposal was that "Whenever possible, the Chairman of the Board shall be an Independent Director."

Currently, the CEO and Chair role is combined. This has been the case since Noel Wallace, CEO since 2019, was appointed Chair in 2020. The combined role arguably reduces independence of the Board of Directors. We believe an independent chair would be better able to oversee the executives of the company and set a pro-shareholder agenda without the management conflicts that a CEO or other executive insiders often face, leading to a more proactive and effective board of directors.

We therefore concluded that requiring a separate CEO/Chair role appears to be in shareholders' interests. Although governance at Colgate is solid, a separation of these roles would likely improve it further. Whilst Colgate does have a lead director role, this did not seem to be a significant reason to vote against the proposal. The proposal also allowed for the separation of roles being phased in for next CEO transition or contract renewal. As a result, we voted in favour of this proposal, against management's recommendation. We also engaged with the company to explain our decision.

**Outcome**

- Item 4: Require Independent Board Chair, did not pass

We continue to monitor the combined CEO/Chair role.

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## Vote Against Shareholder Resolutions

### Nippon Telegraph and Telephone Corp (NTT)

**2024 AGM Proposal(s)**

- Item 3 - Appoint Shareholder Director Nominee Maeda, Tomoki
  - Proponent: Shareholder
  - Management Recommendation: AGAINST
  - Mondrian Vote Instruction: AGAINST

**Background**
Nippon Telegraph & Telephone Corporation (NTT) is a Japanese telecommunications company that provides a wide range of services, including fixed-line and mobile telephony, broadband, digital television, and IT network services

**Activity**
Mondrian voted against this shareholder proposal as the proponent failed to present a compelling case explaining why a change to the board was needed. In this proposal, shareholder activist Tomoki Maeda nominated himself as a director to NTT, with the argument that a truly independent board member was needed. However, the proposal lacked an explanation of the proponent's experience and knowledge and how he would specifically add value to the board. We note that in the 2024 AGM, NTT listed ten candidates for election, five of whom are external board members. These five candidates meet the independence criteria of both the Tokyo Stock Exchange and the company's own standards for independent directors.

**Outcome**

- Item 3 - Appoint Shareholder Director Nominee Maeda, Tomoki, did not pass

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## Vote Withheld / Abstained

### Saudi National Bank

**2024 AGM Proposal(s)**

- Item 21.1 - Elect Saeed Al Ghamdi as Director
- Item 21.2 – Elect Yazeed Al Humayid as Director
- Item 21.3 - Elect Huda Ghusn as Director
- Item 21.4 - Elect Ziyad Al Tunisi as Director
- Item 21.5 - Elect Abdullah Al Ruwees as Director
- Item 21.6 - Elect Ibraheem Al Muaajil as Director
- Item 21.7 - Elect Rashid Shareef as Director
- Item 21.8 - Elect Deemah Al Yahya as Director

- Item 21.9 - Elect Faysal Al Saqaf as Director
- Item 21.10 - Elect Bileehid Al Bileehid as Director
- Item 21.11 - Elect Abdulrahman Al Issa as Director
- Item 21.12 - Elect Abdulrahman Al Yamani as Director
- Item 21.13 - Elect Amr Kurdi as Director
- Item 21.14 - Elect Ahmed Khoqeer as Director
- Item 21.15 - Elect Tariq Al Sadhan as Director
- Item 21.16 - Elect Musaid Al Awhali as Director
- Item 21.17 - Elect Fahd Al Samari as Director
- Item 21.18 - Elect Abdulazeez Al Bakr as Director
- Item 21.19 - Elect Khalid Al Khataf as Director
- Item 21.20 - Elect Basmah Al Tuweejri as Director
- Item 21.21 – Elect Abdulwahab Abou Kweek as Director
- Item 21.22 - Elect Sami Al Babteen as Director
    - Proponent: Management
    - Management Vote Recommendation: FOR
    - Mondrian Vote Instruction: ABSTAIN

**Background**
Saudi National Bank (SNB) is the largest commercial bank in Saudi Arabia, providing a wide range of financial services, including corporate banking, retail banking, and investment services.

**Activity**
Mondrian abstained from voting for the election of all Board candidates given the absence of sufficient disclosure of nominee information regarding the candidates.

**Outcome**

- Item 21.1 - Elect Saeed Al Ghamdi as Director, passed
- Item 21.2 – Elect Yazeed Al Humayid as Director, passed
- Item 21.3 - Elect Huda Ghusn as Director, passed
- Item 21.4 - Elect Ziyad Al Tunisi as Director, passed
- Item 21.5 - Elect Abdullah Al Ruwees as Director, passed
- Item 21.6 - Elect Ibraheem Al Muaajil as Director, passed
- Item 21.7 - Elect Rashid Shareef as Director, passed
- Item 21.8 - Elect Deemah Al Yahya as Director, passed
- Item 21.9 - Elect Faysal Al Saqaf as Director, passed
- Item 21.10 - Elect Bileehid Al Bileehid as Director, did not pass
- Item 21.11 - Elect Abdulrahman Al Issa as Director, did not pass
- Item 21.12 - Elect Abdulrahman Al Yamani as Director, did not pass
- Item 21.13 - Elect Amr Kurdi as Director, passed
- Item 21.14 - Elect Ahmed Khoqeer as Director, did not pass
- Item 21.15 - Elect Tariq Al Sadhan as Director, passed

- Item 21.16 - Elect Musaid Al Awhali as Director, did not pass
- Item 21.17 - Elect Fahd Al Samari as Director, did not pass
- Item 21.18 - Elect Abdulazeez Al Bakr as Director, did not pass
- Item 21.19 - Elect Khalid Al Khataf as Director, did not pass
- Item 21.20 - Elect Basmah Al Tuweejri as Director, did not pass
- Item 21.21 – Elect Abdulwahab Abou Kweek as Director, did not pass
- Item 21.22 - Elect Sami Al Babteen as Director, did not pass
- Item 21.23 - Elect Mohammed Al Raml as Director, did not pass

## Vote Against Proxy Voting Adviser Recommendation

Mondrian will review all voting items against our proxy voting adviser's recommendations, but from time to time may deviate from the recommendation. Again, Mondrian does not have a default voting position. Each motion is reviewed by a portfolio manager from the investment team responsible for research coverage of that stock.

### Hexpol AB

**2024 AGM Proposal(s):**

- Item 12.1 – Re-elect Alf Goransson, Kerstin Lindell, Jan-Anders E. Manson, Malin Persson, Marta Schorling Andreen, Nils-Johan Andersson and Henrik Elmin as Directors
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: FOR
- Item 12.2 – Re-elect Alf Goransson as Board Chairman
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: FOR
- Item 15 – Approve Remuneration Report
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: FOR

**Background**

Hexpol AB is a Swedish company that specializes in the development, manufacture, and marketing of polymer products.

Our proxy adviser recommended voting against Items 12.1 and 12.2 given board independence concerns, in particular tenure and overboarding. Whilst we agree with some of our proxy adviser's concerns, the Swedish Corporate Governance code does not specify a time limit for Director tenure. Nonetheless, given the sudden passing of the CEO in 2023, we believe stability at the board level is important for another year while a new CEO comes on board.

With respect to Item 15, our proxy adviser recommended voting against the proposal, as it believed the former CEO's STIP significantly exceeded the maximum threshold without any supporting rationale.

**Activity**

Mondrian engaged the Hexpol Chairman in April 2024 to discuss board independence and remuneration, which alleviated our concerns and prompted us to also engage our proxy adviser on these issues.

Item 12.1: Whilst we agreed with some of our proxy adviser's concerns, we believed that the experience of board members at this high-performing Small Cap company is vital, especially during a period during which the CEO passed away suddenly in 2023 and the new CEO will not be joining until mid-2024. As such, we voted for this proposal.

Item 12.2: Despite the Chairman's long-term tenure and position on the Board of the major shareholder implying his lack of independence, his experience during a period of upheaval while the new CEO joins will be important. In addition, the company has performed very well under his watch and therefore we would support him staying on at the company for now. As such, we voted for this proposal.

Item 15: Upon engaging with our proxy adviser, it appeared that they were not aware of the passing of the CEO in 2023. Even so, having spoken to the company, we have discovered that part of the former CEO's remuneration package was a long-term incentive plan which relied upon him still being at the company at the end of the 3-year period of the incentive plan. However, this was not possible given his passing, and therefore Hexpol wrapped the awards from this long-term plan into his short-term plan. We believe that given the strong performance of the company and the unusual circumstances that was the former CEO's passing, he deserved to be paid this additional remuneration, which at the total level still fell within the company's own cap for variable cash remuneration of 140% of the fixed annual cash salary. As such, we voted for this proposal.

**Outcome**

- Item 12.1 – Re-elect Alf Goransson, Kerstin Lindell, Jan-Anders E. Manson, Malin Persson, Marta Schorling Andreen, Nils-Johan Andersson and Henrik Elmin as Directors, passed
- Item 12.2 – Re-elect Alf Goransson as Board Chairman, passed
- Item 15 – Approve Remuneration Report, passed

# Conclusion

Mondrian recognises the importance of its stewardship responsibility. Our objective on behalf of our clients is to look after their long-term (and short-term) interests by achieving attractive long-term real returns. In order to do this, we believe it is necessary to be a good steward and fiduciary of client assets.

# Appendix 1

## Principle 2 – Investment Staff Experience and Qualifications

| Full Name | Title | Discipline | Degree(s) | Qualification(s) | Former Employee | Years MIP Experience | Years Industry Experience |
|---|---|---|---|---|---|---|---|
| Clive Gillmore | Chief Executive Officer and Group CIO, Founding Partner | Strategy and Global Equities | Management Sciences, University of Warwick; Investment Management Program, London Business School | | Hill Samuel | 34 | 42 |
| Elizabeth Desmond | Deputy Chief Executive Officer and Chief Investment Officer International Equities, Founding Partner | Equities/ International | BA, Wellesey College; East Asian Studies, Stanford University | CFA | Hill Samuel | 34 | 38 |
| Ormala Krishnan | Chief Investment Officer Small Cap Equities, Managing Partner | Equities/Small Cap | Pure and Applied Mathematics (BSc), National University Singapore; Actuarial Sciences (MSc), City University; Investment and Finance (Dr), Sir John Cass Business School | PhD | Koeneman Capital Management | 25 | 32 |
| Andrew Miller | Chief Investment Officer Emerging Markets Equities, Managing Partner | Equities/Emerging Markets | History (BA), University of Birmingham | ASIP | PricewaterhouseCoopers | 25 | 26 |
| Aileen Gan | Chief Investment Officer Global Equities, Managing Partner | Equities/Global | Commerce, University of Melbourne; Master of Commerce, University of New South Wales | CFA | Accenture | 19 | 25 |
| David Wakefield | Chief Investment Officer Global Fixed Income and Currency, Managing Partner | Fixed Income and Currency | Economics (BSc and MSc); University of Warwick | CFA | Bank of England | 23 | 32 |
| Ginny Chong | Head of Chinese Equities, Senior Portfolio Manager, Partner | Equities/Emerging Markets | Commerce, University of British Columbia | CFA | PriceWaterhouseCoopers | 24 | 29 |
| Graeme Coll | Head of Emerging Markets Small Cap Equities, Partner | Equities/Small Cap | Bachelor of Commerce, University of the Witwatersrand | CFA | Ernst & Young | 20 | 26 |
| Steven Dutaut | Head of Research - Europe and Asia, Senior Portfolio Manager, Partner | Equities/ International | Business Finance (BA), University of Durham; Management, Economics and International Relations (MLitt), University of St. Andrews | CFA | Baillie Gifford | 17 | 21 |
| Dan Philps | Head of Rothko Investment Strategies, Partner | Equities | BSc, King's College London; AI and Computer Science (PhD), City, University of London | PhD, CFA | Dresdner Bank | 26 | 30 |
| Alex Simcox | Head of ESG Investment, Senior Portfolio Manager, Partner | Equities/ International | History, University of Cambridge | CFA, Chartered Accountant | Ernst & Young LLP | 17 | 21 |
| Jonathan Spread | Head of Research - USA, Senior Portfolio Manager, Partner | Equities/Global | Computer Science, Durham University | CFA | Morley Fund Management | 20 | 25 |
| Nigel Bliss | Senior Portfolio Manager, Partner | Equities/ International | Geography, University of Manchester | ASIP | Cazenove & Co. | 29 | 31 |

| Full Name | Title | Discipline | Degree(s) | Qualification(s) | Former Employee | Years MIP Experience | Years Industry Experience |
|---|---|---|---|---|---|---|---|
| David Cudmore | Senior Portfolio Manager, Partner | Fixed Income and Currency | Economics (BSc), University of Warwick | CFA, Chartered Accountant | Credit Suisse | 12 | 15 |
| Christopher Davis | Senior Portfolio Manager, Partner | Equities/ International | Modern and Medieval Languages (MA), University of Cambridge | CFA, Chartered Accountant | PricewaterhouseCoopers | 10 | 13 |
| Matt Day | Senior Portfolio Manager, Partner | Fixed Income | Economics with Actuarial Studies (BSc), University of Southampton | FIA | Buck Consultants | 17 | 23 |
| Kevin Fenwick | Senior Portfolio Manager, Partner | Fixed Income and Currency | Economics, University of Cambridge; Computer Science (MSc), University of Adelaide | CFA | Wilshire Associates | 17 | 27 |
| James Francken | Senior Portfolio Manager, Partner | Equities/Global | English, University of Oxford; English, University of Cambridge | CFA | Investec | 16 | 17 |
| Gregory Halton | Senior Portfolio Manager, Partner | Equities/Emerging Markets | Engineering Science (MEng), University of Oxford | CFA | Deutsche Asset Management Ltd | 21 | 24 |
| Charlie Hill | Portfolio Manager, Partner | Equities/Global | Classics (BA), University of Oxford | CFA, Chartered Accountant | Neptune Investment Management | 8 | 12 |
| Daniel Kelly | Senior Portfolio Manager, Partner | Equities/Emerging Markets | Mathematics with Philosophy (BSc), University of Leeds | CFA | Deloitte LLP | 15 | 18 |
| Bhavin Manek | Senior Portfolio Manager, Partner | Equities/Small Cap | Economics, London School of Economics | CFA | Mercer Investment Consulting | 19 | 21 |
| Zsolt Mester | Senior Portfolio Manager, Partner | Equities/ International | Financial Economics (BSc, MSc), University of London; Economics (MPhil), University of Oxford | CFA | Sanford C. Bernstein | 11 | 13 |
| Sarah Mitchell | Senior Portfolio Manager, Partner | Fixed Income and Currency | Management (BSc), University of Manchester | CFA, Chartered Accountant | Royal Bank of Scotland | 14 | 20 |
| Aidan Nicholson | Senior Portfolio Manager, Partner | Equities/Small Cap | Engineering, Economics and Management (MSc), University of Oxford | CFA | Cazenove & Co | 21 | 23 |
| Solomon Peters | Senior Portfolio Manager, Partner | Fixed Income and Currency | Economics (BA), University of Cambridge; Economics and Econometrics (MSc), Southampton University | CFA | CEBR | 24 | 28 |

| Full Name | Title | Discipline | Degree(s) | Qualification(s) | Former Employee | Years MIP Experience | Years Industry Experience |
|---|---|---|---|---|---|---|---|
| Paul Thompson | Senior Portfolio Manager, Partner | Equities/Global | Modern History and Politics (BA), University of Oxford | CFA, Chartered Accountant | Deloitte LLP | 15 | 18 |
| Boris Veselinovich | Senior Portfolio Manager, Partner | Equities/Emerging Markets | Economics and Quantitative Finance, University of Western Australia; Mathematical Trading and Finance (MSc), CASS Business School | Securities and Investment Institute Certificate in Derivatives | Challenger International | 24 | 26 |
| Sam Wyatt | Senior Portfolio Manager, Partner | Equities/Emerging Markets | Economics, University of Leeds | CFA, Chartered Accountant | Deloitte LLP | 12 | 16 |
| Charl Basson | Portfolio Manager, Partner | Equities/Small Cap | Economics and Econometrics, University of Nottingham | CFA, Chartered Accountant | PricewaterhouseCoopers | 9 | 12 |
| Michael Bray | Portfolio Manager, Partner | Equities/Emerging Markets | Industrial Economics, University of Nottingham | CFA | None | 13 | 13 |
| Kawal Chawla | Portfolio Manager, Partner | Equities/ International | Economics, University of Birmingham; MFin, London Business School | CFA | Forum | 6 | 11 |
| Alastair Cornwell | Portfolio Manager, Partner | Equities/Small Cap | Physics (BSc), Imperial College London | CFA | PricewaterhouseCoopers | 17 | 17 |
| Yanjun Deng | Portfolio Manager, Partner | Equities/Emerging Markets | Economics, University of Warwick | | Timefolio Asset Management | 3 | 10 |
| Richard Fairbairn | Portfolio Manager, Partner | Equities | Mathematics and Economics (BSc), University of Nottingham | CFA | Informer Global Markets | 11 | 13 |
| Elina Grinchenko | Portfolio Manager, Partner | Equities/Small Cap | Economics and Management, University of Leeds | CFA | None | 13 | 13 |
| Harry Hewitt | Portfolio Manager, Partner | Equities/Global | Economics (MSc), University of Bristol | CFA | None | 10 | 10 |
| Akhil Hindocha | Portfolio Manager, Partner | Equities/Global | Philosophy, Politics and Economics (BSc), University of Warwick; MFin, London Business School | CFA | AQR Capital Management | 3 | 9 |
| Haseem Shah | Portfolio Manager | Equities/ International | Economics and Management (BA), University of Oxford | | Goldman Sachs | 5 | 6 |

| Full Name | Title | Discipline | Degree(s) | Qualification(s) | Former Employee | Years MIP Experience | Years Industry Experience |
|---|---|---|---|---|---|---|---|
| Bruno Vignoto | Portfolio Manager, Partner | Fixed Income and Currency | Biochemistry (BSc), Biochemical Research (MSc), Risk Management and Financial Engineering (MSc), Imperial College London | CFA | Moody's Analytics | 9 | 15 |
| Harry Anderson | Assistant Portfolio Manager | Equities/Small Cap | Economics, University of Bath | CFA | RWE Supply & Trading GmbH | 10 | 11 |
| Tom Armitage | Assistant Portfolio Manager | Equities/Global | International Management and Modern Languages (BSc), University of Bath | CFA | GE | 9 | 11 |
| Stella Bai | Assistant Portfolio Manager | Equities/ International | Accounting and Finance (BSc), University of Manchester; Accounting and Finance (MSc), London School of Economics and Political Science | Chartered Accountant | Ernst & Young LLP | 4 | 9 |
| Thomas Morgan | Assistant Portfolio Manager | Equities/Small Cap | Economics, University of East Anglia | CFA, Chartered Accountant | None | 12 | 12 |
| Zubeyr Singh | Assistant Portfolio Manager | Equities/Small Cap | Economics, University of Warwick | CFA | abrdn | 3 | 6 |
| Joseph Shaw | Research Analyst | Equities/Small Cap | Theology (BA), King's College London; Accounting and Finance (PGDip), London School of Economics and Political Science | CFA | Morningstar Investment Mngt | 3 | 6 |
| Adam Dove | Manager, Investment Insight | Equities | Chemical Engineering (Meng), University of Manchester | CFA | AJ Bell | 8 | 11 |
| Jessica Hsia | Manager, ESG, Partner | ESG | Economics with concentrations in Finance and Entrepreneurship (Bsc), The Wharton School - University of Pennsylvania | | Delaware Investments | 20 | 21 |
| Jostein Hall | Senior Associate, ESG | ESG | History and Politics (BA Hons), University of Warwick; Human Rights (MA), University College London (UCL) School of Political Science and Public Policy | | Aon | 4 | 6 |

## Important Information

- Views expressed were current as of the date indicated, are subject to change, and may not reflect current views.
- Views should not be considered a recommendation to buy, hold or sell any security and should not be relied on as research or investment advice.
- The information was obtained from sources we believe to be reliable, but its accuracy is not guaranteed, and it may be incomplete or condensed. All information is subject to change without notice.
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