Stewardship Report 2023

Mondrian Investment Partners

April 2024

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

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 2023, covering the principles set forth in the 2020 iteration of the UK Stewardship Code.

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. Mondrian is committed to equality for all staff and to developing a workforce which is representative of all sections of society, where each employee feels respected and able to give their best and be themselves.

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

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 in which the assessment of financially material environmental, social and governance ("ESG") risks and opportunities play an important role when valuing markets and companies for potential investment. We believe it is the responsibility of active investors to be effective stewards of capital in order 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.

With the exception of 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 177 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 retaining its client base by meeting clients' performance and risk objectives and maintaining a strong and stable team.

Product Development

Mondrian is committed to a value philosophy and intends to continue to grow by offering investment products underpinned by that focus. Mondrian thinks and plans on a long-term basis and any annual initiatives are considered in terms of our broader strategic direction and initiatives. Methodologically, we use a Dividend Discount Model ("DDM") to analyse equities and a Prospective Real Yield ("PRY") to analyse fixed income. Both strategic analyses have been in place for over 30 years. Our principal focus within each of these broad areas remains serving the needs of our existing clients. Whilst one leg of our diversification plan is product based, it is the omnipresent use of the DDM and PRY methodologies that is significant and consistent.

Recent initiatives include expanding our ESG product line which now includes International Equity ESG, Global Equity ESG, Emerging Markets Equity ESG and Global Green Bonds. We have also launched Emerging Markets ex China, China Concentrated and China A strategies. These strategies successfully apply our DDM methodology without compromising our existing services or resources.

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. Our philosophy has been to hire staff in advance of expected new business flows.

Strong and Stable Team - Hiring of Staff

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

Mondrian has a strong corporate culture built on a number of key principles developed by our founders and enhanced over the past 30+ years. Per the Financial Reporting Council's signatory category definitions, we are a small asset manager with USD 49 billion/GBP 38 billion in assets under management and advisement as of 31 December 2023 and less than 200 employees globally. Despite being defined as a small asset manager, Mondrian sets itself the highest standards, those that are required to be met by the best (and biggest) in the industry.

The key principles behind our culture are investment philosophy belief, professionalism (examinations and qualifications where necessary), long-term thinking, commitment to the firm and our clients, diversity of thought, inclusiveness, and teamwork.

Investment Philosophy Belief

As detailed in the Investment Beliefs subsection, Mondrian believes in utilising an investment process based on an income-oriented valuation discipline that aims to capture financially material risks and opportunities, including ESG considerations, where relevant. Mondrian believes it is important for our investment professionals to discuss investment performance directly with clients so that there is a strong sense of accountability for our investment decision making.

Professionalism

Staff across the firm are encouraged to take professional qualifications to add to strong university-based educations and this ensures that the additional ethical and practical elements learnt create an underlying environment of integrity with each other and the outside investment community.

Long-term thinking

Fundamental to our culture is long-term thinking in terms of our investment philosophy, relationships with clients and management of the firm. This is reinforced by our remuneration structure, which aims to achieve long-term rewards and also 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. These awards are merit based, looking at a range of factors including investment research, long and short-term performance, client service and teamwork. One of Mondrian's points of difference in maintaining its culture is its link with equity ownership. Close to half of all staff, and all portfolio managers and higher 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 the company. These awards, like all remuneration, are intended to motivate and retain, and are a key part of our multi-generational privately held company.

Diversity of Thought and Inclusiveness

All staff regardless of position are encouraged to challenge more senior members of the company. From an investment standpoint this is facilitated by diversity and throughout the organisation we believe such a culture improves risk management. All employees are contributors to our risk framework, with varying degrees of input and responsibility, and the control culture is embedded in Mondrian's corporate ethos.

Mondrian has a diverse workforce and is an equal opportunities employer. Diversity is important to us as we employ individuals from over 25 nationalities across all Mondrian offices, we invest globally, and we have a global client base. An inclusive culture is conducive to helping our colleagues achieve their full potential.

To ensure our workplace practices evolve accordingly, we established a Diversity, Equity, and Inclusion Consultation Group. The Group's purpose is to advise senior management and in particular the CEO on the company's strategy relating to internal diversity and inclusion matters. It monitors and reviews Mondrian's diversity, equity, and inclusion characteristics and initiatives as well as those of relevant industry peers and evaluates leading thought papers on this topic across different jurisdictions. Additionally, it provides recommendations to help diversity, equity, and inclusion at Mondrian, including how to implement our Equality Policy, covering the key areas of recruitment, equality, retention, and staff training.

Mondrian believes that a well-managed policy of diversity can support and enhance decisive, accountable decision-making. This is crucial both in the overall management and operation of the firm, but particularly in our investment decision-making process. Diversity is considered in a range of ways – not just gender and ethnicity - when building teams; the aim is to promote diversity of thought and avoid group think. Diversity of thought is designed to provide different ways of looking at problems with the endeavour to get to the best outcome, and it is important within Mondrian's culture that we are focused on the best and not just average. As a result, strong leadership and diversity in leadership is as important as diversity at the grass roots level of the organisation. We have an open culture where we actively encourage all team members to participate in and contribute to all team discussions. We believe that within the investment teams, differing ways of looking at businesses and their potential value is strengthened through diversity.

From a representation perspective, Mondrian is an employee-owned company, and approximately 32% of our partners are minorities and/or females. Our Deputy CEO is female, and of our five CIO's covering different product areas, three are female and were born abroad in different cultures.

Commitment and Teamwork

As a result of our culture, Mondrian has excellent staff retention, with an average staff tenure of over 10 years and investment staff rarely leave to join competitors. At Mondrian, the management of investment portfolios is not and has never been "star manager" based but uses a team system. All portfolio managers, regardless of seniority, have analytical responsibilities.

The Compliance and Risk Committee has identified and oversees the following key areas to ensure that conduct risk and conflicts are properly managed:

- **Corporate culture –** the right tone is set at the board and is inculcated throughout the organisation
- **Remuneration policy –** staff's interests are aligned with clients and remuneration arrangements do not encourage excessive risk-taking
- **Error policy –** all errors are quickly identified, remedied so that any disadvantage to clients is addressed and appropriate steps are taken to ensure that the error cannot recur
- **Product design –** all new products are designed to meet client requirements, are well researched and all risks are properly understood and ameliorated where possible
- **Sales and marketing practices –** 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
- **Conflict monitoring –** monitoring arrangements are in place to test that all conflicts of interest have been properly managed and clients have been treated fairly

Mondrian adheres to the principles set out in the CFA Institute Asset Manager Code of Professional Conduct. All employees follow a Code of Ethics that reflects Mondrian's fiduciary duties.

At Mondrian, investment professionals are expected to meet with clients on a regular basis to review portfolio performance and discuss engagement activities, developing long-term relationships. We hold ourselves accountable to our clients; this aspect of our culture embeds a considered and diligent approach to stewardship.

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.

During the year we purchased offsets for 200% of operational emissions generated in 2022.

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.

The Group has set the following corporate DEI goals:

- Support workforce diversity which we believe can enhance and strengthen decision making
- Support inclusive culture which we believe will promote development and retention of all employees
- Create a more diverse recruitment pipeline
- Expand list of partnerships with external organizations that help promote diversity and interest in the industry
- Expand internal social diversity and inclusion programs

Mondrian UK Initiatives

Initiative	Brief Description	Mondrian Participation: 2023
Girls are INvestors ("GAIN")	Mondrian is a Platinum Sponsor of Girls are INvestors ("GAIN"), 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. They seek to raise the female application rate for entry-level investment jobs to 50% in ten years.	In 2023, Mondrian: • Hosted seven students as part of the GAIN Investment Insight Programme (GIIP). Participants spent two days at Mondrian's office, where they heard from professionals across the business explain their roles and how they support our investment process • Participated in the GAIN Outreach Programme where six Mondrian speakers presented at three schools • Hired 20% of our interns through GAIN for a 12-week paid programme • Moderated a panel discussion on the Ultimate Guide to Careers within Investment Management (focused on business operations – Risk, Compliance, Finance and Human Resources) • Hosted a GAIN networking event for the GAIN Volunteer Network • Hosted the inaugural GAIN Awards, celebrating the achievements of students participating in the GAIN programmes • Participated in the GAIN Mentorship Programme
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.	In 2023, 40% of our graduate program hires were through the Bright Network.
SEO London	Beginning in 2022, Mondrian partnered with 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. SEO London programming is focused on pre-professional development, career access and long-term success within elite global industries.	Over the summer of 2023, 40% of our interns in the 12-week paid programme were through SEO. The interns were able to gain experience working in an office environment and developed their skills and understanding of different functions within an asset management firm.
100 Women in Finance	100 Women in Finance is a global organisation that is committed to gender equality in finance by promoting diversity, raising visibility, and empowering women at every career stage.	In 2023, Mondrian became a corporate sponsor of 100 Women in Finance.
Work Experience Program	Mondrian runs an annual Work Experience Program targeted at young adults in the age range of 16-18 years which introduces the various facets of the finance industry, particularly asset management. A mix of students attends; we partner with several schools, including inner city schools in relatively under-privileged areas of London to ensure that this opportunity reaches those that might not normally be able to access it. Participants are exposed to various aspects of the asset management industry through presentations on topics such as financial markets and institutions, performance and data analysis, equities, fixed income, macroeconomics and ESG. Additionally, they typically complete a project incorporating the knowledge gained during their week with Mondrian.	Mondrian hosted eight students for the 2023 Work Experience Week where almost 50% of participants were from inner city schools.

Mondrian US Initiatives

Initiative	Brief Description	Mondrian Participation: 2023
CFA DEI Code (US and Canada)	The CFA Institute Diversity, Equity, and Inclusion Code champions positive systemic change in the investment industry, reflecting and addressing challenges that come with demographic, cultural, and societal variations across markets.	To show our ongoing commitment to diversity and inclusion, Mondrian's US office became a signatory to the CFA DEI Code (US and Canada) in 2023.
Women in Investing Network of Philadelphia (WIN)	Women in Investing Network of Philadelphia ("WIN") is dedicated to empowering professionals throughout their careers in the investment industry through opportunities for professional networking, learning from expert women in their field, and finding colleagues and mentors who help them grow as professionals.	In 2023, Mondrian continued its Platinum Level corporate sponsorship of WIN. Mondrian US employees attended a number of WIN events throughout the year to support WIN's initiatives.
CFA Society of Philadelphia – Invest in Her Future Mentorship Program	This initiative is aimed at helping students interested in learning about careers in investment management. It gives a chance for accomplished women from all backgrounds in the investment management industry to discuss their experience in this field and encourage female students who may be interested in pursuing a career in investment management.	In 2023, Mondrian's US staff partnered with the CFA Philadelphia chapter's "Invest in Her Future" mentorship program.
WesGold Fellows	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.	In 2023, Mondrian: • Participated in the "Investing Curriculum Day" • Presented on careers in finance and investment topics during Investing Week • Hosted a small group at our office for a full day, providing sessions on a variety of topics • Attended student "Final Presentations" day, providing feedback on the presentations • Supported the program's year-end gala
Toigo Foundation	The Toigo Foundation works with a variety of organizations in finance and beyond to help design and implement solutions that drive inclusion and diversity.	Mondrian supported Toigo in 2023 through sponsorship and attendance at their largest annual event.
HEIGHTs Philadelphia	HEIGHT's mission is to provide students from minority groups and first-generation students with access to career and college opportunities.	In the summer of 2023, we partnered with HEIGHTs Philadelphia and hired our first HEIGHTs summer intern.
Internship Program	Our US office regularly works with Drexel University's experiential learning/co-op program, offering paid internships to university students with a path toward fulltime employment.	In 2023, Mondrian's US office hosted multiple interns with diverse backgrounds. We continue to use this program as our main recruiting tool and in 2023 one of our interns became a permanent member of the team.

Charitable Donations Program

Additionally, Mondrian has an award-winning Charitable Donations Program that is driven by our employees.

Mondrian budgets a portion of our revenue each year to charitable giving and social causes. We realise that there are many worthy organisations that deserve financial support. Mondrian's employees have a long history of generous personal charitable giving and have requested that our corporate charitable contributions program is aligned with their personal choices. Mondrian's charitable contributions program double matches employee donations on a two dollars for dollar/two pounds for pound basis up to the charitable contributions amount budgeted for the year.

Mondrian believes that its charitable contributions program commits a meaningful portion of its annual revenues to many worthwhile and deserving organisations, while allowing its employees to determine the causes that are most important to them.

We were given the Diamond Giving Quality Award (top award) in 2019-2023 by the Charities Aid Foundation in the United Kingdom for our Give As you Earn scheme. To qualify for the award a certain percentage of employees need to participate in our charitable giving scheme, and we need to have a certain percentage of new joiners throughout a year. This scheme benefits a number of different charities.

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 almost 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 2023, 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.

To help make sure that Mondrian votes client proxies in accordance with the Proxy Voting Policy and Procedures and in the best interests of clients, it has established a Proxy Voting Committee which is responsible for overseeing the proxy voting process. The Proxy Voting Committee consists of the following Mondrian personnel: (i) two investment staff; (ii) Chief Operating Officer; and (iii) Chief Compliance Officer. The Committee will meet as necessary to help Mondrian fulfil its duties to vote proxies for clients.

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 58 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.

ESG Investment Steering Committee

Mondrian's ESG Investment Steering Committee, a sub-committee of the Mondrian Board, sets and reviews firm wide ESG initiatives to ensure that our resources and investment staff are capable of meeting ongoing developments associated with these issues. Through the work of the ESG Investment Steering Committee we look to better support our investment team to enhance and evolve our analysis of financially material ESG risks and opportunities and stewardship practices. While various members of the Committee speak regularly and are mostly based in the same location, the ESG Investment Steering Committee meetings provide a regular formal forum for discussion across all five investment teams (four equity and one fixed income), 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 given this constantly evolving space. 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 Board twice a year. Mondrian's Board is ultimately responsible for overseeing all firm practices, including ESG practices.

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.

Activities and Outcomes

Mondrian acknowledges that ESG issues are constantly evolving and recognises that training is crucial to stay informed on developments in sustainability, ESG regulations, stewardship, and to reinforce how Mondrian incorporates ESG integration and active ownership into our investment process, shaping how our investment teams engage with present and potential portfolio companies on financially material ESG items.

Below is a summary of ESG training topics and audience during 2023:

	ESG Investment Steering Committee	Investment Teams	Client Service/ Business Development Teams	Firm-wide Lunch and Learn Series	New Starter Inductions (All Teams)
Broad ESG marketplace issues	✓	✓	✓	✓	✓
Regulations: EU SFDR	✓			✓	
Regulations: UK TCFD Reporting	✓			✓	
Mondrian ESG Approach	✓	✓	✓	✓	✓
Proxy Voting Policy	✓	✓			

Additionally, the Global Fixed Income and Currency team attend training and seminars run by both Moody's and S&P and attend round table discussions and webinars held by the PRI on ESG in Credit Risk and Ratings, Climate Bonds Initiative, and the Emerging Markets Investors Alliance.

These training sessions help support our Investment Team in the integration of financially material ESG matters into their investment research; help our Client Service and Business Development Teams understand and better communicate our ESG and stewardship approach; and help staff members across the firm gain a better understanding of ESG issues and Mondrian's ESG approach.

Our Head of ESG Investment and ESG Team attended a wide variety of conferences and webinars, as well as training courses to stay apprised of and further our understanding of the evolving ESG space. In 2023 these included:

- Sell side ESG events
- PRI in Person Conference
- PRI webinars and workshops
- CFA UK Investing in the Net Zero Transition conference
- Investment Association events
- Responsible Investor Canada Conference
- CDP UK Signatory Day
- UKSIF Conferences
- ISSB webinars
- ISS Stewardship Briefing
- Regulations focused events hosted by various law firms, consultants, and the Investment Association

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.

For Mondrian's equity strategies, all proxy voting decisions are tracked and actioned using Sunrise, a web-based workflow and ticketing system, before being sent to the Proxy Voting Adviser and the clients' custodians. This mitigates the risks of pre-population of votes and ensures good record keeping practices.

Activities and Outcomes

In 2023 Mondrian initiated a Salesforce Expansion Project, extending use of the Salesforce platform into new business areas, replacing legacy systems and manual processes. Prior to this project, the platform had been used successfully as Mondrian's Customer Relationship Management tool, and through this use it became clear that there were many other potential use-cases across the firm. The 2023 phase of the project involved preparing the platform for wider use, adding the necessary software licenses, and creating data structures to support additional functionality. The first new use-case to go live was a bespoke Research Management function for Mondrian's investment professionals, launched in Q3 2023, and further developed through the remainder of the year.

With respect to the US Securities and Exchange Commission's finalisation of proxy vote reporting changes with the revised Form N-PX requirements, which will impact Mondrian's US registered mutual funds, as well as 40 Act Fund sub-advisory reporting requirements and Mondrian itself as an institutional investment manager as defined by the Securities and Exchange Commissions, we have been reviewing internal systems and external reporting providers to support our filing requirements.

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 systematically and explicitly document the considerations of financially material ESG risks and opportunities, and their quantitative impacts on the valuation model.

Activities and Outcomes

To help support our investment team in the completion of their ESG analysis, we enhanced our ESG Summary Report template to include new reference sections, drawing out some potentially useful metrics and questions for awareness, and provided training on the additional resources.

Looking forward, we are planning to continue our Salesforce Expansion Project to build enhanced ESG dashboards to support ESG analysis within our investment process. This will require an evolution of our data structures to support the additional functionality.

The outcome of investments in systems, processes, research, and analysis is enhanced integration of stewardship activities and deeper analysis of financially material risks and opportunities within the investment process. Our client stewardship reporting has also improved as a result.

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. We continue to improve our structures, systems, and processes.

Governance Structure Enhancements

As a reminder, Mondrian aims to consider all material factors that could influence the future cash flows of companies, incorporating the analysis of financially material environmental, social and governance risks and opportunities as a normal part of the valuation process. We had recognised the need for portfolio level ESG data to be incorporated into our Investment Risk Oversight Committee reviews to help increase awareness of top level ESG exposures and ensure CIOs understand the contribution of portfolio constituents to such metrics. The Investment Risk Oversight Committee is a sub-committee of the Board, meets quarterly, and consists of our CEO/Group CIO, Chief Compliance Officer, and Head of Investment Analytics. After each formal review, our CEO/Group CIO meets with each product CIO to discuss portfolio level risks. This governance enhancement was introduced in 2023. It focused first on equity strategies, and then included fixed income strategies as well. In 2024 we are looking to automate such internal reporting and include overviews of significant changes in aggregated portfolio metrics in ESG Investment Steering Committee presentations to the Board.

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. Some planned system/process enhancements are described below.

As part of the Salesforce Expansion Project, future use-cases of the system have been planned, including the migration of Engagement Tracking and Corporate Action/Proxy Voting workflows from the legacy Sunrise system, scheduled to complete in 2024.

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 2023
Mondrian Holds both the Equity and Debt of a Company 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. 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 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 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 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. 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. 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 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. 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. 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 2023.

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 & Risk Committee — ensures that Mondrian has adequate arrangements for complying with regulatory principles and rules.
- Best Execution & 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, 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.

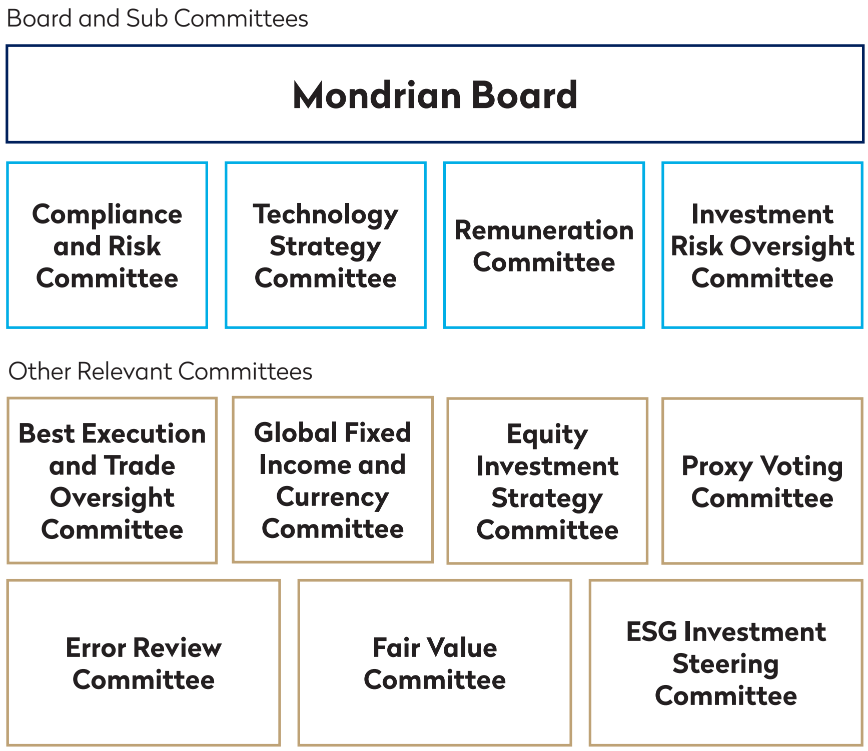
Governance

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 (formerly ICAAP) 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 have to 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, the majority 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. 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. In the most recently available PRI Assessment report on 2022 practices, Mondrian received the following ratings: • Policy, Governance and Strategy: 4 Stars • Direct-Listed equity-Active fundamental: 5 Stars • Direct-Fixed income–SSA: 5 Stars • Direct-Fixed income–Corporate: 5 Stars • Confidence Building Measures: 4 Stars 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. 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. In 2023 Mondrian joined 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.
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. Members of Mondrian's Global Fixed Income and Currency Team are part of the EMIA Debt and Fiscal Governance Working Group, the Sovereign Decarbonisation Working Group and the Extractive Industries Working Group. The Debt and Fiscal Governance Working group seeks to improve fiscal transparency around the budget process for Sovereign issuers. The Sovereign Decarbonisation Working Group seeks to improve the environmental practices for Sovereign issuers. The Extractive Industries Working Group has been focusing on engagement with emerging market oil and gas companies with the aim to achieve methane emissions reduction. Please refer to Principle 10 for details of our Global Fixed Income and Currency Team's collaborative engagements through EMIA.
Climate Bonds Initiative	The Climate Bonds Initiative ("CBI") is an international, investor-focused not-for-profit organization that works solely on mobilizing the bond market for climate change solutions.	Mondrian launched a Global Green Bonds strategy in 2020 and the Global Fixed Income and Currency Team participates in CBI events and references its resources.	This initiative contributes to well-functioning markets by developing the Climate Bonds Standard and Certification Scheme, policy engagement and providing market intelligence. It helps empower partner organisations with the tools and knowledge needed to navigate the climate bond market.
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 full integration of these considerations into our investment process. 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 2023 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

The Japanese equity market has enjoyed a resurgence of popularity as corporate governance reforms led by the Tokyo Stock Exchange (TSE) have drawn investors back. This has been welcomed for Mondrian's international and global equity portfolios which more recently have had a differentiated and contrarian overweight position.

Mondrian has a long-term track-record of adding value in Japan through both an active weight and through stock selection. Japan has been a challenged market, that only recovered to its early 1990s highs in the mid- 2010s. Over our history, Mondrian has added value to portfolios through stock selection, positive absolute returns, and asset allocation out of Japan. Across our developed equity portfolios, Mondrian was underweight the Japanese market for many years, however in recent years, we have seen value opportunities emerge, underpinned by strong growth in earnings and shareholder returns, alongside overcapitalized balance sheets supporting a positive skew of outcomes.

The Tokyo Stock Exchange is the latest institution to lead the domestic push for corporate governance reform, which has gathered momentum since it was started in earnest by former Prime Minister Abe a decade ago with the introduction of Japan's first Corporate Governance and Stewardship Codes. 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.

In early 2023 the TSE wrote letters to all Japanese companies listed on the Prime and Standard Markets to "take action to implement management that is conscious of cost of capital and stock price," asking them 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. The request that management teams be more aware of cost of capital and stock prices may seem basic to global investors, but it is significant in Japan where many companies still focus primarily on profit and loss performance.

Engagements for Understanding Examples

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 2023 we have exchanged views with Japan Exchange Group (JPX) new CEO Yamaji-san and his colleagues multiple times 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 April 2023 we met with Yamaji-san to discuss various aspects of the TSE's request of Japanese corporates. Topics included why the TSE focused on a Price to Book Ratio of <1; potential future actions or penalties; the new JPX Prime 150 index; as well as corporate feedback – which was already a positive sign of greater awareness. JPX encourages investors to give feedback to listed companies to help them to achieve sustainable growth.

In May 2023 we met with Ao-san, Director, and Kato-san, Manager – Listing Department of TSE where they acknowledged that Japanese companies typically tend to focus most on revenue and market share. With the Corporate Governance Code, companies started to focus on Return on Equity, but even then, had weak awareness of cost of capital, with the primary focus on profit and loss. The TSE wanted to encourage more attention to the balance sheet and market evaluation.

It was recognised that the TSE would benefit if share prices and investor interest in Japan rose. TSE was aiming to improve the management of listed companies in Japan and believed that a change in mindset had begun. Corporates were not targeting just share buybacks but changing business models and increasing their awareness of cost of capital and return on capital. While Keidanren, now the Japanese Business Federation, did not support such recommendations directly, they also had not objected as they used to. One difficulty noted by management teams in better aligning compensation structures was that they are reluctant to be seen by employees and Japanese citizens to only create further upside for themselves – which was the only option given already relatively low salaries compared with other developed markets.

Later in May 2023 we met with JPX CFO Tabata-san and members of the IR team where it was reiterated that the reason for the recent push for Japanese companies to focus more on value creation, cost of capital and stock price is that all aspects of JPX revenue and profits would benefit from rising market activity and stock prices in Japan. We discussed our thoughts on the reforms and what could continue to improve; Japanese governance practices versus the rest of the world; and encouraged disclosures in English – an issue particularly for small cap companies. We continue our ongoing dialogue with JPX, feeding back what more could be done to help support foreign investment in Japanese companies.

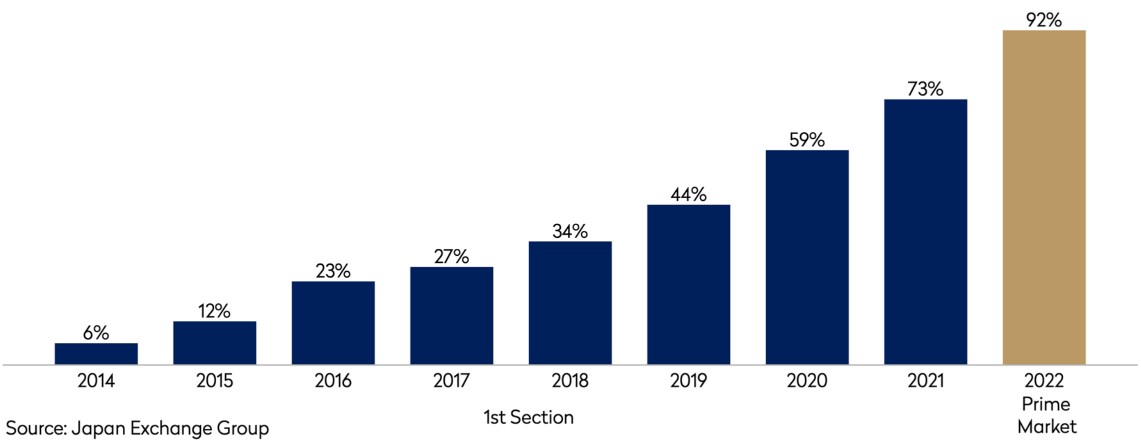
We met again with TSE representatives in London in Q4 2023 to discuss potential next steps, including pushing for majority independent boards and improving management remuneration alignment. We also discussed how the TSE could do more to articulate the broader benefits to Japanese society of improved corporate capital allocation.

Outcome
Fundamental research on the ground is a key part of Mondrian's investment process and particularly important in Japan. 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 2023 found that management teams were very aware of the TSE requests and increasingly proactive in making positive changes.

Examples of actions in 2023 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.

Appointment of Independent Directors by TSE-Listed Companies
Ratio of Prime Market Companies with ⅓ or more Independent Directors



Source: Japan Exchange Group

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.

Further momentum towards unwinding is being accelerated by proxy voting advisers such as ISS and Glass Lewis recommending that shareholders vote against management teams with equity investments exceeding a percentage of net assets (20% for ISS and 10% for Glass Lewis) as well as those achieving persistently low ROEs. Upcoming changes in global bank capital rules will increase the risk-weightings for holding stocks, further incentivising unwinding. Reduced cosy cross-shareholdings and the rise of activist investors in Japan are finally making AGM season into more than a rubber-stamping event. This was seen most starkly in the very low 50.6% approval rating for longstanding Canon chairman Mr. Mitarai in 2023, who only narrowly avoided a humiliating result. Other management teams have had to take note: this year has seen the highest number of shareholder AGM proposals in Japan on record. In addition, the high-profile Toyota Group has indicated plans to reduce cross-shareholdings and saw the first sell-down of core group company cross-shareholdings in December 2023.

It is well understood that Japanese equities now trade at a significant discount to US equities but less commonly appreciated that Japanese corporate earnings have outgrown the US market over the past 10 and 20 years. Overcapitalised balance sheets can be put to work both investing for growth and increasing shareholder returns. Corporate Japan's excess cash has continued to build up despite dividend growth exceeding other markets and share buybacks rising six-fold in the past decade.

We see the recent reforms as part of a long-term governance improvement story rather than a silver bullet and fully expect bumps along the way. Crucially, however, the gathering momentum for governance improvements and more of a returns-focused culture is now driven from within Japan, including by the TSE.

Next Steps
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.

We continue to encourage stronger corporate governance practices in Japan by engaging directly with portfolio companies and also with TSE for systemic change.

Corporate Debt Levels

Our previous concern of high corporate debt levels, a clear market risk in a rising interest rate environment, was a continued concern in 2023, resulting in corresponding positioning to help protect our clients from such risk and engagements with companies to understand corporate impact of rising interest rates.

Inflation and Interest Rates

In the current economic environment, we continue to focus on inflation and interest rates across all products. Below are some of our thoughts regarding the potential impact to our portfolios.

From a macroeconomic perspective global growth has been resilient despite synchronized monetary tightening and elevated inflation. Growth has been supported by the strength of consumer demand on the back of tight labour markets, excess savings and in some cases homeowners' equity. Corporate balance sheets have also supported investment. However, looking forward we believe that there will likely be a near-term slowdown in global growth due to the lagged effects of the global synchronized monetary tightening. Dwindling excess savings along with the moderation of wage growth as we undergo a slowdown will also contribute to a deceleration in consumer spending, contributing to weaker growth. Increased fiscal debt which was used to support economies during Covid will in our opinion, limit future fiscal spending with the exception of economies facing elections in the near term as governments pander to populism. This will only serve to exacerbate indebtedness, with implications on long term growth.

After a shaky start to 2023, economies and equity markets finished the year on a positive note. Despite a sharp increase in interest rates in the past couple of years, the only significant casualties (SVB, Credit Suisse) in the first quarter of 2023 were well contained. The failed US banks had unique business models and a severe and abrupt withdrawal of deposits, coupled with unrealised losses on securities portfolios, led to their demise. Nevertheless, given the magnitude of the increase in rates, it is likely significant tensions remain in the world's financial system.

Government fiscal policy has played an important role in the global economy since the onset of the COVID-19 pandemic. Generous subsidies and handouts bolstered the balance sheets of US consumers, but these policy choices came at a cost to the balance sheet of the government. For years, debt servicing costs for the US government have declined, despite a higher volume of debt, but this trend has started to reverse. Approximately 50% of US government debt is due to mature in the next three years. With the current US weighted average cost of debt outstanding at a mere 1.9% and the US federal budget deficit – and refinancing needs – at record levels, US debt servicing costs are projected to remain high and likely grow. The political theatre of debt ceilings and shutdowns will likely intensify over the next few years. The US economy begins 2024 from a weak fiscal starting position.

Outside of the US, higher rates have flowed quickly into shorter duration markets such as mortgages in the UK or parts of Europe. Projects which were viable under the previous interest rate regime may no longer be profitable in the current interest rate environment. Many corporates (similar to governments) have benefited from years of declining financing costs. An economic and business scenario in which interest expense and leverage weigh on profitability would be a significant departure from the experience in the past decade. Many companies have locked-in lower rates, especially during the pandemic. In some cases, they are even enjoying higher returns on their cash balances, but this sweet spot will quickly pass; in time, interest costs will rise and that will weigh on profitability, capital investment, employment and shareholder returns. We are only beginning to see the impact of higher longer-term rates on corporate balance sheets globally as companies report their year-end results, while a lack of transparency may further mask the impact of the re-setting of rates in private equity markets. There could be a myriad of other possible risks lurking in the financial system.

Given our analysis we positioned our portfolios to reflect our views, focusing on understanding the risks to portfolios and underlying holdings, as well as issuer approaches to such market risks to protect our clients' assets with the aim of providing defensiveness in a challenging market environment.

Sunevision
Engagement type: For Change
Topic: Governance – Interest Rate Risk Controls Management
Background: Sunevision is the leading data centre operator in Hong Kong. Demand for lettable space within data centres is expected to grow strongly, driven by a shift towards cloud-based computing and increasing data needs thanks to ever-increasing connectivity and AI. Sunevision benefits from its portfolio of high-specification, well-connected properties, a sticky customer base and a pipeline of new data centres under development. They are undertaking a significant investment programme as they bring new data centre capacity to the market, which is funded through a mix of debt and internal funds.

Sunevision saw a dramatic rise in the ratio of variable to fixed rate debt in their balance sheet relative to its history (increasing to 70:30). This was a result of deviating away from their normal interest rate risk controls practice. The rapid change in funding costs experienced through 2023 impacted their profitability, cash flow and the share price performance of the company.

Objective
To understand the reasons behind the shift away from normal practice regarding the company's interest rate risk controls policy. The volatility in the Hong Kong Interbank Offered Rate posed significant uncertainty in terms of Sunevision's earnings and cash flow, for a business that typically offers visibility in terms of stable revenue and cash flow.

Activity
We met with management in July 2023 and expressed our disappointment at the shift away from normal practice in their management of interest rate risk and asked that our views be raised to the Board. On a follow-up meeting in September, we were pleased to be joined by a member of the Board, giving us the opportunity to further discuss the topic and to be given confidence in terms of adherence to risk controls.

Outcome
Sunevision are exploring options to increase hedging via interest rate swaps to increase the proportion of fixed rate borrowings, offering visibility to earnings and cash flow.

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

Sociedad Quimica y Minera de Chile S.A. (SQM)

Background: Chilean resource group

ESG Analysis

SQM's principal products are lithium, potassium, and iodine-bearing compounds, of which lithium represents the majority of group revenue and profit. The primary use for lithium is in the manufacture of rechargeable batteries, making SQM a key enabler and beneficiary of the growth in the market for electric vehicles. SQM is one of the largest global producers across the majority of its products, and its scale and extensive use of solar energy in the production process give it a strong cost advantage, protecting its profitability through periods of commodity price weakness. SQM has a net cash balance sheet and with limited investment need, the company has been distributing significant dividends to investors, indicating a strong regard for the interests of minority shareholders.

Outcome

SQM stock had underperformed during the early part of 2023 as the stock price followed a sharp decline in the lithium price, creating an opportunity to initiate a position at an attractive level of undervaluation that discounts more sustainable levels of commodity prices and profitability. In April 2023 we agreed to initiate a position.

Yangtze Power

Background: Yangtze Power is a leading electricity generator in China

ESG Analysis

Yangtze Power has a portfolio that consists primarily of hydroelectric and solar power. 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, providing a good level of valuation support under a worst-case scenario.

Outcome

We decided to initiate a position in this defensive and undervalued stock during the first quarter of 2023.

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 risk 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.

Examples of Investment Alignment

In September 2020 Mondrian launched a Global Green Bonds strategy which intends to invest primarily in a broad range of fixed and/or floating rate debt securities (such as notes and bonds) of governments, their agencies, instrumentalities or political subdivisions and companies, which Mondrian classifies as green bonds. Mondrian defines green bonds as any type of bond instrument where the proceeds will be applied to finance or refinance in part or in full new and/or existing projects that the Investment Manager believes are beneficial to the environment which include but would not be limited to climate change mitigation and adaption, natural resource and biodiversity conservation and pollution prevention and control. It is intended that in normal market conditions that 100% of the portfolio holdings will be invested in green bonds, as defined by Mondrian.

One of the key advantages of investing in green bonds is that they can provide a transparent conduit for positive impact investing. The proceeds of a green bond must be used exclusively for environmentally beneficial projects, contributing to objectives such as climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control. Investors will have a clear view of how the proceeds of the bond are being used and what projects are being supported. The ability of issuers to deviate from this core principle and not invest the proceeds toward true environmental projects is also significantly restricted. Not only do issuers have to report on how the proceeds are being used but it is also common practice for independent third-party companies to verify that the issuer is upholding this commitment. Finally, investment managers should be undertaking their own analysis to ensure that they are only investing in true green bonds. Mondrian employs a full assessment of any green bond it considers for investment and monitors the portfolio on an ongoing basis to this end.

Engagements for Understanding Examples

European Investment Bank

Topic: Environmental - Green Bonds

Background: EIB bonds have been held on the green bond fund since inception given their liquid issuance across a range of currencies. Given challenges identified internally and externally through engagements with other issuers, we engaged to further our understanding of the EIB's take on implementing the EU taxonomy for its own green bonds in addition to wider discussion on their new Climate Aware Bonds framework.

Activity

We engaged with the EIB over the period Sept22 to July23 via email and video call to further our understanding of EU taxonomy implementation, specifically 'Do No Significant Harm' in practice and the EIB's recently published new Climate Awareness Bonds framework. Dialogue was constructive and in addition to furthering understanding, we fed back the challenges voiced by green bond issuers we have engaged with regarding EU taxonomy compliance.

Outcome

Engage again with the EIB in future as part of our rolling engagement program.

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	Changes Resulting from review
Mondrian Firm-wide ESG Investment Policy	ESG Investment Steering Committee; Legal; Compliance; CIOs; Group CIO; ESG Manager	Available on Mondrian website	Expanded to include reference to exclusions approach; clarified Fixed Income engagement practices; Addition of SASB as external tool to support ESG integration
Mondrian Engagement Policy	Compliance; CIOs; ESG Manager	Available on Mondrian website	No material changes for 2023 update
Mondrian's Proxy Voting Policy and Procedures	Proxy Voting Committee; ESG Manager; Investment Support Services Manager	Available on Mondrian website	No material changes for 2023 update.

We continuously evaluate the industry and where we are and are currently undertaking a thorough review of our proxy voting guidelines, to be reported on in our next report.

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 walk throughs 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

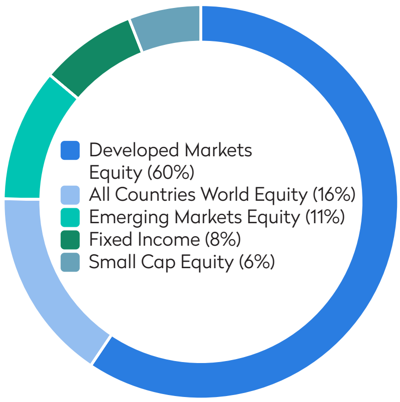
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

Mondrian's Client Base

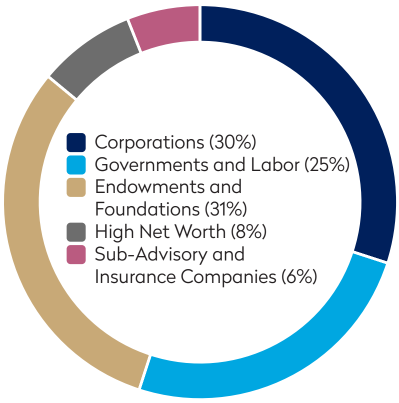
Mondrian has a diverse global client base, investing on behalf of leading corporations, public and private pension plans, endowments, and foundations in a range of equity and fixed income mandates. We are dedicated to providing exceptional client service and offer a range of institutional investment 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 2023 as in 2022. Please see below for a breakdown of clients and assets by region as of 31 December 2023:

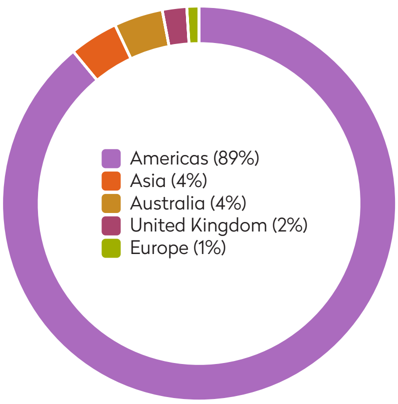
Types of Assets Managed
(Assets Under Management and Advisement)



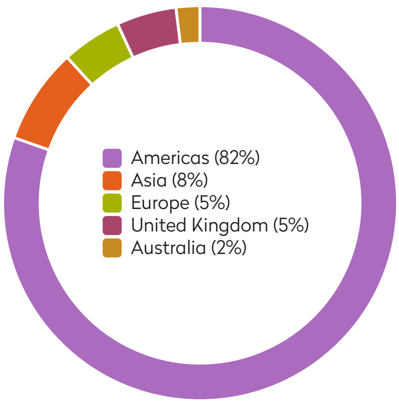
Types of Clients Served
(Number of Relationships)



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 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 establishing a client relationship, 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 that 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 in particular on proxy voting activities. As a result, we are in the process of standardising 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 our clients.

Principle 7

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

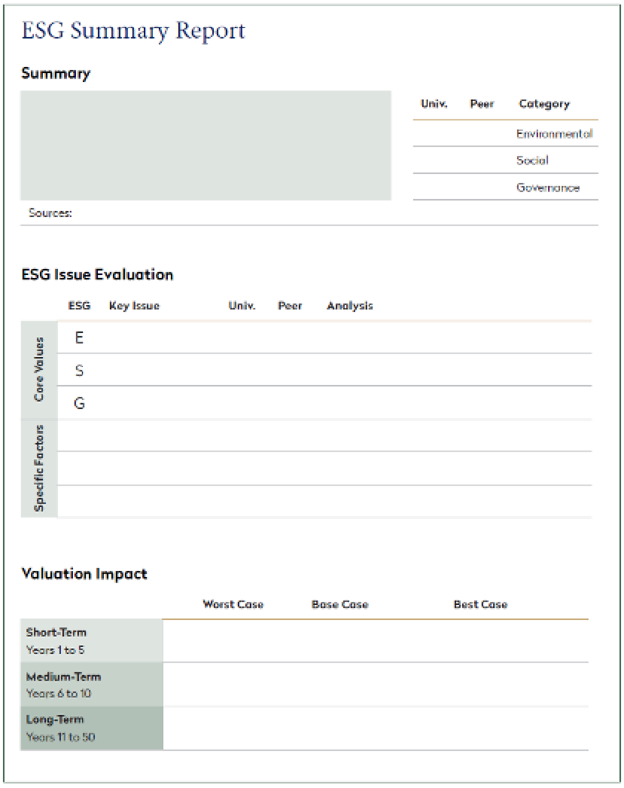
ESG Integration

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 (the Dividend Discount Model) 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.



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 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, including ESG related ambitions such as short- and long-term emissions reduction 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 steer change.

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

Activities and Outcomes

Over the course of 2023, financially material ESG topics were discussed in approximately three-quarters of equity-related meetings with current and prospective investment companies. Below are examples of ESG considerations impacting an investment decision over the reporting period

Toyota Industries Corporation (TICO)

Background: Toyota Industries Corporation is a Japanese forklift truck and auto parts maker.

ESG Analysis

Our valuation implied upside to the share price and a positive skew of outcomes, in part driven by the prospect of improving standards of corporate governance and capital allocation. In particular, TICO has significant cross-shareholdings on its balance sheet (worth more than the market capitalisation of the company itself), which are mainly shares in fellow Toyota Group companies. If these cross-shareholdings were to be unwound, it would mobilise material amounts of capital that could be deployed for growth or returned to shareholders. Release of this trapped value would also highlight the material undervaluation of the company. The investment case was also supported by other fundamental drivers including the company's strong position in the forklift truck market with a largely electrified fleet, and the leading position in the market for air-con compressors, where the company is well placed to benefit from its higher market share, average sales price, and margins in electrified vehicles.

Outcome

We added to TICO in Q1 2023.

ESG Analysis

Over the course of 2023 pressure mounted on Japanese companies to disclose the relationship between return on invested capital and their cost of capital, (not least the request by the Tokyo Stock Exchange for companies to disclose this and to explain their strategy for improvement). In part this helped to encourage the start of the unwind of certain Toyota Group cross-shareholdings (e.g., Toyota Group company Aisin announced a target to sell down their cross-shareholdings entirely, and group companies partially sold their stakes in Denso). This supported the share price of TICO, despite the company remaining non-committal for now on divesting its own large cross-shareholdings. There were also other fundamental drivers for the outperformance of TICO shares during the period including strong operational performance supported by the global recovery in auto production as chip shortages eased.

Outcome

We trimmed the position in TICO in Q4 2023, following outperformance of the shares against the broader index.

Dollar Tree

Background: Dollar Tree is a leading discount retailer with over 15,000 stores located across the US and Canada. The company's stores are split between the Dollar Tree banner, a discount variety store which primarily offers goods sold at the fixed price point of USD1.25, and Family Dollar, a multi-price point discount retailer that offers both value and convenience.

ESG Analysis

The company does not have a strong ESG record, having been involved in a number of labour controversies over time that may signal an inability to manage its large workforce. The company has also lagged peers, noticeably Dollar General, in terms of investing in its workforce and store managers. This difference has been reflected, in part, in the difference in historical financial performance of the two retailers.

Dollar Tree has been in the process of improving its ESG credentials in recent years, first in its Board of Directors establishing explicit oversight responsibilities for ESG in 2019, and more recently centralizing this oversight in a stand-alone Sustainability and Corporate Social Responsibility Committee. Further, we believe the significant change in senior management at the company, under the leadership of a highly regarded CEO with deep experience in the US discount retail sector, provides the opportunity for continued improvement as part of a wider turnaround.

Outcome

The stock had underperformed in the early part of 2023 as the company had seen gross margins pressured by elevated shrink, essentially shoplifting and theft, and after announcing a multi-year investment cycle to turn around the ailing Family Dollar banner. This weakness offered an attractive opportunity to invest in a highly differentiated retailer with one of the most highly regarded management teams in retail.

Deutsche Post

Background: Deutsche Post is a German post, parcel, freight forwarding, and logistics company. The most significant driver of earnings is the group's Express business, trading under the DHL brand, which represented c.45% of group EBIT. This business has very high barriers to entry given the need for an end-to-end network and significant capital requirements and, accordingly, the industry is a 3-player oligopoly market. In addition to an attractive Base Case valuation, we also believe that Deutsche Post has a reasonable worst case driven by its business diversification and by a robust balance sheet.

ESG Analysis
The most significant ESG risks for the company relate to human capital due, in particular, to its extensive work force (with >600,000 employees, it is one of the world's largest employers within the sector) with a high degree of unionization, DHL faces significant labour-related risks, including the risk of strikes. Importantly, the company has robust labour management procedures in place: it offers performance-based renumeration in line with market standards, enjoys high rates of employee engagement through an annual group-wide employee opinion survey, fosters motivation through a targeted and wide-ranging training program, and is dedicated to creating an inclusive and equitable work environment: more than a third of the workforce are women; 178 nationalities are represented at its sites in Germany; and it employs more than 14,000 people with disabilities in its Deutsche Post operations. Nevertheless, labour issues will continue to be the most significant risk factor to the company from an ESG perspective, and something we will monitor carefully as we continue to hold the position.

The most significant ESG opportunities for the company relate to climate change. While DHL's activities are reasonably carbon intensive (due to the significant vehicle fleet required for mail and parcel delivery), the company has strong programs in place to reduce its carbon emissions, use renewable power at its facilities, and increasingly deploy EVs in its fleet (where feasible).The company intends to spend up to EUR7 billion on decarbonisation measures by 2030 (including on sustainable fuels, fleet electrification, on improved rail and biogas trucks) as it targets a reduction in its direct and indirect emissions of 42% by 2030, in line with its goal of reducing all logistics-related greenhouse gas emissions to net zero by 2050, including those of its suppliers and sub-contractors.

Outcome
We initiated a position in the company in Q4 2023.

Yum China
Background: Yum China is a leading quick service restaurant operator in China, operating and franchising restaurants primarily under the KFC and Pizza Hut brands. The company has a long track record of delivering growth in profits.

ESG Analysis
Having been spun out of the US company Yum! Brands, Yum China has adopted many governance practices that are more typically found in developed markets, giving the company a reputation for strong governance that sets it apart from many other Chinese companies. Yum China has a net cash position on its balance sheet but unusually in China, it has a clear policy for shareholder returns that should underpin a sustainable stream of dividends with opportunistic share buybacks.

Outcome
During the Q4 2023, the stock fell sharply on fears of a weak outlook for Chinese consumer spending in 2024, creating an opportunity to invest in this well-governed company at a more favourable valuation.

H.U. Group
Background: H.U. Group operates within the healthcare industry with a complementary offering of clinical laboratory testing services, and in-vitro diagnostics (IVD) tools and reagents. It is number one in Japan in each field and supplies global IVD leaders critical raw materials on a private label basis. ESG Analysis: In summer 2022, the company unexpectedly cut its residential broadband prices by 40% for new customers, in an effort to take further market share. This move was contrary to our understanding of the business model and seemed imprudent given the strength of the number one player, who could (and did) respond with a price war.

Medical advances and greater access to healthcare has contributed to improved life expectancy and quality of life. Novel treatments, and enhancements to established ones, continue to deliver improved patient outcomes, but without early and accurate disease diagnosis the best course of treatment may be missed.

ESG Analysis
H.U. Group's core laboratory testing and extensive range of high-sensitivity diagnostic tests drive earnings and cash flow generation support shareholder returns in the form of dividends. A new strategic emphasis to supply raw materials to global IVD players expands its addressable market and extends the social impact of its technologies worldwide. Put simply, the company generates value by promoting good health and wellbeing.

It also has good corporate governance and management remuneration designed to maximise shareholder value. Independent members form a majority (7 out of 9) of the board and boast strong credentials such as careers at McKinsey & Co and Lincoln International. Additionally, executives are held to account by a nominating committee, of which all members are independent directors. CEO and shareholder interests are well aligned given base salary, cash bonus and stock awards each equal 1/3 of compensation. Board members and executive officers are similarly incentivised through a combination of cash bonus and stock awards. While common practice across most developed markets, these points make H.U. Group's governance stand out from Japanese peers.

Outcome
Mondrian added H.U. Group to its portfolio in 2023.

SISB Public (SISB)
Background: Singapore International School of Bangkok (SISB) offers quality education at an affordable price, primarily targeting middle- to high- income Thai families as well as Chinese nationals.

ESG Analysis
Whilst performing due diligence on SISB, we were particularly impressed with the company's human resources policies focused on training and internal promotion. SISB pursues sustainable growth targets ensuring substantial training is provided to teachers to enable this growth.

SISB works with recruitment agencies as well as with universities in Singapore and Malaysia to attract fresh graduates. SISB then invests in graduates' further certification, which is enhanced by structured in-house training. The company does not recruit school principals/heads externally. Instead, they follow a strict in-house human capital progression model with a focus on the professional development of their own staff.

SISB's remuneration package is lower compared to top tier private schools in Thailand. However, due to the company's strong brand and internal career progression opportunities, they have been able to successfully attract and retain teachers in the past keeping turnover rates in line with industry average. SISB does not require teachers to hold UK/US nationalities which broadens their recruitment pool as well as lowers costs. SISB offers a mid-range salary to their staff including other benefits such as life/health insurance, flight allowance, childcare allowance, and corporate cars.

Outcome
Teachers are a key factor in the provision of quality education and are one of the top factors considered by parents when selecting schools. Mondrian built confidence in SISB's ability to attract and retain high quality staff, helping to ensure attractive business growth prospects. We initiated a position in SISB in 2023 with a strong buy conviction.

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 Factors

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 micrometres 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.

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 2023, financially material ESG topics were discussed in over 90% of 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 Italy and Malaysia. It sets out a summary of some of key underlying data that feeds in to our overall ESG assessment for each country.

Mondrian Sovereign ESG Profile Summary Italy

Overall ESG Assessment Good

S&P	BBB/Stable	**Mondrian Model Rating**	BBB
Moody's	Baa3/Stable	**Mondrian ESG Score (1-100)**	69.6
Fitch	BBB/Stable		

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

Environmental Profile Good

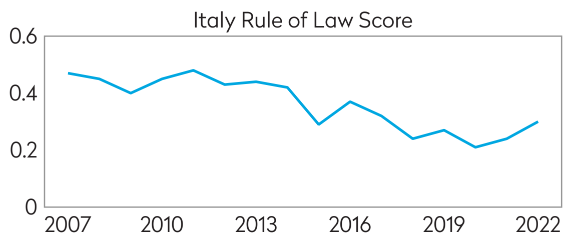
Environmental Performance Index	71
Environmental Health	85.5
Ecosystem Health	61.3
Notre Dame - Global Adaptation Index	60.12

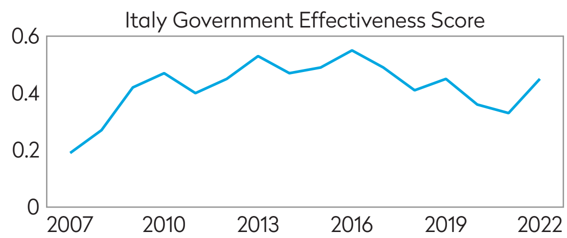
Social Profile Good

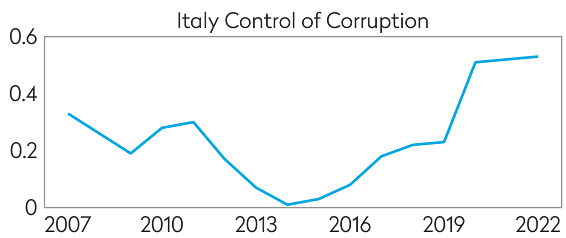
	Italy	BBB Average
UN Human Development Index	0.90	0.79
Social Progress Index	85.23	74.13
Transparency International Corruption Perceptions	56.0	44.78
Political Rights (1= High; 7 = Low)	1.0	2.6
Civil Liberties (1 = High; 7 = Low)	1.0	2.7
Gini Coefficient (Income inequality)	35.2	38.5

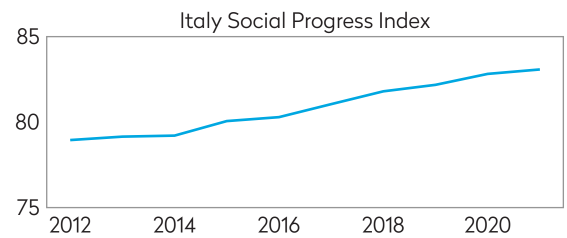
Governance Profile Good

World Wide Governance Indicators:		BBB Average
Government Effectiveness	0.45	0.26
Rule of Law	0.30	0.09
Control of Corruption	0.53	-0.17
Political Stability	0.41	0.27









Mondrian Sovereign ESG Profile Summary — Malaysia

Overall ESG Assessment — Moderate

S&P	A/Stable	**Mondrian Model Rating**	BBB+
Moody's	A3/Stable	**Mondrian ESG Score (1-100)**	58.7
Fitch	BBB+/Stable		

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

Environmental Profile — Moderate

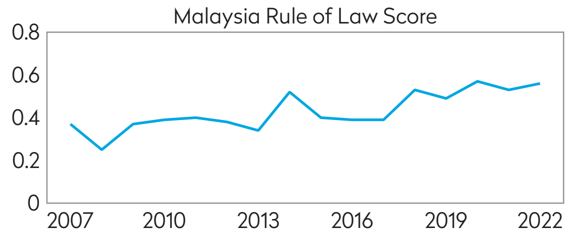
Environmental Performance Index	47.9
Environmental Health	55.4
Ecosystem Health	42.9
Notre Dame - Global Adaptation Index	56.92

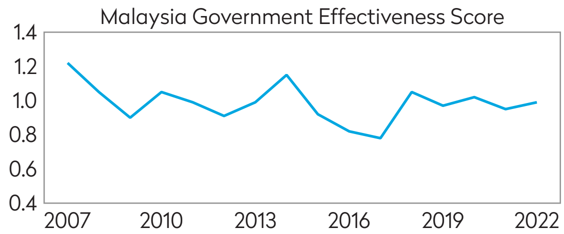
Social Profile — Moderate

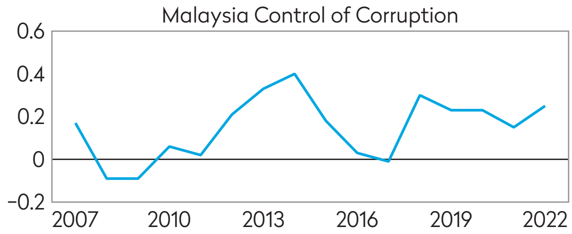
	Malaysia	BBB Average
UN Human Development Index	0.80	0.79
Social Progress Index	74.08	74.13
Transparency International Corruption Perceptions	47.0	44.78
Political Rights (1= High; 7 = Low)	4.0	2.6
Civil Liberties (1 = High; 7 = Low)	4.0	2.7
Gini Coefficient (Income inequality)	41.2	38.5

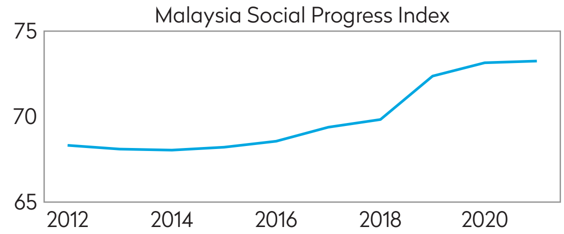
Governance Profile — Good

World Wide Governance Indicators:		BBB Average
Government Effectiveness	0.99	0.26
Rule of Law	0.56	0.09
Control of Corruption	0.25	-0.17
Political Stability	0.14	0.27









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

Aroundtown

Topic: Credit risk – Governance (Financial Policy)
Background: Aroundtown is a German real estate company held in our Global Aggregate Bond strategy.

ESG Analysis

Over 2022 and 2023 Aroundtown management took the decision to not call their outstanding perpetual notes as the first call dates arrived. It is a general assumption held across bondholders that these types of securities will be called at the first opportunity. Whilst calling the notes is entirely within Aroundtown's legal powers, and it could be argued financially prudent to not do so given the financing environment over this period, not calling such securities is seen very negatively by investors. This caused a huge amount of volatility in Aroundtown's perpetual and senior debt as investors reacted. Aroundtown's bonds underperformed significantly in 2022 and continued to exhibit significant volatility in 2023.

At present, we still do not see the above as a long-term credit concern and we continue to rate Aroundtown as BBB+. However, in the short term it has certainly seen significant upward pressure on credit spreads and therefore financing and refinancing rates. Liquidity remains strong at Aroundtown and the business is also cash generative, which are offsetting factors. But there is a high degree of uncertainty in valuations in Aroundtown's bonds.

As we enter 2024, there has been no change in Aroundtown's policy.

Outcome

Aroundtown's bonds continued to exhibit high volatility across 2023 as they had in 2022. The bond valuations were out of line with both the industry as well as similarly rated companies across sectors. Given the uncertainty around Aroundtown's bond valuations, and whilst we remained invested due to very attractive valuations, we applied significantly tighter investment limits as we would normally. This essentially kept a lower cap on investment in Aroundtown than otherwise what the valuations of the bonds would have signalled.

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 2023 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 2023 Mondrian complemented our proxy adviser's recommendations with that of a separate proxy adviser where analysts or our Proxy Voting Committee deemed more guidance was needed for proposal voting decisions. 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 are looking 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. Should engagement continue to prove unsuccessful in fulfilling the required objectives, Mondrian may choose to divest the shares.

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 2023 calendar year, Mondrian equity analysts participated in over 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

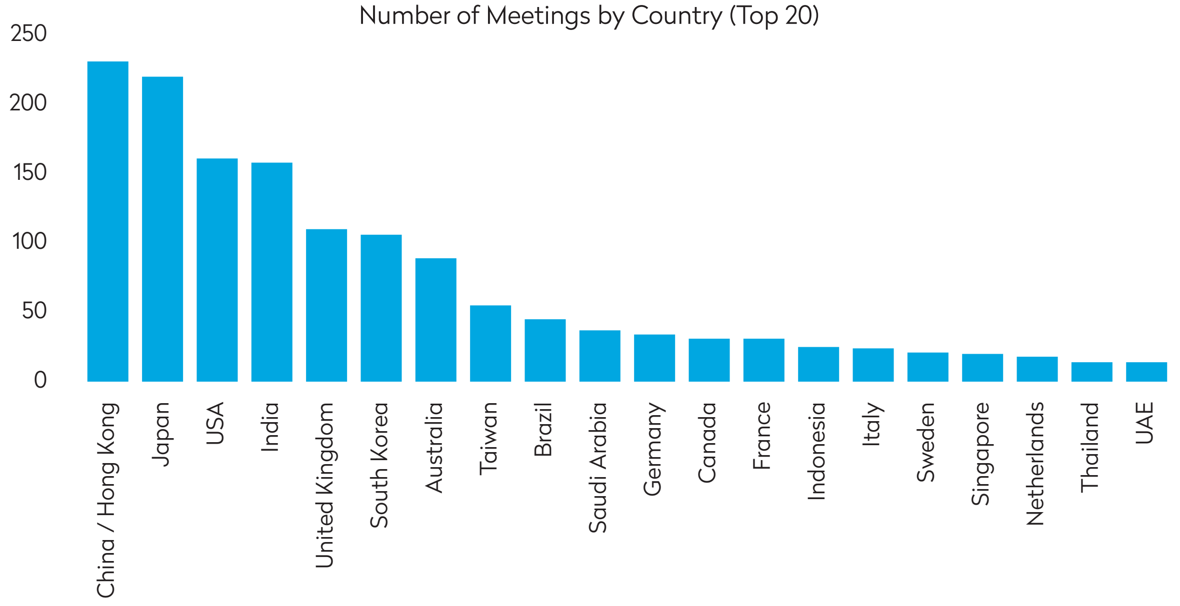
For Understanding	For Change	For Both Understanding and Chance
96%	1%	3%

ESG-related topics Discussed

Issue	Topic	Number of Times Discussed
Environmental	Climate Change	182
	Natural Capital	40
	Pollution and Waste	151
	Green Opportunities	318
	Other Environmental	92
Social	Labour	325
	Supply Chain	324
	Product Safety and Security	142
	Social Opportunities	67
	Diversity and Inclusion	28
	Other Social	151
Governance	Board Composition	287
	Remuneration	108
	Ownership	338
	Accounting	298
	Other Governance	459

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

Number of Meetings by Company Domicile



Engagement for Understanding Examples

Tesco Plc

Topic: Social: supply chain modern slavery risk management
Background: Tesco is a British multinational groceries and general merchandise retailer. One of the key challenges for food retailers is managing the risks of forced labour or modern slavery in their supply chains. Controversies regarding forced labour can lead to significant reputational damage, impacting both earnings and returns.

Objective
Engage the company to understand its internal approach for identification, management, and mitigation of modern slavery risks within its supply chain.

Activity
Mondrian held a video call with Tesco's head of ESG, Head of Human Rights for Food and Procurement, and the Human Rights Manager within the Human Rights for Food and Procurement team in November 2023 to discuss potential modern slavery risks and how the company assesses and manages such risks. During the meeting we learned that Tesco relies on external expert advice (stakeholders, NGOs, inputs from workers with lived experience) and good relationships with its suppliers. Though some of their modern slavery risk management is proactive, some is reactive as well. While it asks suppliers to have modern slavery and human rights policies, it aims to go well beyond ethical audit programmes referencing multiple perspectives from credible experts. Tesco highlighted the importance of grass roots understanding of businesses and local ethical forums with the local knowledge to hold Tesco / suppliers to account. The company does not assume that what works in one place will work elsewhere. Tesco is aware of the tension between different standards in different markets and tends not to jump into suspension where there is audit non-conformity; rather, it will help by working with suppliers in good faith to achieve better standards. Ethical quality is an important company tenet. We discussed industry trends and the evolution of due diligence practices, third party modern slavery risk ratings and engagement with rights holders – i.e., communities, workers, those with lived experiences.

Outcome
From our meeting with the Tesco ESG and Human Rights Team, we gained a better understanding around the company's modern slavery risk identification and management approach, which looks to combine commerciality with stakeholder interests and go beyond policy statements. Tesco seems to be an industry leader in this area according to Know the Chain – a resource for companies and investors to help understand and address forced labour risks within supply chains - ranking 2nd out of 60 companies included in the 2022 Food & Beverage report.

Sony Group Corporation

Topic: Governance: alignment of management incentives with shareholder interests
Background: Sony Group Corporation is a Japanese diversified entertainment and electronics group.

The company compares favourably with respect to its emissions reduction approach versus domestic Japanese peers. It announced its 'Road to Zero' initiative in 2010 and in 2022 had its net zero emissions target accredited by the Science Based Target Initiative (SBTi). The company commits to reach net-zero greenhouse gas emissions across the value chain by FY2040 from a FY2018 base year. It is also a signatory to the RE100 initiative, where it has pledged to use 100% renewable electricity by 2040. Sony's disclosures indicate that it is making good progress towards the decarbonisation of its business.

Sony also ranks well amongst Japanese companies on corporate governance practices. Its board is majority independent, has non-Japanese members and 30% of members are women. Currently, such board characteristics still tend to be rarities in Japan.

We believe that the company could go further in its alignment of management incentives with shareholder interests. Although we have seen a positive move towards greater stock compensation and variable compensation, we believe that measures such as return on capital and total shareholder return tend to be better measures of variable pay than the measure of absolute adjusted EBITDA that Sony currently adopts.

Outcome
Engage the company to understand the potential of any evolution in the alignment of management incentives with shareholder interests and encourage better corporate governance practices.

Activity
In September 2023, Mondrian met with Sony CFO, Hiroki Totoki (who is also a board member) at our London office. During the discussion, we continued our engagement to encourage the alignment of Sony's incentive structure more closely with shareholder interests. The company stressed its belief that EBITDA growth focuses the mindset best in what has historically been a relatively conservative culture. We provided feedback that more was needed, and highlighted our belief that return on capital and total shareholder return were better measures of variable pay, encouraging more focus on shareholder returns.

Outcome
We appreciate that change in corporate practices takes time. This issue and engagement are ongoing, and we intend to continue engaging with the company on this topic.

CNH Industrial

Topic: Governance/ Social – Ownership and Labour Relations
Background: CNH is an equipment and services company engaged in the design, production, marketing, sale, and financing of agricultural and construction equipment.

Objective

CNH was dual listed in Italy and the US and had proposed de-listing in Italy to focus on the US listing. We wanted to understand the governance implications for minority shareholders in the context of the broader structure, and the large external shareholder (Exor).

CNH also faced strikes at plants over the course of 2022; we wanted to understand the background to these, and how they would aim to avoid them in the future.

Activity

We spoke to the company prior to initiation and discussed the governance structure, the thinking and the process behind the decision to de-list in Italy, and the input from Exor in the decision.

Outcome

Ultimately, we became comfortable that the decision to de-list was made for good reasons, which included that 1) the de-listing would reduce administrative and reporting burden and costs for the company; 2) the dual listing was creating noise around the stock and potentially impacting the valuation as it was considered more of a European stock, whereas significant exposure comes from the US (and peers are solely listed in the US); and 3) the majority of CNH stock trading had progressively shifted to the NYSE anyway, indicating that the Company's business profile and investor base fit better with a single US listing.

The company explained that strikes were largely due to union disputes, which were seen across the industry and other manufacturing industries; that they were resolved, and that they had put measures in place to ensure they were well prepared in future discussions with unions.

The de-listing has now been completed (1 January 2024). We will continue to engage with the company to keep informed regarding governance and other ESG issues. We will also follow up regarding labour relations going forward.

Walmart

Topic: Social – Human Rights/Modern Slavery
Background: Walmart Inc. is an American multinational retail corporation that operates a chain of hypermarkets, discount department stores, and grocery stores in the United States and select international markets.

Objective

As part of the analysis of ESG risks and opportunities in the equity valuation process, we engaged with the ESG team at Walmart to better understand their exposure to modern slavery risks given their operations in "higher risk" geographies and industry sectors, in particular where migrant or temporary workers are utilised.

Activity

On 15th May 2023, Mondrian reached out to Walmart to understand areas of focus or improvement with respect to human rights and modern slavery over the past year, as well as key levers and policies for mitigating the risk of modern slavery within its supply chain.

Outcome

With respect to recent developments relating to modern slavery risks, the company highlighted that it has taken several actions including: launching a new supplier leadership program – over 400 of Walmart's suppliers are now participating, reporting to the company on their commitments and progress with respect to responsible recruitment; the company has launched additional, targeted, off-cycle audits of supplier facilities with higher modern slavery risk; finally, the company continues to monitor suppliers' facilities with its Standards for Suppliers, which sets out its foundational expectations for suppliers, addressing fundamental issues, including forced labour. Given that nearly 50% of non-compliance cases arise from sources other than its auditing process, Walmart also has several mechanisms for workers to raise concerns directly with the company, including a 24/7 global helpline available in 29 languages. Any supplier found to have violated its Standards for Suppliers will be subject to consequences, up to and including termination of business with Walmart. Between 2018 and 2022, Walmart has stopped doing business with fifteen suppliers in response to serious violations of its Standards.

Activity

We continued our discussions on modern slavery risk with Walmart during a meeting with IR on 7th June 2023.

Outcome
Modern slavery and poor third party ESG scores remain a concern of management and IR. The company is working on its ESG program but have found that the rating agencies tend to flag them given their size, noting that while Walmart may have 10 million articles written about them, a smaller retailer will have far fewer. The company also noted that journalists like to include Walmart in headlines because it makes the article more likely to be read. The company believe they are doing a lot to mitigate risks and are well placed relative to peers. Upon engaging MSCI and Sustainalytics, these ESG ratings companies have admitted fault to Walmart in how they quantify the risks, with a bias towards finding more issues with larger companies. Given their size Walmart believes they will likely always be fighting the perception of being higher risk regardless of the processes they put in place. However, the IR team is working hard to educate investors on the work they are doing in an attempt to remove the negative perception.

Vale

Topic: Environmental
Background: Vale is a global mining company whose main business is the extraction of iron ore for use in making steel. The steelmaking process using the blast furnace method typically has a high carbon intensity because of the high energy input required and the use of coking coal as a key input in the production process. As steelmakers in many jurisdictions will become subject to explicit carbon costs regimes, they may come under economic pressure to reduce their emissions. In an extreme case, this can cause them to abandon older blast furnaces, which could reduce the demand for iron ore. The pace and extent of introduction of carbon costs could therefore have substantial implications for the development of the market for iron ore and related products.

Objective
Understand the extent to which the company may be impacted by potentially changing demand for iron ore as well as any environmental opportunities

Activity
As part of our regular due diligence meetings, we engaged with Vale to understand the extent to which their business is threatened by this trend and any countervailing opportunities that may arise.

Outcome
As a result of our engagement, we learnt that there is a spectrum of measures that steelmakers may take to reduce the carbon emissions that result from the steel production process. These can include increasing the usage of high-grade iron ore, or switching to use iron ore pellets and briquettes, which can reduce overall energy use by reducing the number of processes and enable the substitution of coal with cleaner fuels. These efforts are likely to result in an increase in the demand for iron ore pellets and briquettes over time, adding to already-positive demand trends for so-called iron ore agglomerates which typically command a substantial price premium to regular iron ore. Therefore, the need of steelmakers to reduce emissions may create growth opportunities for Vale.

We further learnt of Vale's progress in developing new value-added agglomerate products to meet specific customer needs, which should build on its strong existing position in the market for iron ore pellets. These products are envisaged to represent a growing proportion of the company's output over time and should increase average selling prices and profit margins, leading to overall profit growth potential for the iron ore business. This should also help to diversify the group's business geographically, reducing reliance on China as a source of demand. Meanwhile, further capital investment to support this growth will be needed but this should be possible while sustaining a high dividend pay-out.

This engagement reinforced our belief that Vale's valuation has unrecognised upside risks stemming from the energy transition.

HCL Technologies

Topic: Social - human capital development
Background: HCL Technologies is a leading Indian IT service provider, with a client base of large global enterprises. The company's business depends on hiring and retaining people with strong aptitude in computing and business applications that can deliver its services. Typically, the IT service industry hires from a pool of technical graduates from prestigious Indian universities and provides structured training to develop and hone their skills.

Objective
While HCL follows these practices, historically it had a greater reliance on experienced hires than larger peers. In the wake of the Covid-19 pandemic, HCL and its competitors experienced a substantial spike in demand for their services. This in turn pushed up staffing costs, through greater hiring activity, more acute wage pressure and greater use of subcontractors to meet demand.

Activity
We engaged with HCL to understand their approach to managing the margin pressures stemming from these labour cost increases and ongoing developments in their approach toward human capital.

Outcome
These discussions revealed that HCL has shifted its hiring practices more toward hiring and training graduates, in contrast to its past reliance on experienced hires. The company intends to continue to develop this pipeline, hire consistent numbers and raise its profile as a graduate employer. Furthermore, HCL is seeking graduate hires from a much wider range of technical colleges than previously, particularly from smaller cities where there are fewer employment opportunities and employee loyalty has generally been higher. The company has also achieved a higher degree of localised roles than some peers in its overseas markets, providing secure employment opportunities rather than utilising visa schemes in order to send India-based staff. In these ways, the company should be able to better manage its supply of IT professionals and have a more stable employee base, while also improving diversity and reducing risk.

Baidu

Topic: Baidu
Background: Baidu is a Chinese technology company that invested heavily over the course of several years to develop capabilities in autonomous driving, particularly through its subsidiary Apollo. During the extended development phase of these products and services, there has been limited information to enable investors to quantify the capability and long-term opportunity that such systems may provide. However, in prior months, Baidu Apollo had finally gained approval to launch fully autonomous driverless ride-hailing services in several Chinese cities, including Beijing.

Objective
To better understand the company's view of the market opportunity for autonomous driving products.

Activity
In the light of this important development, in May 2023 we engaged with the company to understand the outlook and opportunity for its autonomous driving services, but also the extent to which these products may expose their makers to risks, such as product liability issues.

Outcome
As a result of our engagement, we learnt that Baidu has a wide range of products and services under development that could benefit from its autonomous driving capability, giving the company several potential means of monetising its investment. Alongside an expansion of the autonomous ride-hailing service, further plans appear to include the sale of autonomous vehicles and the incorporation of their systems in cars manufactured by several manufacturers. Secondly, the incorporation of new artificial intelligence features has the potential to further improve the performance and capability of its autonomous driving systems, particularly in terms of reliability and safety. However, the extent to which Baidu could be held responsible for any safety issues arising from the use of its systems in China remains unclear.

Additionally, we gained a better understanding of the Baidu's plans for monetising its investment in autonomous driving, and for de-risking its future growth from these initiatives. We continue to believe that scenario analysis provides the best means of understanding the risks and opportunities posed by these developments.

QL Resources (QL)

Topic: Environment - Divestment of palm oil plantation and increasing stake in BM Greentech
Background: QL owns a majority stake in a palm oil plantation in Indonesia of which a 25% stake is owned by a local family. The company announced its plans to divest its palm oil plantation business and instead focus on BM Greentech, the leading biomass boiler manufacturer with an increasing focus on wastewater treatment solutions and solar energy. However, the divestment of palm oil business had been slow to progress.

Objective
To understand palm oil and clean energy business strategy

Activity
Mondrian travelled to Malaysia in June 2023 and met with QL Resources to discuss the business' future growth prospects as well as the palm oil business strategy.

Outcome
Delay in the plantation's sale was caused by the minority shareholder. However, there had been some evident progress in coordinating the sale and each shareholder appointed a valuer. They expect to complete the sale as soon as the valuation is agreed, and a buyer is found. In the meantime, they have not allocated any investments to the palm oil plantation. QL now own 52.6% stake in BM Greentech with clean energy becoming one of the key growth drivers.

Britvic

Topic: Environmental – packaging
Background: Britvic, a manufacturer and distributor of soft drinks, benefits from owning several strong brands while also acting as the exclusive bottler of Pepsi products in the British Isles. The company targets 100% recycled packaging in their Pepsi bottling in order to improve their sustainability credentials

Objective
To gain insights into the difficulties associated with their increased use of recycled PET (rPET) in bottling and to understand the financial burden associated with sustainable packaging. We were initially unsure whether the costs of transitioning to higher rPET percentages would outweigh the benefits.

Activity
During discussions on a site visit to one of their bottling facilities, it became evident that Britvic currently faces limitations in achieving their ambition of reaching 100% rPET in their Pepsi bottling due to a lack of available materials. The company cited the deterioration in the quality of rPET as a key factor making such a goal unviable today. Presently, their Pepsi bottling incorporates 24% rPET. The company made it clear that the value in enhancing its consumer image through the incorporation of rPET would be beneficial in the long term. Furthermore, the potential rollout of a deposit return scheme could mitigate their challenges by reducing the cost of rPET as more recycled material enters the supply chain.

Outcome
We concluded that despite some of the short-term issues, the continued transition to rPET would have minimal financial implications while improving brand image and lowering risks from carbon emissions. We were glad to see their pragmatic approach towards implementing environmentally friendly packaging. In addition to their commitment to incorporate more rPET, Britvic has emphasized sustainability by introducing industry leading Ecopack plant-based cartons. This showcases their innovative approach to packaging, highlighting a dual commitment to minimizing environmental impact and ensuring cost-effectiveness.

Engagement for Change Examples

NICE Information Services (NICE)

Topic: Governance – Shareholder Return Policy
Background: NICE is the leading credit bureau in South Korea. The company enjoys 65% market share and benefits from greater scale versus competition. The business is highly cash generative and capable of returning significant capital to shareholders. However, NICE's shareholder return policy is sub-optimal given the company retains a significant net cash position (equivalent to greater than 20% of market capitalization) and holds treasury shares with no intended use case

Objective
To encourage the Board to improve NICE's shareholder return policy.

Activity
Mondrian's engagement on this topic included an in-person discussion with the Investor Relations manager and a letter to the CEO and Board of Directors.

Outcome
NICE responded to our letter and subsequently strengthened their shareholder return policy a few weeks later in a public announcement. The updated policy improves the predictability of dividends but falls short of committing to materially higher distributions to shareholders.

Follow Up
Mondrian intends to continue to engage with NICE to further improve the shareholder return policy.

Kyocera

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

Objective
Improved capital allocation and corporate governance. There is potentially significant upside if capital allocation were to be improved given the company's excessive diversification and over-capitalized balance sheet incl. c.50% market cap in KDDI cross-shareholding.

Activity
Mondrian met with the Kyocera President on 7th September, along with the Executive Officer, General Manager of Corporate Management Control Group and IR at our London office to discuss medium-term management plans, investment strategy and corporate governance practices including director independence.

Outcome
We continue to encourage improved capital allocation and corporate governance at Kyocera. We have also arranged Kyocera's first ever investor meeting with an Independent Director for Q4 2023.

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	Collaborative	Non-Issuer Stakeholders
Engagement with issuers	Engagement with issuers through investor groups	Broader engagement
Fundamental part of our research process Target underperformers on our ESG metrics	Greater impact EM Investors Alliance Climate Bonds Initiative PRI Statement on ESG in Credit Ratings	Knowledge sharing Rating agencies Data providers Primary dealers

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.

Turkey
Engagement Type: For Understanding
Topic: Environmental – Environmental risk management and green bonds
Background: In the 2020 Yale University Environmental Performance Index, Turkey was one of a number of countries that ranked within the lowest quartile, especially on ecosystem health and vitality. It also scored poorly in the Global Adaptations index published by the University of Notre Dame.

Objective
We engaged with the government of Turkey to understand what efforts were being made to improve the country's environmental health and performance.

Activities
In 2021 Mondrian wrote a letter to the Turkish government to understand what efforts were being made to improve Turkey's record on environmental performance. We explained that across the range of indicators that we look at for Environmental Performance within the Yale Environmental Performance Index, Turkey was in the lowest quartile rank of countries for these indicators. Whilst the government of Turkey was to be commended in improving its score on environmental health in the Yale University Environmental Performance Index for 2020, the report noted that more could be done to improve ecosystem health and vitality.

Outcome
In April 2023 the Turkish Treasury issued its first ever green bond to be used for the financing/refinancing of green projects that meet the eligibility criteria. In October 2023, the Turkish government issued a press release regarding its Treasury Financing Program: 2023 Developments and 2024 Projections highlighting that "the green bond issuance was important in terms of reaching a new international investor base, financing of medium and long-term development goals, and supporting sustainable economic growth. In addition, this green bond issuance has contributed to 2053 net zero emission targets of [the] country and efforts to combat climate change." The Turkish green bond use of proceeds include but are not limited to Sustainable Water and Wastewater Management projects and Sustainable Management of Living Natural Resources and Land Use and Terrestrial and Aquatic Biodiversity projects, which should help fund improvements in the environment and thus help the Yale Environmental Performance Index ranking for the country. The Italian Ministry of Economy and Finance responded that they are analysing in detail and on an ongoing basis what the consequences could be of further developments within the EU Taxonomy for their green bond activity, and consequently setting up an assessment process when selecting and reporting the capital and operational expenditures eligible to be financed by green government bond proceeds. They also informed us that there are currently discussions in Brussels on the issue and at this stage it is very difficult to express any firm and detailed opinion, however it is very likely that they will keep on moving forward towards the closest possible alignment with the EU Taxonomy rules as they become operational. They also mentioned that they are working to fully respect the DNSH requirement even though presently this is not a legal requirement for green bond issues.

They were also of the opinion that a simplification of the standards would be welcome, especially to consider the specific features for Sovereign issuers, which face the task of aligning eligibility requirements of the green share of RRF items with those applied to the green government bonds. They also mentioned that at that time, the EU Taxonomy Regulation was still not formally embedded in Italy's framework, and to that effect they may work on some partial adjustments, but they are waiting for the new EU-GBS Regulation to be finalized to formally include the EU Taxonomy Regulation.

Follow Up
We continue to engage the Ministry of Treasury and Finance of Turkey's Investor Relations Office to understand the government's environmental initiatives including green bond-related projects.

Brazil

Engagement Type: For Understanding
Topic: Environmental – Green Bonds
Background: Brazil is one of the largest carbon emitters globally, driven by high levels of deforestation, making it a key player in the global decarbonisation effort. In the 2022 Yale University Environmental Performance Index and the Global Adaptions Index published by the University of Notre Dame, there was a deterioration in Brazil's overall environmental performance.

Objective: We engaged with the government of Brazil to understand what efforts were being made to improve the country's environmental health and performance.

Activities
In Q1 2023 we wrote a letter to engage with Brazil to find out what efforts were being made to improve Brazil's record on environmental performance.

We highlighted the importance of environmental, social and governance analysis in our sovereign credit analysis and overall investment process. We noted that the government of Brazil had made improvements in their environmental performance over the past decade, however, we sought to discuss what further efforts could be made to maintain the trend of improvement. More specifically, we wanted to address the most recent deterioration and recent increase in CO2 emissions both in per capita and as a percentage of Gross Domestic Product.

We emphasised that we believe the development of the green bond market to be beneficial for sovereign issuers as a means of improving environmental performance. Therefore, we engaged to further our understanding on Brazil's plans to issue a sovereign green bond and the types of projects that would be considered. We were particularly interested to find out if there would be alignment with internally recognised standard such as ICMA, and the whether the issuance would be in local currency (BRL) or hard currency (USD or EUR). Additionally, we sought to understand if the focus would be on a single large project or if multiple green bonds would be issued.

Outcome
In September 2023, the Brazilian government issued a framework for the issuance of sustainability linked bonds. Brazil acknowledges the importance of reducing deforestation and a market appetite for green bonds. Mondrian's engagement efforts, combined with the concerns of other investors around Brazil's environmental performance, had a positive impact in encouraging Brazil's climate agenda.

Follow Up
We will continue to engage with Brazil for a clearer outline of the projects being financed using the bond's proceeds upon issuance.

3M
Engagement Type: For Understanding
Topic: Environmental – Scope 3 disclosures
Background: 3M is an American conglomerate that produces over 60,000 products under several brands in the fields of industry, worker safety, healthcare, and consumer goods. Bonds issued by 3M have been held in our Aggregate Fixed Income strategies for a number of years.

Objective: During 2023, Mondrian's Credit Team engaged with 3M regarding scope 3 emissions. 3M score relatively highly on environmental considerations within our internal ESG model, but we specifically wanted to understand more about the ability to set and measure meaningful emissions reduction targets for scope 3 emissions for a company such as 3M with multiple intermediate products.

Activity
3M have been working on this since 2019 for categories 9-12 and whilst they can now disclose or will imminently be disclosing, data uncertainty is 50%, per the WRI/WBCSD GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, 2011. Encouragingly, 3M reported improvements in data reported from their supplier and customer bases which will gradually improve the accuracy of the data; more and more of their small customers are committing to scope 1 and 2. Overall, there appear to be genuine efforts to embed environmental impact assessments throughout the organisation; any new product has to have a clear sustainability benefit included in its business plan. For some products this might be as simple as manufactured using recycled materials initially, however what they are really looking for is product development that address or solves a sustainability issue.

Outcome
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 2023 we requested they incorporate more sovereign emissions data in line with the Partnership for Carbon Accounting Financials (PCAF) guidance to their ESG database. This would help evolve our sovereign emissions calculations in line with best practice. Haver currently is not able to provide such data, however it noted our feedback. We will continue to follow up on this with the data provider.

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

Enel SpA

Topic: Governance

Background: Enel is an Italian utility company. As holders of 1.7% of Enel shares on behalf of our clients, Mondrian participated in multiple corporate engagement activities following the Italian government's proposal to replace CEO, Francesco Starace, and amend the board in a nomination process with very little transparency and posed serious questions to the quality of corporate governance at Enel.

We believed the government had acted against the best interest of minority shareholders by removing a highly capable and well-respected CEO without engagement or a convincing explanation.

Objective

Ensure that the Enel CEO election process:

- Was conducted with transparency and independence
- In line with shareholder interest; and
- Would not disrupt Enel's existing strategy and dividend policy

Activity

In February 2023 Mondrian engaged the Italian government via a letter to Italian Prime Minister Giorgia Meloni and Minister of Economy and Finance Giancarlo Giorgetti expressing our concerns following press rumours that the government was planning to replace Enel's CEO, Mr. Francesco Starace.

In our view, one of the attractions of the Enel investment case is Mr. Starace's thoughtful leadership and careful stewardship of the company. Under his guidance, Enel has become a global leader in renewable power generation and, more recently, has also successfully navigated an extremely challenging environment caused by the European energy crisis.

Outcome

While Mondrian did not receive a response to our letter, in April 2023 the Italian Government published its list of candidates for the Enel board. The Italian Government proposed changing the entire board with Mr. Starace to be replaced by Mr. Flavio Cattaneo. Importantly, the proposed Chairman, Mr. Paolo Scaroni, was a self-declared non-independent nominee.

Activity

On 18th April 2023, Mondrian spoke with Covalis Capital, another large Enel shareholder, who proposed an alternative list of candidates comprising fully independent nominees.

Outcome
The discussion allowed us to better understand the criteria for and the background of the nominees included in the alternative slate. The call also led to us arranging a follow-up discussion with the proposed Chairman of the alternative list, Mr. Marco Mazzucchelli.

Activity
On 18th April 2023, Mondrian published a statement to the press regarding the Enel nomination process. We highlighted our concerns regarding the process around the election of the Board of Directors at Enel. In particular, we expressed our disappointment with the complete lack of transparency around the nomination process and criteria, as well as with the absence of engagement on behalf of the Italian Government despite our best efforts to initiate a constructive dialogue. In our view, the significant potential disruption to Enel's strategy and management was not in the best interest of shareholders, and the opacity of the process posed further serious questions with regard to the quality of corporate governance at Enel.

Outcome
This press statement was featured by Reuters and La Repubblica, an Italian publication, drawing more attention to the Italian government's actions at Enel.

Activity
On 27th April 2023, Mondrian held a call with the proposed CEO, Mr. Flavio Cattaneo, and representatives from the Ministry of Economy and Finance. The Italian Government had reached out to discuss our concerns.

Outcome
Mr. Cattaneo, in line with press articles over the preceding days, committed to the existing Enel strategy and dividend policy.

Activity
On 28th April 2023, Mondrian held a call with the proposed Chairman of the alternative list, Mr. Marco Mazzucchelli.

Outcome
During the call, Mr. Mazzucchelli highlighted his commitment to conduct an independent and transparent process to find the next CEO for Enel, if elected.

Activity
On 28th April 2023, Mondrian published a statement to the press regarding voting intentions at the upcoming Enel AGM. We re-iterated our concerns that the Italian government's slate proposed a non-independent chair for the Enel board, which raised serious questions around future effective oversight at Enel. We believed the nominations for both CEO and Chairman were, at least partially, politically motivated and we questioned the extent to which they would be acting in the best interests of minority shareholders.

Given the complexity of the directorial voting system at Enel, we believed voting for the list led by Mr Mazzucchelli (Covalis list) was the most effective way of maximising the likelihood of an independent board chair, providing a more diverse and independent list of candidates, where the proposed Chair would conduct a transparent and merit-based search for a new CEO.

Given the company bylaws for the election of the Board and the government's significant (circa 23%) shareholding, we believed voting for the Assogestioni list would effectively have provided a majority for the government slate, therefore it was not meaningfully different (at least in practice) from voting for the government's slate.

2023 AGM Proposal(s): 10 May 2023
Appoint Directors (Slate Election)

- Item 6.1 - Slate 1 Submitted by Ministry of Economy and Finance
  - Proponent: Shareholder - Italian Ministry of Economy and Finance
  - Management Vote Recommendation: None
  - Mondrian Vote Instruction: AGAINST
- Item 6.2 – Slate 2 Submitted by Institutional Investors (Assogestioni)
  - Proponent: Shareholders - Institutional Investors (Assogestioni)
  - Management Vote Recommendation: None
  - Mondrian Vote Instruction: AGAINST
- Item 6.3 – Slate 3 Submitted by Covalis Capital LLP and Covalis (Gibraltar) Ltd.
  - Proponent: Shareholders – Covalis Capital
  - Management Vote Recommendation: None
  - Mondrian Vote Instruction: FOR

- Item 7.1 – Elect Board Chair - Paolo Scaroni
  - Proponent: Italian Ministry of Economy and Finance
  - Management Vote Recommendation: None
  - Mondrian Vote Instruction: AGAINST
- Item 7.2 – Elect Marco Mazzucchelli as Board Chair
  - Proponent: Shareholders – Covalis Capital LLP and Covalis (Gibraltar) Ltd.
  - Management Vote Recommendation: None
  - Mondrian Vote Instruction: FOR

Outcome

- Item 6.1 – Slate 1 Submitted by Ministry of Economy and Finance, passed.
- Item 6.2 – Slate 2 Submitted by Institutional Investors (Assogestioni), did not pass.
- Item 6.3 – Slate 3 Submitted by Covalis Capital LLP and Covalis (Gibraltar) Ltd., did not pass.
- Item 7.1 – Elect Board Chair - Paolo Scaroni, passed.
- Item 7.2 – Elect Marco Mazzucchelli as Board Chair, did not pass.

Mr. Cattaneo and Mr. Scaroni were elected as CEO and Chairman, respectively.

We believe our active engagement has contributed to the new management team's decision to maintain the existing strategy and dividend policy, and a more restrained approach by the Italian government, thus improving the skew of outcomes for Enel over the long term.

Additionally, below is an update on our collaborative engagement example from 2022 with further stewardship activities in 2023 escalating our engagements with B&S Group.

B&S Group

Topic: Governance

Objective
Protect value of shareholding through improvement of corporate governance practices.

Background
B&S is a wholesaler, distributor and retailer with a global reach, focusing on higher value products such as perfumes. Operations are diverse but rely on core strengths: Strong product sourcing capabilities with deep relationships with goods manufacturers, enhanced by software systems that help anticipate customer's demands and deliver efficiency.
We initially purchased B&S at IPO in early 2018. The key seller was Mr Blijdorp, the founder and circa 70% shareholder (via an intermediary company), who had retired from a management position in the firm following a 2004 heart-attack. Mr Meulman, the CEO, was another important seller with a circa 25% holding, and management the remaining circa 5%. As part of our due diligence, we conducted a background check on Mr Blijdorp which highlighted no issues and were additionally informed that none of Mr Blijdorp's family were involved with the company.

At IPO, circa 30% of the company was sold to new investors (including Mondrian), leaving Mr Blijdorp with a holding slightly above 50%.

In the 2020 AGM, Leendert Blijdorp, Mr Blijdorp's son, was elected to the Supervisory board. Furthermore, in late 2020, Mr Meulman resigned following his wife's diagnosis with cancer and sold his stake to Mr Blijdorp at a significant premium to the prevailing share price. This took Mr Blijdorp's shareholding up to circa 67% of the company.

Suspect action by Mr Blijhdorp and reaction
B&S's trading was significantly disrupted by Covid, which interrupted business servicing cruise lines, duty free and aspects of its other international business. Company management reacted well, and the company remained profitable, but the share price fell abruptly and remained relatively low through 2022 due to this end-market disruption. In private, Mr Blijdorp made an offer to the supervisory board in mid-2022 which was rejected. This offer then came to light following the 17 Oct 22 announcement that Mr Blijdorp had requested an EGM in order to vote on the dismissal of the Chair of the Supervisory board. Obviously, this action coming from a significant shareholder and board member made us extremely concerned for the rights of minority shareholders, including ourselves.

In 2022 we engaged with other large independent shareholders in the company, forming a block with two other holders to send a letter asking 65 questions of the management board and supervisory board to try to establish the facts of the situation in more detail and to remind the directors of the company of their obligations towards minority shareholders. We also submitted a formal request to delay the EGM to ensure these answers would be received before the meeting.

The company's reply to the questions was published on 5 Dec, which shed some additional light on the situation, but cited confidentiality to obscure the answer to the key question of whether Mr Blijdorp had proposed a non-standard structure for the buyout that would have denied minority shareholders the effective choice of whether to tender their shares.

Through this period, the situation was in the national news in the Netherlands and the Dutch shareholder's association, the VEB, had also written a letter of questions to highlight their concerns for minority shareholder rights. We further understand that the Dutch market regulator, the AFM, had meetings with the company.

At the 2022 EGM, Mondrian voted against the removal of the Chair of the Supervisory Board. The resolution passed despite votes against the motion from minority shareholders including Mondrian as Mr Blidjorp was allowed to vote his shares at the EGM. The remaining independent board member resigned in protest, as she had previously notified the company she would in October 2022. The third independent board member had already resigned in slightly ambiguous circumstances around the time of Mr Blijdorp's bid in early September 2022. This left an inquorate supervisory board with only two non-independent members: Mr Blijdorp, and his son, Leendert – replacement members were promised "in due course".

New supervisory members were elected quickly, with two nominations announced before the end of 2022. They were both surprisingly high-quality given the circumstances: Mr Doijer, the new supervisory Board Chairman, had over a decade of experience on the Board of the Dutch retailer Ahold (USD30b market cap), while Mr Tjeenk had board-level experience at Boehringer Ingleheim, the largest private pharmaceutical company in the world.

Activity
During a 17 January 2023 meeting we gained assurance from B&S management that the new supervisory members had been specifically selected to be free of previous relationships with Mr Blijdorp.

We were keen to discuss the situation with these new board members and secured a call with both on 23 Jan 2023. In the call we highlighted a number of our concerns about the situation, particularly our concern about the rumour the CEO had accepted an undisclosed housing loan from Mr Blijdorp, bringing his independence of judgement versus Mr Blijdorp's possible future actions into question. The Board members committed to investigating this matter and improve official disclosure (beyond legal requirements) – we noted that disclosure alone would not be a remedy for our concerns in this instance.

Outcome: Decisive Action from the company
On 20 February 2023, the company announced it was postponing the announcement of its annual results while it investigated related-party transactions involving senior management of the company and worked to "establish an updated and robust governance framework which is fully in line with the Dutch Corporate Governance Code and the practices of a listed Company". There were further assurances that these investigations would not result in material impact to the financial position of the company. In the same press release, Mr Blijdorp and the CEO announced their resignations.

Activity
In May 2023 Mondrian engaged with the Chair, CFO, and Independent Director of B&S Group twice to understand issues raised by the 2023 AGM proposal items and highlight our concerns around the discharge of boards, the CEO recruitment process and that the auditor had not been nominated yet despite a proposal to appoint the unnamed auditor. As a result, Mondrian voted against items 3, 4 and 11, against management's recommendations.

2023 AGM Proposal
- Item 3: Approve Discharge of Executive Board
    - Proponent: Management
    - Management Recommendation: FOR
    - Mondrian Vote Instruction: AGAINST
- Item 4: Approve Discharge of Supervisory Board
    - Proponent: Management
    - Management Recommendation: FOR
    - Mondrian Vote Instruction: AGAINST
- Item 11: Appoint Auditor
    - Proponent: Management
    - Management Recommendation: FOR
    - Mondrian Vote Instruction: AGAINST

Additionally, we voted against our proxy adviser's recommendation and for item 6: Elect D.C. Doijer to Supervisory Board as we strongly believed that it was in the best interest of the company/shareholders for Mr Doijer to remain in place given the positive impact he has had on the difficult governance situation at B&S.

Significant Vote Rationale
Items 3, 4 and 11 have been deemed significant votes, as they were votes against management's recommendation. Additionally, item 6 was deemed a significant vote as it was a vote against our proxy adviser's recommendation.

Outcome

- Item 3: Approve Discharge of Executive Board, passed
- Item 4: Approve Discharge of Supervisory Board, passed
- Item 11: Appoint Auditor vote failed, resulting in the company calling an EGM in August 2023 to appoint KPMG
- Item 6: Elect D.C. Doijer to Supervisory Board, passed

While we continue to monitor the condition of corporate governance at B&S closely, we believe the new management and supervisory board appointments, particularly the appointment of Mr Doijer as the Chair of the Supervisory Board, has significantly improved the governance situation at B&S. The improvement in the governance situation, along with improving trading conditions has been noted by sell side analysts resulting in recommendation upgrades. We hope this will catalyse the realisation of the significant valuation upside we see in the stock based on our detailed DDM analysis.

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.

Ecuador (continuation of 2021 and 2022 engagements)
Topic: Governance - Fiscal Transparency
Background: Through Mondrian's membership of the EMIA, we are a member of EMIA's Debt and Fiscal Governance Working Group. The objective of this working group is to improve fiscal transparency around the budget process for Sovereign issuers. We are guided by the work of our policy partners, the International Budget Partnership ("IBP"), whose global research and advocacy program promotes public access to budget information and the adoption of inclusive and accountable budget systems. In particular, we consult IBP to aid us in identifying a set of central government budget documents that countries produce but do not publish, as well as identifying if certain published documents are lacking specific details. Following discussions with representatives at the IBP, we identified several areas where Ecuador could make noticeable improvements to its fiscal transparency standing.

An initial call was set up with Ecuador in 2021, and a follow-up call was set up in 2022 to continue the dialogue.

In 2021 we had a video call with a Ministerial Advisor from Ecuador's Ministry of Finance, with the objective of getting them to improve fiscal transparency around their budget process. More specifically, we noted we would like to see the production and publication of a Pre-Budget statement, which discloses broad parameters of fiscal policies ahead of the Executive's budget proposal, as well as a timelier publication of a Mid-Year Review. We also encouraged the continued publication of the Enacted Budget on a timely manner, and more generally, noted that investors would value increased disclosure on broad measure of general government debt, including that of state-owned enterprises.

Following our initial call in 2021, Ecuador sent us some detailed budget information. We then had a follow-up call in 2022 where we gave feedback and raised questions on that information. Furthermore, we discussed the IBP's findings with respect to Ecuador, in particular the eight stages in the budget cycle as the IBP defines them.

Objective
To encourage Ecuador to make improvements to its fiscal transparency standing.

Activities
In 2023, guided by the IBP and other organisations, we sent a follow-up email to Ecuador's Ministry of Economy and Finance, proposing the following agenda that they could follow in order to improve their fiscal governance:

- Complete a Fiscal Transparency Evaluation with the IMF
- Publish the budget audit reports in a timely manner
- Produce and publish a pre-budget statement as part of the annual budget cycle
- Publish a medium-term debt management strategy
- Reduce total domestic arrears, both for the central government and the whole Non-Financial Public Sector

Outcome
Our previous contact in Ecuador's Ministry of Economy and Finance had left, therefore we attempted to establish contact with new people there, but unfortunately, they were not responsive to our engagement email.

Follow Up
We are still committed to continuing our engagement with Ecuador, so we will try and find alternative contacts that may be more receptive to our engagement requests.

United Arab Emirates

Topic: Environmental - Climate Change
Background: Through Mondrian's membership of the Emerging Markets Investors Alliance (EMIA), we are a member of EMIA's Sovereign Decarbonisation Working Group. The objective of this working group is to seek to improve the environmental practices for Sovereign issuers and is guided by the work of EMIA's policy partner, the Climate Action Tracker (CAT), an independent provider of scientific analysis that tracks progress towards the globally agreed goal of holding warming well below 2°C, with the ultimate aim of limiting warming to 1.5°C. CAT quantifies and evaluates climate change mitigation targets, policies and action.

Objective
To improve the environmental practices of Sovereign issuers.

Activities
We sent an email to the UAE's Debt Management Office asking them if they could schedule a call with us in order to start a dialogue and provide our input as institutional investors, on the following topics:

- Understanding their possible strategy to issue green or other ESG-related bonds
- Requesting the UAE to issue a detailed roadmap in order to illustrate exactly how they will achieve their commitment towards net zero carbon emissions by 2050
- Urging them to issue a document summarizing current and future renewable energy production in absolute terms, and also, as a share of current / future total energy production
- Encouraging the UAE to revise its 2050 Energy Strategy to include a commitment to no future coal-fired power plants, and also inviting them to join the Powering Past Coal Alliance (PPCA) and sign the declaration to phase out coal
- Understanding if they plan to publish a document outlining their past ESG achievements, current actions in progress, and future goals, so investors better understand their plans

Outcome
The UAE were not responsive to our engagement email.

Follow Up
We are still committed to engaging with the UAE, so we will try and find alternative contacts that may be more receptive to our engagement requests.

Standard Bank

Topic: Environmental – interim emissions reduction targets, OGMP2.0, thermal coal
Background: Standard Bank is Africa's largest bank, based in South Africa and operating throughout the continent. Bonds issued by Standard Bank are on Mondrian's credit watch list.

Objective
Encourage the bank to consider validating their targets via a third party to improve visibility and credibility, in addition to encouraging more disclosure on work with the Partnership Carbon Accounting Financials (PCAF).

Activities
During 2023, Mondrian's credit team took part in a collaborative engagement facilitated by the Emerging Market Investors Alliance (EMIA) with Standard Bank. Two calls were held with the company to discuss various climate initiatives at Standard bank including development of short-term targets for the fossil fuel sector and potentially for the commercial real estate sector. Follow up requests for change were made to encourage the bank to consider validating their targets via a third party to improve visibility and credibility, in addition to encouraging more disclosure on work with the Partnership Carbon Accounting Financials (PCAF). The group also raised the suggestion of encouraging their oil and gas sector clients to join a reporting and mitigation program like the United Nations Environment Program (UNEP)'s Oil & Gas Methane Partnership 2 (OGMP2).

Outcome
This engagement is ongoing.

Follow Up
Engagement is ongoing with a follow up call planned after the publication of the 2024 TCFD report.

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 the Chairman and Board of Autohome regarding its capital return policies. We acknowledged the recent activities of:

- Committing to pay a fixed amount of no less than RMB500 million in cash dividends between 2022 and 2026
- Authorizing a share repurchase program of up to USD200 million between November 2021 and November 2023

While these measures represent an incremental improvement, we believe they will be insufficient to reduce the meaningful discount Autohome trades at relative to peers.

We highlighted our belief that there is no justification for the cash balance to increase further. We therefore proposed that Autohome consider returning 100% of free cash flow (after capital investments) via a dividend on an annual basis. This should allow a sustained high dividend pay-out of at least 100% of net income, representing around a 7% dividend yield on Autohome's current share price.

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.

Given Autohome's substantial net cash balance, we believe the above 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

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 is highly encouraging that Autohome management has heeded calls from investors to increase shareholder distributions, we will continue 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.

Shinhan Financial

Topic: Governance – Shareholder Return

Background: Shinhan Financial is a leading Korean financial institution, with a well-managed banking franchise. Our analysis shows that Shinhan trades at a deeply discounted valuation and that this discount has persisted over time. One reason for this persistent and deep discount is that Shinhan has a low dividend payout in both absolute and relative terms. This means that equity investors do not receive a substantial direct benefit from the group's earnings, and neither do they attribute sufficient value to the group's future earnings stream.

Objective

Encourage adoption of a more generous and progressive dividend policy.

Activity
The important role of dividends in shareholder returns has been a consistent topic of our engagement with the management of the group since we invested in Shinhan in 2016. While there has been some progress, the payout ratio remains low in comparison to regional peers.

During 1Q 2023 we wrote to Yoon-jae Lee, the Chairman of the Board, to encourage the group to adopt a more generous and progressive dividend policy, lending our support to the proposals laid out in an open letter from Align Partners Capital Management in January 2023.

Outcome
Following this engagement, Shinhan increased its total shareholder payout to 33% of the previous year's earnings. This represents a substantial increase on the 26% paid out of 2021 earnings and takes Shinhan to the highest payout among its Korean peers. The company also adopted a clear policy for capital allocation, as requested in our letter.

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 autoparts 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. We initiated our engagement for change in 2020 and utilised several escalation methods, including:

- Abstaining from director election votes due to candidate lack of independence
- Discussing the need for a majority independent Board with investor relations
- Explaining the importance of unwinding cross shareholdings, majority independent boards and board diversity with investor relations, requesting to speak to an independent director (there was no precedent at the company to facility meetings between an independent director and investors)
- Highlighting our concern that executive remuneration was not aligned to share price but based on business performance (mostly operating profit)
- Voting against directors due to either excessive cross-shareholdings of those directors, or a lack of independence
- Meeting with the Senior Executive Officer to further discuss key corporate governance concerns

Below are the details of engagements over 2023.

Activity
During a meeting with IR in March 2023, Mondrian again raised our governance concerns related to Board independence. Additionally, we asked again to speak to the company President or Chairman.

Outcome
The company stated it understood it must consider Board structure and diversity. IR highlighted that they are working to line up management our next meeting at their offices in Japan in late May.

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

Activity
Mondrian met with Koichi Ito (incoming President) and IR at TICO's offices in Japan in late May 2023. 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.

Outcome
Corporate governance improvements were highlighted as one of the two top priorities for the incoming President. The company recognises that ESG related actions have not been adequate enough and would like to hear a wide range of views before devising next steps.

It was noted that Mr Ito was not a Board member yet, but that plans would be made from June for when he would formally become a Board member. He studied Economics at university so understands concerns on capital efficiency, offering a different perspective from existing Board members. Management understands that investors want the company to start working on cross shareholdings and P/B ratio.

Cross shareholdings remain due to legacy reasons and the benefit the company sees in being part of the wider Toyota group. The company's attitude towards cross shareholding is conservative, however Mr Ito wants to assure investors that they will work on this issue, though it will take time to enact any change.

With respect to Board independence, approximately 1/3 are independent. Mr Ito recognises the value of independent directors, and promised to take investor feedback onboard, though did not want to treat it as a tick-box exercise.

Toyota Motor stated for the first time that the group is reviewing cross-shareholdings.

We continue to monitor this and engage with the company.

Activity
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 were encouraged by the meeting with Mr Ito and hope 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.

2023 AGM Proposal(s)
- Item 1.1 – Elect Director Toyoda, Tetsuro
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST
- Item 1.2 - Elect Director Onishi, Akira
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST
- Item 1.5 – Elect Director Elect Director Ito, Koichi
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST
- Item 1.6 - Elect Director Kumakura, Kazunari
  - Proponent: Management
  - Management Vote Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST

Significant Vote Rationale: 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.

Outcome
- Item 1.1 – Elect Director Toyoda, Tetsuro, passed
- Item 1.2 - Elect Director Onishi, Akira, passed
- Item 1.5 – Elect Director Elect Director Ito, Koichi, passed
- Item 1.6 - Elect Director Kumakura, Kazunari, passed

We continue 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.

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
Green Bonds

Escalation
During 2023 we became increasingly concerned on the lack of progress in allocating the proceeds of a green bond issued by a large US technology company. We engaged with the company to discuss the low allocation percentage and to understand why; lack of eligible green projects etc, however we received an unsatisfactory response.

Outcome
We continue to follow up on our request and if we do not receive the required information to satisfy our green analysis, this issuers bonds will become ineligible for our green bond fund and will be sold.

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 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. Recognizing 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 proposed by shareholders and proposals related to social and environmental items, including climate change.

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 the following Mondrian personnel (i) two senior investment staff; (ii) Chief Operating Officer; and (iii) Chief Compliance Officer.
Other senior investment staff are available to act as alternates in cases where conflicts of interest are identified. 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, the proxy motion will be referred to the Committee. The Committee will review the recommendations of the portfolio manager and the proxy voting adviser and conduct such further research and analysis as may be necessary to determine the vote that is most 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. Clients may request information on how their proxies were voted from Mondrian at any time.

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 is considered at times of extreme value using our relative value credit approach, 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. Additionally, in determining if a bond is eligible for investment on Mondrian's Green Bond Portfolio, Mondrian will review prospectus and transaction documents and engage with the issuer on any points of concern or to encourage more detailed disclosure if relevant.

Activities and Outcomes

As of 31 December 2023, Mondrian was delegated full discretion to vote proxies and voted on behalf of clients for 67% of equity accounts, clients voted their own proxies for 29% of equity accounts, and Mondrian facilitated the voting of client proxy voting policies for 5% 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 2022 to 31 Dec 2023
Number of Votable Meetings	523
Number of Meetings Voted In*	522
Number of Votable Proposals	6153
Number of Proposals Voted*	6139
Number of Meetings with At Least One Vote Against Management Recommendations	195
Number of Meetings with At Least One Vote Withheld or Abstained Against Management Recommendations	11
Number of Votes with Management	5691
Number of Votes Against Management	448
Number of Abstentions/Withheld Votes	63

Region	Number of Votable Meetings	% Votable Meetings by Region
Asia Pacific	270	52%
Europe	115	22%
North America	93	18%
Latin America	35	7%
Middle East	10	2%

Proposal Category	Number of Votable Proposals	% Votable Proposals by Category
Director Election	2201	36%
Routine Business	872	14%
Capitalization	744	12%
Compensation	713	12%
Director Related	580	9%
Audit Related	304	5%
Company Articles	247	4%
Non-Routine Business	159	3%
Strategic Transactions	94	2%
Social	81	1%
Miscellaneous	53	1%
Takeover Related	45	1%
Environmental	28	0%
E&S Blended	24	0%
Other	4	0%
Corporate Governance	4	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.

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 a vote considered significant for any other reason.

Vote Against Management Recommendation

Unilever

2023 AGM Proposal(s)

- Item 2: Approve Remuneration Report
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: AGAINST

Background
Unilever is a British multinational fast-moving consumer goods company. At the 2023 AGM the company sought shareholder approval of the company's remuneration report regarding financial year 2022. Hein Schumacher was appointed to the Board as Non-Executive Director on 4 October 2022; appointed as CEO Designate and Executive Director on 1 June 2023; and then CEO on 1 July 2023. We noted that the new CEO's salary was set higher than his predecessor's and was significantly higher than his then current salary at Royal FrieslandCampina, and UK market peers.

Activity
As the company did not provide compelling justification for this remuneration package, we voted against management's recommendation for this proposal.

Outcome
Item 2: Approve Remuneration Report, did not pass.

We continue to engage with Unilever and have made it clear we would like to meet with the new CEO to understand his vision for the company as soon as he is taking meetings.

Colgate-Palmolive Company

2023 AGM Proposal(s)

- Item 5: Require Independent Board Chair
  - Proponent: Shareholder
  - Management Vote Recommendation: AGAINST
  - Mondrian Vote Instruction: FOR

Background
Colgate is an American multinational consumer products company. The company specializes in the production, distribution, and provision of household, health care, personal care, and veterinary products

Activity
Requiring a separate CEO/Chair role appears to be in shareholders' interests. Although governance at Colgate is solid, this would likely improve it. The CEO/Chair roles have been combined since Noel Wallace, CEO since 2019, was appointed Chair in 2020. The existing Lead Director role does not seem to be a significant reason to vote against the proposal. The proposal allows for the separation of roles being phased in for next CEO transition or contract renewal. We wrote to the company to make it aware of our vote for this shareholder proposal, explaining our rationale.

Outcome
Item 5: Require Independent Board Chair, did not pass

Please also refer to the Enel example in Principle 10 and the Toyota Industries example in Principle 11.

Vote for Shareholder Resolutions

DuPont de Nemours, Inc.

2023 AGM Proposal(s)

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

Background
DuPont is an American diversified specialty chemicals manufacturer.

Activity
Requiring a separate CEO/Chair role appears to be in shareholders' interests. The presence of an independent chair fosters the creation of a thoughtful and dynamic board that is not dominated by the views of senior management. Although governance at DuPont is solid, this would likely improve it. The lead director role does not seem to be a significant reason to vote against the proposal. The proposal allows for the separation of roles being phased in for the next CEO transition or contract renewal and does not seem overly prescriptive. We followed up with the company to notify them of our vote intention and rationale.

Outcome

- Item 4: Require Independent Board Chair, did not pass, with the majority of shareholders voting against the proposal.

We continue to monitor and discuss this with the company.

Vote Against Shareholder Resolutions

BP
2023 AGM Proposal(s)

- Item 25 - Approve Shareholder Resolution on Climate Change Targets
    - Proponent: Shareholder
    - Management Recommendation: AGAINST
    - Mondrian Vote Instruction: AGAINST

Background
BP is a British multinational oil and gas company. Item 25 was filed by a consortium of shareholders, coordinated by Follow This, requesting the company align its existing 2030 reduction aims covering greenhouse gas emissions from Scope 3 (emissions from the use of its energy products) with the goal of the Paris Climate Agreement. Follow This is a Dutch campaign group that has filed shareholder resolutions at oil majors over a number of years, including at BP.

Activity
Mondrian voted against this shareholder proposal again in 2023 as we agreed with our proxy adviser's recommendation which noted that the resolution would constitute an externally mandated change of strategy from the strategy presented by the Board, which would imply constraints on the Board to conduct its strategy. BP has already published a target of achieving net zero emissions across Scopes 1, 2, and 3 by 2050, which they believe is in line with the Paris Agreement. Given the current geopolitical environment, BP has noted the requirement for energy that is secure and cheap, as well as clean, highlighting that the transition is multi-faceted and complicated. The company's progress will continue to be kept under review, particularly in light of the former CEO's unexpected departure in 4Q 2023. In recognising the risk of uncertainty were this binding special resolution to be approved – this item is not considered to represent the best interests of shareholders at this time.

Outcome
Item 25 - Approve Shareholder Resolution on Climate Change Targets, did not pass.

Vote Withheld / Abstained

Kao Corporation
2023 AGM Proposal(s)

- Item 2.2 - Elect Director Hasebe, Yoshihiro
    - Proponent: Management
    - Management Vote Recommendation: FOR
    - Mondrian Vote Instruction: ABSTAIN

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.

Background
Kao Corporation is a Japanese consumer goods and cosmetics company. In pursuing the current business strategy set under Mr Hasebe's leadership involving expanding into numerous new businesses (mostly in healthcare area) unrelated to its core business, Mondrian was concerned that Kao risks losing focus on its core consumer goods business, which is under tremendous pressure related to raw material prices and increased competition.

Activity
Mondrian elected to abstain from voting for the re-election of Yoshihiro Hasebe as CEO and escalated the engagement by sending a letter to the company explaining our concerns.

We appreciated Kao's continued commitment to creating shareholder value and highlighted that we regard a strict and disciplined approach to capital allocation as very important as it is the essential mechanism for long-term value creation for shareholders and all stakeholders. While Mondrian supported the guiding principle of Another Kao - establishing new pathways for sustainable growth, we have not been able to build confidence in the expansive design of the Precision Life Care business and the strategic rationale for some of the new endeavours announced to date. To us they appeared to deviate from Kao's established competitive advantages in household and consumer goods. Combined with the limited disclosure on the financial metrics underpinning the K25 mid-term plan, we expressed our concern. Noting that consumption was weakening globally and competition intensifying, we believed a laser focus on core businesses is more important than ever. We highlighted that for investors to fully appreciate the potential in Kao's highly valuable assets, a road map in future disclosures that clearly demonstrates rigorous return on invested capital discipline and explains the step plan to restore and strengthen Kao's core businesses, particularly the challenged segments of Hygiene and Living Care and Health and Beauty Care would be very helpful.

Outcome
Item 2.2 - Elect Director Hasebe, Yoshihiro passed.

We note with new independent Board member Nishii who joined in March 2023, the company published a progress update on the K25 mid-term plan, with an emphasis on the transformation and strengthening of existing businesses. The updated mid-term plan also introduced return on invested capital and economic value-added targets, replacing the absolute revenue and operating targets set under K25. We continued engaging with the company on its business transformation plans.

Koninklijke Philips NV (Philips)
2023 AGM Proposal(s)

- Item 2.e: Approve Discharge of Management Board
    - Proponent: Management
    - Management Vote Recommendation: FOR
    - Mondrian Vote Instruction: ABSTAIN

Background
Philips is a Dutch multinational conglomerate corporation. It has transformed itself into a healthcare technology company with strong, entrenched market positions in diagnostic imaging and patient monitoring. Population ageing and more chronic illnesses are expected to drive increasing demand for hospital capacity and better care. We believe that a product recall in one of their smaller subsegments has weighed excessively on the share price. We expect Philips to grow revenues and profits at attractive rates over the long-term, supported by attractive business exposures, cost cutting, and potentially stronger execution as a more focused company.

Activity
Mondrian abstained from Item 2.e. We believe that the dismissal of the former CEO is justified (the business has clearly struggled operationally), but do not believe it is in shareholders' interests to vote against the discharge of the Board of Management, including current management, who are focused on the turnaround.

Mondrian's Proxy Voting Committee noted that this issue arose because the vote to discharge the former CEO and the vote to discharge the management board were bundled together. Given the discharge of the current management board members warrants approval, the Committee therefore supported the portfolio manager's recommendation to abstain and to engage on the matter of bundled contentious votes to avoid this reoccurring.

Outcome
Item 2.e: Approve Discharge of Management Board, did not pass, with the majority of shareholders voting against the proposal.

We continue to monitor and discuss this with the company.

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.

Leeno and Park Systems (Park)

2023 AGM Proposal(s)

Both Leeno, a South Korean manufacturer of semiconductor test sockets, and Park, a South Korean manufacturer of semiconductor inspection equipment, proposed raising the remuneration limit of directors in their 2023 AGMs (item 4 and 5 in their respective AGMs).

Leeno

- Item 4: Approve Total Remuneration of Inside Directors and Outside Directors

Park Systems

- Item 5: Approve Total Remuneration of Inside Directors and Outside Directors

Background

We identified several South Korean portfolio companies proposing meaningful change to total director remuneration in their 2023 AGMs. Our proxy adviser classified the proposed increases in director remuneration at Leeno and Park as 'excessive' and advised investors to vote against the respective proposals.

Activity

Our investigation included direct engagement with the above-mentioned companies and independent peer comparison analysis. Through this work we were able to identify that the proposed remuneration limit was justified for Leeno and Park due to changes in Board structure. Secondly, remuneration limits for Leeno and Park were reasonable when compared to history as well as relative to peers. We voted in line with the proposed items, both of which were approved at their respective AGMs.

Outcome

Leeno

- Item 4: Approve Total Remuneration of Inside Directors and Outside Directors, passed

Park Systems

- Item 5: Approve Total Remuneration of Inside Directors and Outside Directors, passed

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Axis Bank

2023 AGM Proposal(s)

- Item 6: Approve Modification to the Existing Axis Bank Employees Stock Option Scheme, 2000-01
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: FOR
- Item 7: Approve Grant of Options to the Employees of the Associate Companies of the Bank Under Axis Bank Employees Stock Option Scheme, 2000-01
  - Proponent: Management
  - Management Recommendation: FOR
  - Mondrian Vote Instruction: FOR

Background

Axis Bank is an Indian financial group which controls subsidiary and associate companies in overseas banking, investment banking and stockbroking, leasing, asset management and insurance, alongside its core India universal banking operation. These companies are not separately listed. One strand of Axis' strategy seeks to improve the capture of synergies across the entire group, by encouraging employees to act in the interests of the broader group. Share-based incentives are one tool that would help align employees interests across the group with those of shareholders, which may lead to future benefits to shareholders. Under the existing scheme, only direct employees of the Indian banking unit are eligible for share-based incentives; this proposal is therefore required to widen the scope of the scheme to include all employees of the group. Meanwhile, the proposed changes do not enable any additional shares being issued beyond what has already been authorised. In Mondrian's view, this was a compelling rationale to broaden the scope of eligibility to encompass such employees.

Activity

Given the background, Mondrian voted for motions 6 and 7, contrary to our proxy advisor's recommendations.

Outcome

- Item 6: Approve Modification to the Existing Axis Bank Employees Stock Option Scheme, 2000-01, passed
- Item 7: Approve Grant of Options to the Employees of the Associate Companies of the Bank Under Axis Bank Employees Stock Option Scheme, 2000-01, 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	33	41
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	33	37
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	24	31
Andrew Miller	Chief Investment Officer Emerging Markets Equities, Managing Partner	Equities/Emerging Markets	History (BA), University of Birmingham	ASIP	PricewaterhouseCoopers	24	25
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	18	24
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	22	31
Ginny Chong	Head of Chinese Equities, Senior Portfolio Manager, Partner	Equities/Emerging Markets	Commerce, University of British Columbia	CFA	PriceWaterhouseCoopers	23	28
Graeme Coll	Head of Emerging Markets Small Cap Equities, Partner	Equities/Small Cap	Bachelor of Commerce, University of the Witwatersrand	CFA	Ernst & Young	19	25
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	16	20
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	25	29
Alex Simcox	Head of ESG Investment, Senior Portfolio Manager, Partner	Equities/ International	History, University of Cambridge	CFA, Chartered Accountant	Ernst & Young LLP	16	20
Jonathan Spread	Head of Research - USA, Senior Portfolio Manager, Partner	Equities/Global	Computer Science, Durham University	CFA	Morley Fund Management	19	24
Brendan Baker	Senior Portfolio Manager, Partner	Equities/Small Cap	History (BA), Economics (MSc), University of London		Lombard Street Research	22	34

Nigel Bliss	Senior Portfolio Manager, Partner	Equities/ International	Geography, University of Manchester	ASIP	Cazenove & Co.	28	30
David Cudmore	Senior Portfolio Manager, Partner	Fixed Income and Currency	Economics (BSc), University of Warwick	CFA, Chartered Accountant	Credit Suisse	11	14
Christopher Davis	Senior Portfolio Manager, Partner	Equities/ International	Modern and Medieval Languages (MA), University of Cambridge	CFA, Chartered Accountant	PricewaterhouseCoopers	9	12
Matt Day	Senior Portfolio Manager, Partner	Fixed Income	Economics with Actuarial Studies (BSc), University of Southampton	FIA	Buck Consultants	16	22
Kevin Fenwick	Senior Portfolio Manager, Partner	Fixed Income and Currency	Economics, University of Cambridge; Computer Science (MSc), University of Adelaide	CFA	Wilshire Associates	16	26
James Francken	Senior Portfolio Manager, Partner	Equities/Global	English, University of Oxford; English, University of Cambridge	CFA	Investec	15	16
Gregory Halton	Senior Portfolio Manager, Partner	Equities/Emerging Markets	Engineering Science (MEng), University of Oxford	CFA	Deutsche Asset Management Ltd	20	23
Charlie Hill	Portfolio Manager, Partner	Equities/Global	Classics (BA), University of Oxford	CFA, Chartered Accountant	Neptune Investment Management	7	11
Daniel Kelly	Senior Portfolio Manager, Partner	Equities/Emerging Markets	Mathematics with Philosophy (BSc), University of Leeds	CFA	Deloitte LLP	14	17
Bhavin Manek	Senior Portfolio Manager, Partner	Equities/Small Cap	Economics, London School of Economics	CFA	Mercer Investment Consulting	18	20
Zsolt Mester	Senior Portfolio Manager, Partner	Equities/ International	Financial Economics (BSc, MSc), University of London; Economics (MPhil), University of Oxford	CFA	Sanford C. Bernstein	10	12
Sarah Mitchell	Senior Portfolio Manager, Partner	Fixed Income and Currency	Management (BSc), University of Manchester	CFA, Chartered Accountant	Royal Bank of Scotland	13	19
Aidan Nicholson	Senior Portfolio Manager, Partner	Equities/Small Cap	Engineering, Economics & Management (MSc), University of Oxford	CFA	Cazenove & Co	20	22
Solomon Peters	Senior Portfolio Manager, Partner	Fixed Income and Currency	Economics (BA), University of Cambridge; Economics and Econometrics (MSc), Southampton University	CFA	CEBR	23	27
Paul Thompson	Senior Portfolio Manager, Partner	Equities/Global	Modern History and Politics (BA), University of Oxford	CFA, Chartered Accountant	Deloitte LLP	14	17

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	23	25
Sam Wyatt	Senior Portfolio Manager, Partner	Equities/Emerging Markets	Economics, University of Leeds	CFA, Chartered Accountant	Deloitte LLP	11	15
Charl Basson	Portfolio Manager, Partner	Equities/Small Cap	Economics and Econometrics, University of Nottingham	CFA, Chartered Accountant	PricewaterhouseCoopers	8	11
Michael Bray	Portfolio Manager, Partner	Equities/Emerging Markets	Industrial Economics, University of Nottingham	CFA	None	12	12
Kawal Chawla	Portfolio Manager, Partner	Equities/ International	Economics, University of Birmingham; MFin, London Business School	CFA	Forum	5	10
Alastair Cornwell	Portfolio Manager, Partner	Equities/Small Cap	Physics (BSc), Imperial College London	CFA	PricewaterhouseCoopers	16	16
Yanjun Deng	Portfolio Manager, Partner	Equities/Emerging Markets	Economics, University of Warwick		Timefolio Asset Management	2	9
Richard Fairbairn	Portfolio Manager, Partner	Equities	Mathematics and Economics (BSc), University of Nottingham	CFA	Informer Global Markets	10	11
Elina Grinchenko	Portfolio Manager, Partner	Equities/Small Cap	Economics and Management, University of Leeds	CFA	None	12	12
Harry Hewitt	Portfolio Manager, Partner	Equities/Global	Economics (MSc), University of Bristol	CFA	None	9	9
Akhil Hindocha	Portfolio Manager, Partner	Equities/Global	Philosophy, Politics and Economics (BSc), University of Warwick; MFin, London Business School	CFA	AQR Capital Management	2	8
Raj Shah	Portfolio Manager, Partner	Equities	Mathematics, Operational Research, Statistics and Economics (MMORSE), University of Warwick; Data Science (MSc), City, University of London	FIA	Hymans Robertson	4	15
Bruno Vignoto	Portfolio Manager, Partner	Fixed Income and Currency	Biochemistry (BSc), Biochemical Research (MSc), Risk Management & Financial Engineering (MSc), Imperial College London	CFA	Moody's Analytics	8	14
Harry Anderson	Assistant Portfolio Manager	Equities/Small Cap	Economics, University of Bath	CFA	RWE Supply & Trading GmbH	9	10
Tom Armitage	Assistant Portfolio Manager	Equities/Global	International Management and Modern Languages (BSc), University of Bath	CFA	GE	8	10

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	3	8
Timothy McGovern	Assistant Portfolio Manager	Equities/Small Cap	Chemical Engineering, Heriot-Watt University	CFA	Martin Currie Investment Mngt. Ltd	4	6
Thomas Morgan	Assistant Portfolio Manager	Equities/Small Cap	Economics, University of East Anglia	CFA, Chartered Accountant	None	11	11
Haseem Shah	Assistant Portfolio Manager	Equities/ International	Economics and Management (BA), University of Oxford		Goldman Sachs	4	5
Zubeyr Singh	Assistant Portfolio Manager	Equities/Small Cap	Economics, University of Warwick	CFA	abrdn	2	5
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	2	5
Jessica Hsia	Manager, ESG	ESG	Economics with concentrations in Finance and Entrepreneurship (Bsc), The Wharton School - University of Pennsylvania		Delaware Investments	19	20
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	3	5

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