Mondrian
INVESTMENT PARTNERS

Engagement Policy

Stewardship at Mondrian

Mondrian's objective is 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 to the Portfolio Manager responsible for coverage of the company.

Equity Approach

Investment Strategy and long-term decision making

Mondrian pursues an active investment management approach. 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. Our aim is to ensure that management are focused on enhancing shareholder value on a medium to long-term basis.

Mondrian's engagement process encompasses discussions on key material ESG factors 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. Local practice and governance standards 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. Should engagement and proxy voting continue to prove unsuccessful in fulfilling the required objectives, Mondrian may choose to divest the shares.

In the 2021 calendar year, Mondrian equity analysts met with over 1,350 companies, discussing topics such as climate change impacts, remuneration, labour & supply chain, and voted on approximately 6,000 proposals for Mondrian clients.

Engagement

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.

An important element of our process is actively meeting and engaging with management and the board of current and prospective investments. In order to support their analysis, at meetings with management our analysts will discuss the following objectives:

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
5. Short-term and long-term ESG targets

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 concerns and energy usage have been identified as potential risk factors 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.

ESG Integration

Across all of Mondrian's equity investment products, the research process is driven by extensive, bottom-up fundamental company analysis which includes a comprehensive program of meeting with current and prospective holdings. We believe that the value of any equity security is equal to the present value of its future cash flows to the investor, which are primarily dividends.

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 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.

Though ESG concerns can manifest over short-term time horizons, it is clear that 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.

Mondrian's long-term valuation approach, as well as the use of scenario analysis, enables us to capture a wide range of financially material ESG risks and opportunities within valuations. Some examples of ESG factors evaluated and how they are considered in the valuation process are provided below.

- **Energy:** We often use lower long-term growth rates when modelling companies involved with fossil fuels to reflect the risks of the transition to a lower carbon economy.
- **Utilities:** Explicitly forecast an estimated carbon price with lower emission power generation technologies benefitting over time as a result. 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 & Telecommunications:** Data privacy presents a risk. Conversely, data centres can provide an opportunity to reduce the environmental costs of document storage.
- **Consumer:** Customers may pay a premium for products seen to be sustainably and ethically sourced. Conversely, issues in the supply chain can cause 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.

Please refer to the Mondrian Firm-wide ESG Investment Policy, available on our website.

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. Should engagement continue to prove unsuccessful in fulfilling the required objectives, Mondrian may choose to divest the shares.

Proxy Voting

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.

In order to facilitate the actual process of voting proxies, Mondrian has contracted with an independent company, Institutional Shareholder Services ("ISS").

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. 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.

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 Proxy Voting Committee. The Proxy Voting 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.

Please refer to the Mondrian Proxy Voting Policy and Procedures, available on our website.

Collective Engagement

Although Mondrian may act collectively with other shareholders and governance organisations, the majority of Mondrian's engagements are conducted directly with investee companies.

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.

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.

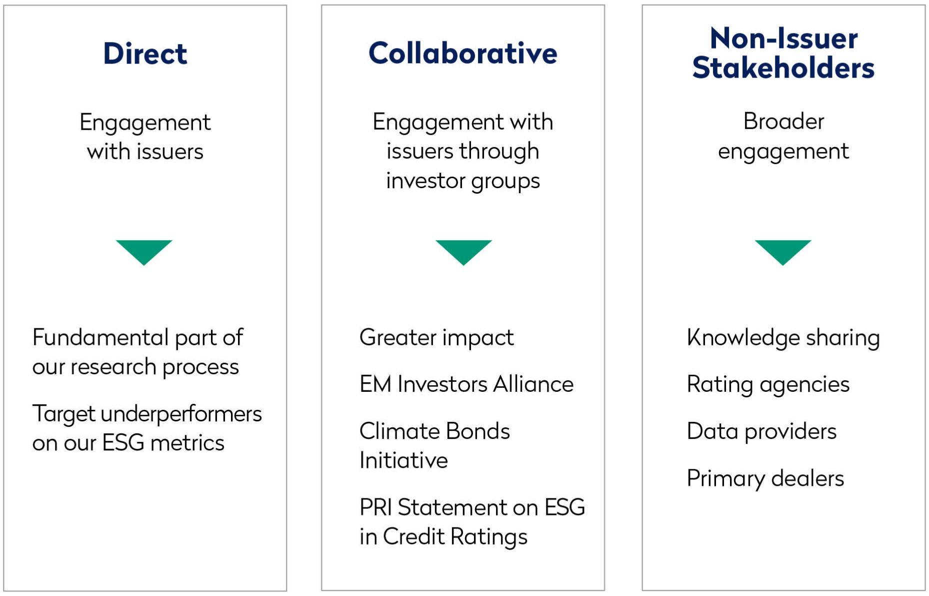
Portfolio Composition

Mondrian's equity portfolios are predominantly invested in common stocks of markets with adequate investor protection and good repatriation procedures. Portfolios are generally fully invested, and cash levels are minimal. Mondrian will hedge defensively to protect client returns when currencies are widely mispriced compared to their value. We believe that in the medium to long term, currencies adjust to their purchasing power parities. It is clear, however, that currencies do fluctuate quite significantly around their purchasing power fair value. Consequently, as a defensive measure to protect real returns, Mondrian will hedge a currency when its real exchange rate suggests that it is significantly overvalued. This approach is supplemented by a shorter-term assessment of the key identifiable factors which result in deviations from purchasing power parity.

Fixed Income Approach

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

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



Direct Engagement

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

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

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

In addition to direct engagement inherent in the research process, Mondrian carries out a program of targeted engagement for both sovereign and corporate issuers, focussing 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 factors 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.

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.

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.

Shareholder Rights Directive

The Shareholder Rights Directive II (SRD II) is a European Union (EU) directive, which sets out to strengthen the position of shareholders and to reduce short termism and excessive risk taking by companies. It amends SRD I which came into effect in 2007, with the aim of promoting effective stewardship and long-term investment decision making. It sets requirements in several areas, including transparency of engagement policies and investment strategies across the institutional investment community. SRD II became effective in EU Member States on 10 June 2019.

The FCA has published a Policy Statement (PS19/13) implementing SRD II in the UK. The UK Shareholder Rights Directive (Asset Managers and Insurers) Instrument 2019 and amended SYSC and COBS sections of the FCA Handbook formally reflect the adoption of the SRD Directive, applying its remit not only to equities listed in the EEA (as required by SRD II), but also to comparable equities listed outside of the EEA.

Shareholder Engagement Policy

Under the FCA rules, asset managers such as Mondrian are required to develop and publicly disclose a Shareholder Engagement Policy on a "comply or explain basis". This Policy must describe how Mondrian:

1. Integrates shareholder engagement in its investment strategy
2. Monitors investee companies on relevant matters (including strategy, financial and non-financial performance and risk, capital structure and ESG)
3. Conducts dialogues with investee companies
4. Exercises voting rights and other rights attached to shares
5. Cooperates with other shareholders
6. Communicates with relevant stakeholders of the investee companies
7. Manages actual and potential conflicts of interests in relation to the firm's engagement
8. Lastly, how Mondrian's investment strategy contributes to medium- and long-term performance of assets

Annual Disclosure Requirements

SRD II also requires Mondrian to publish an annual disclosure on policy implementation, including a general description of proxy voting behaviour and details of any significant votes, as well as use of proxy advisers. This will be publicly available from 30 September for the previous 12-month period ending 31 December. It requires Mondrian to disclose how its investment strategy has complied with client's mandates, and how it contributes to the medium to long-term performance of its client's assets.

The disclosure must include reporting on the key material medium to long-term risks associated with the investments, the use of proxy advisors, turnover and turnover costs, securities lending and whether conflicts of interests have arisen regarding engagements activities and how these have been dealt with. The disclosure obligation can be satisfied by either individual client reporting or by publication on Mondrian's website.

As previously stated, Mondrian will publicly disclose on an annual basis information about the implementation of its engagement policy together with information on how it has exercised its voting rights.

The Directive allows asset managers to decide not to publish every vote cast if the vote is considered to be insignificant due to the size of the holding in the company. On this basis, Mondrian will not include voting information for clients that have their own bespoke proxy voting policies or for any assets managed by Rothko Investment Strategies.

This will include a summary of all voting items for and against management together with an explanation of its most significant votes during the period. The FCA has stated that they do not consider that the requirement to explain the most significant votes means that firms are required to provide an explanation of all votes that they consider significant.

Mondrian's Proxy Voting Committee will determine the most important votes that the firm has voted on; this is typically where Mondrian has voted against management, against ISS or considered significant for any other reason.

Turnover and turnover costs

As long-term investors, Mondrian does not overly trade the portfolio and annual turnover remains low across our portfolios. We follow a clear sell discipline for securities, markets and currencies. Sales are carried out when: a) Price appreciation leads to significant overvaluation b) A change in fundamentals occurs which adversely affects appraised value. c) More attractive alternative investments become available. Mondrian's clients will be provided with turnover reports separately.

Securities 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.

Conflicts of interest

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. 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.

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

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

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

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

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

A copy of Mondrian's Conflicts of Interest Policy can be located on our website.