2020 UK Stewardship Code

Principle 1 – Signatories' purpose, investment beliefs, strategy, and culture enabling stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Oldfield Partners LLP is an investment partnership dedicated solely to equity investment in a classic contrarian value style. The partnership is small, private and quiet and consists of 28 people, of which 12 are partners. The partnership is majority-owned by the working partners with significant co-investment in the funds we manage alongside our clients reinforcing alignment with our clients. Oldfield Partners has always been committed to creating a diverse and inclusive culture, an environment where everyone can thrive.

At Oldfield Partners we believe that buying out-of-favour stocks at healthy discounts to their intrinsic worth will deliver a superior return above inflation, and the wider market, over the long run. Our classic contrarian value investment philosophy traces its roots back to Ben Graham and David Dodd, with some of the refinements introduced by the likes of Warren Buffett and Sir John Templeton. A classic value investor should harness both their deep analytical skills and common sense to disaggregate the statistically cheap from the potential 'bargains' – those stocks that are lowly valued and trading at a discount to our view of their intrinsic worth or value. We establish the intrinsic worth of a company through our own empirical analysis and understanding of a company's underlying business, the industry it operates within and its strategic position together with our views on its sustainable growth or recovery prospects. We seek to make investments in businesses that trade below their long-term history and below their fair values implied by their assets, growth and returns on capital where there is a poor market sentiment towards the company. For our investment approach to deliver long-term returns in excess of MSCI World, one needs a portfolio that looks very different from the index and it requires a disciplined approach to valuation methodology which is consistently applied during market cycles, with a clear valuation-driven 'buy' and 'sell' discipline.

As of 31st December 2020, total firm assets under management were around US$3.8bn, in a combination of segregated mandates and pooled vehicles. The firm has around 200 clients including families, high net worth individuals, pension funds, endowments, and charities. We are often used by clients to offer clear style diversification in their wider portfolios. Our client base is predominantly based in North America and the UK which is illustrated below:

Assets under management

Region	No. of investors	US$m
Americas	51	1,922
EMEA	17	462
UK	116	1,452
Total	184	3,836

Type	No. of investors	US$m
Charities & Endowments	36	852
Families & Individuals	86	355
Pension Funds	13	2,444
Other institutional	49	186
Total	184	3,836

Source: OP. Date: As at 31st December 2020.

Because of our unambiguous value strategy, we ensure that our clients are clear from the outset on our approach to investing and our goal of delivering superior returns over the long run. We maintain a regular dialogue with our clients to ensure we are continuing to work to meet their needs. A more detailed description of this can be found in Principle 6 below.

We focus on our own fundamental research of individual companies generated by our experienced and collegiate team. In constructing portfolios, we ignore index weightings and start with a blank sheet of paper, seeking individual stock ideas to create focussed yet diversified portfolios. We take a long-term view and have low levels of turnover. Our global portfolios are concentrated, with generally between 20 and 30 holdings, and this concentration necessitates a thorough knowledge of each holding.

We consider it an important part of company analysis to assess corporate governance, as well as the management of social and environmental issues. This forms part of our risk assessment of business fundamentals. We believe that ignoring ESG factors may lead to an incomplete understanding of the risks to an investment case and may consequently result in the wrong investment decisions. Indeed, we believe that successful integration of ESG factors can contribute positively to the risk-adjusted returns achieved by the investments we make on our clients' behalf. ESG-related issues often provide us with investment opportunities where we can see an improvement in such issues playing a role in the recovery in the results and perceptions of a company and its share price.

Our starting point is not to exclude any particular sectors or countries unless excluded in individual managed accounts by the client concerned. However, we do avoid companies about which we have serious governance concerns, and companies in which we have concerns about business being conducted in an unethical manner, unless it is clear that such concerns have been, or are being dealt with, by management and any shortcomings have been addressed.

All key investment research notes have a dedicated ESG section where investment analysts identify those ESG factors most material to the investment thesis. This will be debated by the investment team as part of the risk analysis of a business.

Once we become shareholders, it is our responsibility to engage on these material issues where appropriate. We believe responsible ownership is a necessary part of our fiduciary duty. While the focus of our engagement efforts is on the ESG issues which we deem to be most material to the investment thesis, we also believe it is our responsibility to monitor new or existing ESG controversies, and continually assess whether these issues should be escalated to engagement. We employ the services of MSCI to help us monitor such controversies.

While the investment team takes the lead on ESG analysis and engagement, the team's progress is monitored by our Stewardship Committee to reinforce our stewardship efforts. The Committee includes three members of the investment team, including the Chief Executive/Chief Investment Officer, and representatives from client relations and operations. The Committee monitors the progress of our engagement efforts, providing oversight. The Committee will sometimes challenge the materiality rating, or the method and process of engagement to reflect concern about a particular activity or aspect of governance. The Committee also meets to set firm wide ESG objectives and share best practices, both internally with the investment team and publicly through engagement reports and thought pieces. The minutes of Committee meetings are distributed within the firm.

We believe this approach to integrating stewardship in our investment process, together with this governance structure, helps to serve the best interests of our clients and ultimately contributes to sustainable benefits for the economy, the environment and society as a whole as ESG standards are raised across companies, sectors and countries whilst staying true to our go-anywhere contrarian, value investment philosophy.

Nevertheless, we recognise that we must continually develop our stewardship process to keep pace with the growing needs of our clients and the evolving ESG challenges facing the world. This is regularly debated as part of our Stewardship Committee meetings. Over the last reporting period, the most prominent area of debate was climate change. It is a major concern of our clients, and we agree that it is one of the most significant challenges facing the world today. As signatories of Climate Action 100+, we are keen to ensure that the companies in which we invest are committed to net zero carbon emissions by 2050. We will monitor their progress in attaining such a goal while ensuring their companies stay alive to the threats and opportunities, they may face during the energy transition ahead. We will actively engage on our own and collectively through CA100+, IIGCC or the PRI with those that may lag on this critical issue.

As contrarian, value investors, we seek stocks where investor sentiment is poor and expectations low, and this includes ESG factors. However, for the investment case to work, and valuation to recover, these ESG issues need to improve over our investment horizon. As an example, the shift in global policy on climate change has contributed to the flight of capital from fossil fuel producers and associated industries. In valuation and sentiment terms, this makes for an interesting starting point for potential investment in our view. However, these companies need to have a credible action plan in place to adapt to a decarbonising world, in order for fundamentals to prove more resilient than expected. We are genuinely motivated to engage with these companies to deliver this.

Since we joined Climate Action 100+, we have made the following changes to our stewardship governance and integration process. All key research notes include an assessment of climate related transition risks, where the analyst evaluates whether or not the company concerned faces a material risk from the transition to a low carbon economy. In the case where the risk is deemed material, the analyst will undertake a more detailed assessment. Such analysis may include scenario analysis based on the IEA's Sustainable Development Scenario (SDS). The SDS lays out useful detail on working assumptions for everything from demand levels assumed to prices of fossil fuels and carbon prices. We will switch to use the IEA's Net Zero Scenario once they publish similarly detailed assumptions. This work will be debated by the investment team as part of the risk analysis of a business. The Stewardship Committee may challenge the analysis and the decision of the analyst concerned as to the materiality of these risks.

Looking back over our ESG-led engagement more broadly during the last reporting year, we have a few illustrations of how this approach has guided our strategy and decision-making. For example, we have been engaging with BT, the UK telecommunications company, on the topic of remuneration, because we are not satisfied that the current incentive scheme is aligned with our clients' interests as shareholders. In the summer we decided to escalate this effort by voting against the remuneration report and policy at the AGM. We will continue to engage on this front and evolve our engagement approach, as we recognise that the engagement effort to date has not delivered the change we believe is in the best interests of our clients.

A second example is Mitsubishi Heavy Industries, a Japanese industrial conglomerate. We have been engaging with the company on the lack of a majority independent board, which, again, we believe does not support the best interests of our clients. This is because we believe that the lack of a majority of independent, outside directors on the board undermines the board's effectiveness as a counterbalance to management. The company has been receptive to our action and decided to nominate a new outside director, Noriko Morikawa, a former Executive Vice President and Director at Bosch Corporation. We assess this as a successful outcome of our stewardship process. This should lead to an improvement in governance at MHI, and hopefully therefore an improvement in general investor perception of the company which could be supportive of the share price.

A final example worth highlighting is our investment in Nomura Holdings, the Japanese investment bank and broker dealer. Since the material governance incidence in 2019, where an affiliate company of Nomura leaked sensitive stock-market information, we have been engaging with management around capital allocation and governance reforms. On capital allocation, we had been suggesting that the board reduce their holdings in their affiliates, but especially Nomura Research Institute, the affiliate from which the sensitive stock-market information had been leaked given its much higher valuation. Nomura could use the proceeds to buy back their own stock that was trading at all-time lows. After a meeting in our offices with the CFO, he suggested we write a letter to the board suggesting this. We were delighted to see Nomura do exactly this, with the announced buyback marking the bottom for the share price in 2019.

In 2020, we voted against the re-election of the Chairman, Mr Koga, as we believed that he should be held ultimately responsible for the information leakage events that resulted in FSA administrative orders twice over the past decade. Mr Koga was subsequently removed as Chairman, however he remained on the board as a director. As such, we continued our engagement throughout the year. We were pleased to hear in our final meeting in December that Mr Koga had now retired from the board altogether. We assess this as another successful outcome of our stewardship process, and we believe the improving trend in governance at the firm has contributed to the good performance of the stock since the lows of 2019.

We recognise that our approach to stewardship often takes time to deliver conclusive outcomes. However, as value investors we believe a patient, yet persistent approach is more likely to deliver meaningful change, and therefore superior returns for our clients over the long run.

Principle 2 – Signatories' governance, resources and incentives support stewardship.

Oldfield Partners is a limited liability partnership and operates as the regulated entity. The partnership, or firm, is therefore run by its partners who meet quarterly to review all aspects of the firm's business. The day-to-day management of the firm is done by the Management Committee that consists of four partners, Chris Driver (Chief Operating Officer), John McEwing (Chief Financial Officer), Ed Troughton (Head of Client Relations) and Nigel Waller (Chief Executive and Chief Investment Officer). The Committee is chaired by Chris Driver. The firm is majority-owned and controlled by its working partners but also enjoys the support of a small number of external shareholders. The firm and its partners are also supported by the majority-independent board of Oldfield & Co. (London) Ltd, the corporate member and parent of Oldfield Partners LLP through which the external shareholders hold their interests. The board of OC meets quarterly to review the same information pack reviewed by the partners. A key element of our governance structure is the firm's Remuneration Committee which is formed of the independent members of the OC board and Richard Oldfield, Chairman of OC and partner of Oldfield Partners LLP.

The firm has three other working committees: Stewardship (as noted under Principle 1), Charity (Management of OP's charitable giving) and Diversity (Monitoring and coordination of the firm's diversity agenda including our diversity-related community outreach work and interaction with the Diversity Project of which the firm is a member). All three committees publish their minutes firm-wide and report periodically to the partners of OP and the board of OC. The Charity Committee's annual budget is agreed by the partners and the Remuneration Committee.

As we described under Principle 1, the investment team takes the lead on ESG analysis and engagement, and the team's progress is monitored by our Stewardship Committee to reinforce our stewardship efforts. The Stewardship Committee comprises three members of the investment team, including the Chief Executive/Chief Investment Officer, and representatives from client relations and operations. The Committee monitors the progress of our engagement efforts, providing oversight. The Committee will sometimes challenge the materiality rating, or the method and process of engagement to reflect concern about a particular activity or aspect of governance. The Committee also meets to set firm-wide ESG objectives and share best practices, both internally with the investment team and publicly through engagement reports and thought pieces. The minutes of Committee meetings are distributed within the firm to ensure complete transparency. We believe this structure and our processes provides effective stewardship support for our clients' assets.

<u>Responsible Investment & Incentivisation</u>
Each member of the investment team is paid either an annual salary (employees) or an amount equivalent to an annual salary (partners) and is eligible for a discretionary bonus. The discretionary bonus is decided by the Remuneration Committee. The Remuneration Committee takes input from the annual appraisal process conducted by members of the Management Committee and the views of partners more widely.

The appraisal process is performed annually with objectives set for each individual at the beginning of each year. For the investment professionals this includes performance of any funds they may manage, the performance of any investment stock idea recommendations made whether they were invested in or not (both performance metrics are assessed over short and long-term periods), the quantity and quality of the investment notes written including their adherence and contribution towards ESG integration, the contribution to the investment debate, their contribution towards marketing and client relations as well as more general contributions to the firm. Our financial year ends March 31st. The appraisals of the investment team are done in April each year by the Chief Investment Officer. The appraisal process involves the completion of a self-assessment by each member of the team against the objectives set. This is reviewed by, and discussed with, the CIO.

The ESG objectives therefore include the assessment of ESG-related issues when considering investment ideas and the progress made each year in engagement with companies on ESG issues. From April 2021, we will expand the objectives list to explicitly reference each sub objective including the assessment of climate change risk for each stock in which we invest.

<u>Diversity & Inclusion</u>
We have brought together an experienced, cohesive team who share a common philosophical commitment to patient, contrarian, value investing. The whole firm consists of 27 employees, of which 12 are in the Investment Team. A third of our employees are women, and 18% are from ethnic minorities. At Oldfield Partners we recognise that everyone is unique. We view diversity in its broadest sense, including race, ethnicity, gender, sexual orientation, socio-economic status, education, industry experience, age, physical abilities, religious beliefs, political beliefs, and other ideologies. Diversity is central to recruitment and retention. We aim to attract and nurture the best talent from the widest pool of people.

In building the investment team we have actively considered the cognitive diversity of the group. We have sought individuals who bring different educational backgrounds, work experience and skillsets to bear. While some have followed a traditional route of buyside equity analyst, we have sought those with different historic sector or geographic specialisations. We have also hired individuals with different skill sets: a sellside financials analyst, two from corporate finance/valuation advisory and one from private equity. We are keen to see different educational backgrounds too. What binds us together is a desire to be generalists after previous specialisations and the contrarian, value ethos that is central to our investment philosophy.

We believe this diversity of thought is highly appropriate for our investment strategy and stewardship process. Having a wide range of perspectives enhances idea generation and decision-making, as well as improving engagement with our clients.

Our Equality, Diversity and Inclusion strategy includes a range of initiatives which we believe will make a difference. We hope that we can increase diversity inside and outside our organisation through the following initiatives:

- Involvement in the community; participating in mentoring programmes as well as providing support to charities which look to increase diversity.
- Recruitment and retention practices; ensuring diversity is embedded in our recruitment and retention processes.
- Internal development: training on unconscious bias and conscious inclusion.

More information on our diversity and inclusion efforts can be found on our website here: https://www.oldfieldpartners.com/About-Us/Equality-Diversity-Inclusion.

As already detailed above, ESG factors are integrated into our investment process, at the idea generation stage and throughout the investment horizon. As such, the entire investment team are responsible for analysis of ESG factors and engagement on these issues where relevant. A key point of differentiation here is that OP does not rely on separate ESG-only specialists who are all too often divorced from the underlying analysis of a company's operating fundamentals.

The Stewardship Committee structure provides us with a supervisory body that steers the firm's ESG-related investment priorities and processes and ensures compliance among the investment team with the firm's stewardship goals. Bottom-up, the ESG-related component of the investment team's performance objectives ensuring the team is incentivised to do their part in achieving a responsible investment approach. Together, the incorporation of ESG goals in incentivisation of the team and effective oversight of the team by the Stewardship Committee (with transparency through to the partners of the firm and the independent board of OC) ensure we are maintaining and improving the integration of stewardship and investment decision-making.

Investments in ESG-related data and services
To pursue our ESG approach we have invested in MSCI ESG Research and MSCI ESG Controversies service, employ ISS to facilitate proxy voting and developed our own in-house engagement tracking and monitoring tools. We have recently decided to switch our engagement tracking and monitoring to a new third-party cloud-based system called "Acty".

ESG & Controversies data
All our investment analysts have access to MSCI ESG reports at an industry and company level. These reports cover a wide array of ESG factors, including corporate governance & behaviour, corruption & instability, biodiversity & land use, carbon emissions, community relations, health & safety, and toxic emissions & waste. These reports are used as a starting point for the investment team to make their own proprietary assessment and analysis. We are highly sceptical of assessing the ESG fundamentals of a company based solely on the rating ascribed to it. These ratings are backward looking and there is usually a significant lag between changes in a company's fundamentals, and a corresponding change in the ESG rating. We are also conscious that the rating system itself can only be as good as the underlying data available. In situations where our own assessment of material ESG issues diverges meaningfully from that of the MSCI report, we are able to contact MSCI and gain a more detailed understanding of this difference in views.

Engagement monitoring
We understand that you use the term 'service providers' to mean commercial parties that provide stand-alone engagement services, or investor organisations that conduct engagement on their members' behalf. We do NOT use such services. The highly concentrated nature of our strategy allows us to undertake of our own engagements. We are members of several collective investor groups (Investor Forum, New City Initiative, Climate Action 100+, IIGCC), and we use these for learning and sharing best practices and for collaborative engagement efforts where we think this adds value to our investors. As mentioned above, we have employed the services of MSCI to alert us to any controversies specific to the companies we are invested in. However, we do not rely on their engagement services – once the controversy has been brought to our attention, we take on the responsibility of engagement. These providers are there to complement our own engagement efforts, not for outsourcing purposes.

Until recently we have used Microsoft Teams and a large Microsoft Excel sheet to monitor and track our engagements. Over the last six months we have been actively reviewing third party tools and in February 2021 we have subscribed to "Acty", a cloud-based Swedish engagement monitoring and tracking system. We are Acty's first UK-based customer.

Proxy voting
We employ the services of ISS to manage the voting process and inform our decision-making. ISS provides analysis and voting recommendations for each proposal. We use the default ISS policy framework and vote in line with ISS recommendations unless we have a conflicting opinion about a particular issue, in which case we instruct ISS to vote as we see fit. ISS's voting policies reflect best practice within the industry and are extremely thorough. They can be found at the following link https://www.issgovernance.com/policy-gateway/voting-policies/. For example, the policy applied by ISS in the UK broadly reflects guidance from the Pensions and Lifetime Savings Association (formerly known as the National Association of Pension Funds). The voting policies of ISS are generally the voting policies of our firm and are therefore applied in all but a relatively small number of incidences. However, if there are company-

specific factors which lead us to take a different view, we vote accordingly. We have already referenced the example of BT above, where we voted against the remuneration report and policy at the latest AGM because we were unsatisfied with management incentives being aligned with those of our clients as shareholders. This was against ISS' recommendation. A full list of all votes where we differed from ISS' recommendations can be found in our Proxy Voting and Engagement reports here: https://www.oldfieldpartners.com/About-Us/ESG#.

Principle 3 – Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

We maintain a comprehensive conflict-of-interest policy, fully in accordance with regulatory guidelines. We seek to act in the best interests of clients at all times. The policy ensures that procedures are in place to identify, manage and document any conflicts that arise in the course of business. The policy is reviewed annually and is publicly disclosed on the firm's website at the following link: https://www.oldfieldpartners.com/srp/documents-id/ddc9a085-bbf0-4885-b15d-ae8b9b06a1c5/ConflictsofInterestPolicy.pdf

In order to identify the types of conflict of interest that arise, or may arise, in the course of the provision by OP of its services, and to identify those conflicts of interest which may entail a material risk of damage to the interests of a client, OP has taken into account whether the firm or a relevant person, including a delegate, sub-delegate, external valuer or counterparty, or a person directly or indirectly linked by control to the firm:

- is likely to make a financial gain, or avoid a loss, at the expense of a client;
- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of a client, which is distinct from the client's interest in that outcome;
- has a financial or any other incentive to favour the interest of one client or group of clients over another;
- carries out the same activities for more than one client;
- carries out the same business as a client; and/or
- receives or will receive from a person, other than the client, an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service

The firm does not handle client money. We have trading procedures, including those in relation to the placing of orders and to allocation between clients, which ensure that all clients are treated fairly.

We have a comprehensive personal account trading policy. Members of the firm are encouraged to invest in the firm's own funds but are free to invest in third party funds, listed investment trusts and exchange-traded funds. The policy precludes new investment by members of the firm in the shares of individual companies except under exceptional circumstances with special permission from the Chief Investment Officer. Permission will not be granted if the shares are held in, or are being considered for holding in, clients' portfolios. The policy requires advance written approval for personal trades, by a member of the management committee and the compliance officer. Records of personal trades are examined by the partners and the board. All partners, and all members of the investment team, are invested themselves in the firm's funds to ensure alignment of interest with clients.

There is a rigorous entertainment policy which requires permission for, and recording of, all entertainment in excess of £150. The records are included in quarterly partner and board papers. Entertainment of the firm's members is allowed only where such entertainment is conducive to business discussion. A recipient of such entertainment must provide a written report after such events explaining how it was beneficial for our clients.

All portfolios within a single strategy are essentially identical. All clients within the same strategy trade together except where individual clients have inflows or outflows. From time to time, such flows can give rise to opportunities to reduce market impact and improve the prices achieved on transactions that can be crossed at mid prices but only where both clients allow such crossing. Cross-transaction between the two clients' portfolios can be to the advantage of each client. Such cross-transactions require approval by the compliance officer and are noted in reports to the partners and the board.

There is an overlap of holdings and potential holdings between the different strategies. Whenever a portfolio manager wants to place an order, he or she must notify the whole investment team to provide the opportunity for any other manager within the team to participate in the trade, thus ensuring that all accounts are traded at the same time.

We believe our stewardship policies to be aligned with our clients' best interests. It is our view that this conflict-of-interest policy would only be relevant to our stewardship process under limited circumstances. One example might be if a significant investor in a fund managed by OP opposed our policy to vote against, or engage with companies on material ESG issues, and seeks to prevent us from doing so. Under such circumstances we would confer with the client at the start of the investment mandate and make clear the rationale of ESG integration in our investment process. Should the client remain opposed, we could consider a segregated mandate with a separate engagement process. During the last reporting year, there were no such conflicts of interest specific to stewardship.

While we have not yet experienced an outright opposition to ESG integration, we have always recognised that there may be differences between our approach and our clients' own stewardship policies. In such instances, we would collaborate with these clients, and would be prepared to vote or engage with companies in differing ways. A recent example of this is in our voting against the remuneration policy of Bayer in the second quarter of the last reporting year. At the time of the AGM, negotiations on the glyphosate (branded as Round-Up Weedkiller) settlement were still ongoing, and we believed that the proposed compensation policy would not penalise management appropriately if they settled for a multibillion Euro amount. However, one of our large institutional clients disagreed on this point and instructed us to vote in favour of the remuneration policy for the shares that they owned. To date, we have managed 24 vote discrepancies between our voting decisions and those of our clients.

Principle 4 – Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

As described above, our investment philosophy is based on contrarian bottom-up stock selection. We are not driven by top-down macro analysis, but obviously consider this as a part of understanding the fundamentals of the individual companies we invest in. Such considerations include broad financial conditions and geopolitical risks such as US presidential elections and conflict in areas like the Middle East and their possible impact on economies, industries, financial markets and the companies in which we hold or consider for investment. Prior to Covid-19, we had not seriously considered the risk of a global pandemic in the selection of our stocks.

With the onset of the Covid-19 outbreak and subsequent shock to financial markets, we undertook a thorough and severe stress test of each of our holdings one-by-one, assessing the possible impact on each company of the worst set of assumptions we thought plausible to test their cash flow, liquidity and capital sufficiency and assessing whether our stress scenario might undermine the investment case for each stock. As an example, we stressed travel-related holdings and potential investments assuming a full twelve months of zero revenue with a recovery back to 2019 conditions within two years.

Despite this bottom-up approach, we do consider stewardship at a more holistic level. As already noted, the Stewardship Committee meets regularly to set firm wide ESG objectives and share best practices. Identifying and debating market-wide and systematic risks forms a part of this process. Over the last reporting year climate change has been front and centre of these discussions. We see it is one of the most significant challenges facing the world today and we are committed to playing our part in lowering harmful emissions by engaging with the companies in which we invest in to reduce their emissions footprint over time. As part of this we are signatories of Climate Action 100+, the leading investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change and the Institutional Investor Group on Climate Change (IIGCC), the European group of investors focused on climate change. As already described, we now include a dedicated assessment of climate related transition risks in all key research notes, where the analyst evaluates whether or not the company concerned faces a material risk from the transition to a low carbon economy. In the case where the risk is deemed material, the analyst will undertake a more detailed scenario analysis, using the IEA's Sustainable Development Scenario as a base case. This will then be debated by the investment team as part of the risk analysis of a business.

As an example of our engagement on climate change, during the summer of 2020 we became collaborators with other institutional investors on a Climate Action 100+ initiative engaging with Korea electric Power (KEPCO). The focus of the engagement has been to dissuade KEPCO from proceeding with its development of coal-fired generation, which we believe presents a risk considering the global transition towards a low-carbon economy. While the company has publicly committed to a transition towards renewables, the board is still approving international coal projects. In August we had a call with representatives from the Climate Change Policy team and Global Business Development team, where we urged the company to cease approving any future coal projects. The team explained the political difficulties in backing out of their international projects that are at a late stage of approval. They also argued that the long-term PPA contracts associated with these plants meant there was a low risk of these becoming stranded assets. They pointed out that these newer more efficient plants were replacing older dirtier ones, and they would also be investing to offset emissions. During the call we also put to them that international competitors were working on a more ambitious timeline to exit coal completely over the next decade in order to meet the Paris Agreement ambitions. However, their response was that they would be working towards the South Korean government's own green targets (coal generation at 36% of the domestic electricity production system by 2030). They acknowledged that these might be revised to become more ambitious, especially following the announcement of the South Korean government's Green New Deal. Given that KEPCO is majority-owned and controlled by the Government of South Korea it would be unrealistic to expect the company to contradict the Government's stated commitments to combatting climate change.

Following this call, the group agreed that we had reached an impasse with the company on coal project development – change needs to be mandated top-down from the government. As such we have decided to focus our future engagement efforts on the Ministry of Energy and Ministry of Trade, Industry and Energy. We decided to send the CEO of KEPCO a letter making him aware of the Climate Action 100+ latest initiative on benchmarking – the Net Zero Company Benchmark. The benchmark builds on the TCFD recommendations, with more guidance on specific company actions and disclosures of most relevance to investors' decisions. This is achieved through several benchmark indicators. An analysis of alignment with these indicators and subsequent public reporting of the results will be conducted by the Climate Action 100+ initiative in collaboration with the Transition Pathway Initiative. A baseline assessment of KEPCO, along with all the other companies engaged through Climate Action 100+, is scheduled for public dissemination in early 2021, with regular updates thereafter.

We received a formal response from the company, with a commitment to disclose further information in the sustainability report in accordance with the recommendations of the TCFD and SASB. The company also stated that net-zero emissions target will be aligned with those of the South Korean government. In South Korea, 2020 has been a year of significant progress in terms of discussions on the coal phase-out at a national level. Investors were referenced repeatedly in the National Assembly when Ministers were being questioned on KEPCO's overseas coal projects. In October 2020, the South Korean government committed to achieve net-zero emissions by 2050, pledging to spend Won 8trn (equivalent to US$7bn) on green-focused growth. As KEPCO owns the majority of coal-fired power plants in South Korea, this plan is likely to have a significant impact towards accelerating the reduction of their GHG emissions. Engagement in 2021 will focus on obtaining further clarity on coal plant closures as per the government's directive, phase-out timeline of overseas coal plants and commitment to the full alignment of corporate disclosure with TCFD recommendations.

In terms of our contribution as members of the IIGCC, we did not participate in any engagement efforts through this organisation over the last reporting year. However, we have partaken in several webinars related to the energy transition, and we intend to be more involved in public policy initiatives. For example, we look forward to becoming signatories of the latest Global Investors Statement to Governments on Climate Change, which previously secured a record 631 investors managing over $37 trillion in assets ahead of COP25. In 2021, the IIGCC will present a new set of policy requests to global governments, including reinforcing the need for ambitious updated national climate pledges (Nationally Determined Contributions) and a sustainable recovery from the pandemic. The new statement will be opened for signatures in March 2021 and will be used for engagement with governments globally in the lead-up to COP26.

We acknowledge that our overall effectiveness in recognising and responding to these systematic risks has room for development. Our process for assessing climate change related risks is still in an early phase, but we feel confident that it will evolve and enhance as we roll out this analysis across all of our holdings (the Stewardship Committee has made this a firm wide objective for 2021).

Principle 5 – Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Assurance of our stewardship policies and process is a key responsibility of the Stewardship Committee. As mentioned, the committee sets responsible investment objectives at the start of each reporting year aimed at refining our process based on the knowledge gained from the previous year's engagements, training and shared best practices. This last reporting year our objectives include incorporating climate change risk into the OP investment process and promoting responsible investing independently with relevant thought pieces published on our website.

Historically we have not relied on third party assurance. This is because of two main reasons. Firstly, we have not found a suitable external body able to provide this service. Secondly, as signatories of the PRI our stewardship process and policies are already reviewed and rated on an annual basis. Each year we get a detailed assessment report from the PRI team, rating our governance, ESG integration, engagements and voting. We believe this assurance process to be as robust as any other third-party services we have considered for this task.

This last reporting year we retained our A rating from the PRI, which is one notch below the top grade. The assessment report highlighted that the main area of improvement should be in demonstrating clear objectives, milestones and timelines in our engagements. We also need to make publicly available a more detailed disclosure of our approach to ESG integration. Finally, we need to take more of a leading role in collaborative engagements.

These are all areas we have been working to improve during 2020:

- We have published on our website a detailed overview of our ESG integration process.
- As already described, we have taken part in a collaborative engagement with KEPCO through Climate Action 100+.

- For all new engagements over the last reporting year, we have recorded a clear objective and measured relevant milestones achieved. However, we do continue to struggle with setting a fixed timeline for our engagements. As value investors we believe a patient, yet persistent approach is more likely to deliver meaningful change, and therefore superior returns for our clients over the long run.

In terms of reporting, we publish a quarterly proxy voting and engagement report on our website. This provides a detailed summary of our voting action, including where we have differed from both management and ISS. It also explains our engagement activity for the quarter. Reports are written by a member of the investment team to ensure depth of understanding. These reports will then be reviewed by the Stewardship Committee, including those members who are not on the investment team, in order to ensure an impartial assessment that reporting is fair, balanced and understandable.

Principle 6 – Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

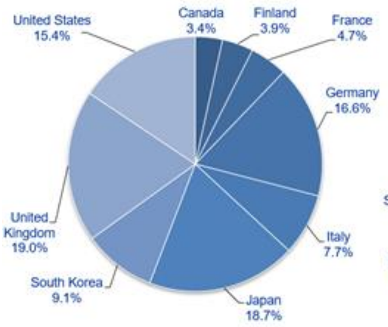
As already detailed in Principle 1, total assets under management were around US$3.8bn as of 31st December 2020, in a combination of segregated mandates and pooled vehicles. The firm has around 200 clients including families, high net worth individuals, pension funds, endowments, and charities but the overwhelming majority of our assets under management are institutional in type. We have a global client base, split predominantly between North America and the UK.

<u>Strategy AUM breakdown (as at December 31st 2020)</u>

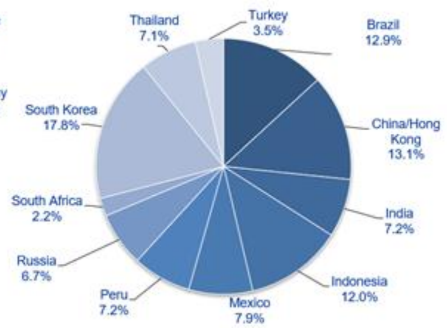
Strategy	No. of investors	US$m
Global Equity	54	2,817
Emerging Markets Equity	52	813
Global Equity Income	45	137
Global Smaller Companies	25	38
EAFE Equity	8	32
Total	184	3,836

<u>Geographical breakdown of invested assets by strategy</u>

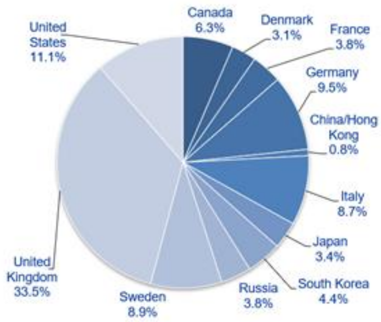
Global Equity



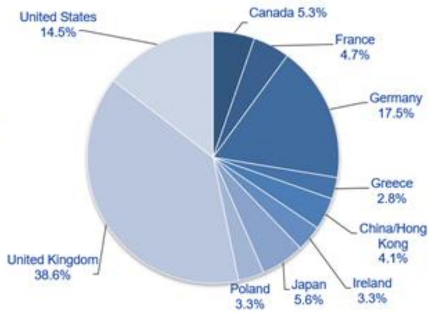
Emerging Markets Equity



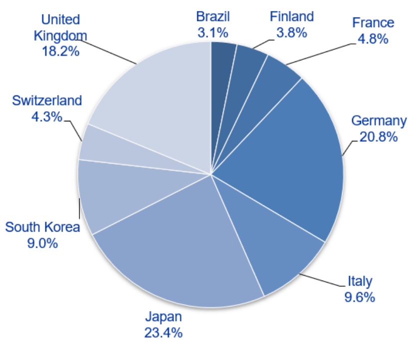
Global Equity Income



Global Smaller Companies



EAFE Equity



Source OP and MSCI ©.
Date: As at 31st December 2020.
Representative portfolios used.

Our investment approach and our structure and ownership are set up to focus on the long term, which matches the investment horizon of our clients. This is essential in order to take advantage of one of the biggest inefficiencies of the markets today: the short-termism of most of the participants and the tendency to hug indices. Taking the Global Equities strategy as an example, our objective is to outperform our benchmark by between 2-3% over a rolling five year period. The other strategies at OP have very similar investment horizons.

We publish our stewardship and voting activities on a quarterly basis. This report provides a detailed description of proxy voting, including a breakdown by vote instructions and resolutions, and commentary on why we voted against management and/or ISS' recommendations. We also describe our key engagements for the quarter. This is publicly disclosed via the website at the following link: https://www.oldfieldpartners.com/About-Us/ESG.

Where requested, OP also provides regular reports of stewardship activities to its clients, including detailed proxy voting records pertaining to the individual client. The frequency and contents of the reporting are agreed between OP and the client at the inception of the mandate and are generally incorporated into the investment management agreement. Individual client reports can include the same detailed disclosure as those published on our website – so a description of key engagements for the quarter; and a description of proxy voting, including a breakdown by vote instructions and resolutions, and commentary on why we voted against management and/or ISS' recommendations. Some clients have requested that we only send the engagement description, while others who have their own voting policies have requested a record of all voting instances where they have decided to vote differently from us.

As described in the first principle, due to our unambiguous value strategy, our clients are clear from the outset on our approach to investing and our goal of delivering superior returns over the long run. Having said this, we still maintain a regular dialogue with our clients to ensure we are continuing to work to meet their needs.

Often in the case of segregated accounts, quarterly meetings or calls are the norm, where we will seek the views of our clients and inform them of our investment activities, including stewardship if this is of interest to them. The relevant portfolio manager would be available for conference calls and meetings in London or elsewhere as required, however, each client also has a relationship manager responsible for the relationship and able to help with providing information and data as necessary. This last reporting year we have had 77 meetings with our clients.

As a standard procedure, a monthly newsletter is sent by email in respect of each of our portfolios which includes basic information such as portfolio size, NAV price, performance, top holdings and geographical and sector exposure and commentary. In addition, the portfolio administrator sends a monthly valuation statement to each investor. We are happy to discuss any reporting requirements investors have and to provide full disclosure of portfolio positions. On top of this we are happy to have client meetings as frequently as clients need where we welcome open and honest discussion. Each client is assigned a relationship manager from our Client Relations team. We have made sure all relationship managers' contact details are available on the 'Contact Us' section of our website so that clients can easily get in touch with them directly.

For our flagship Global Equity Strategy, we hold an Investor Update twice a year where we invite prospects and clients to hear the portfolio manager talk about the portfolio. In the invitation to these events, we encourage questions either to be sent in ahead of time or we give time after the presentation for any further questions. For our smaller strategies we hold these events on an ad hoc basis.

As already detailed above, there may be times that our stewardship approach differs from our clients' stewardship policies. In such instances, we confer with these clients and may decide to vote or engage with companies in differing ways. Over the last reporting year, we have managed 24 vote discrepancies between our voting decisions and those of our clients.

Over the last reporting year in our conversations with our clients we have found climate change to be a high priority. This has broadly coincided with our decision to incorporate a dedicated assessment of climate related transition risks in all key research notes, which we have already discussed in detail. Subsequent to making these changes, we have reached out to our clients to inform them of this evolution in our process, including presenting our progress at the Global Equity Strategy day in November last year. We had announced our intention to adopt this new aspect of our process at our investor day in November 2019.

While we believe this to be a successful way of taking into account our clients' needs, we acknowledge that we could do more to evaluate the effectiveness of this approach. As such, the Stewardship Committee has set a firm-wide objective for 2021 to make a more systematic effort in seeking our clients' feedback on our stewardship efforts.

Principle 7 – Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

We have already written in Principles 1 and 2 about how considering ESG risks and opportunities is a necessary part of the fundamental analysis we carry out when evaluating investment ideas. As described above, all our investment analysts have access to MSCI ESG reports at an industry and company level. These reports cover a wide array of ESG factors, including corporate governance & behaviour, corruption & instability, biodiversity & land use, carbon emissions, community relations, health & safety, and toxic emissions & waste. These reports are used as a starting point for the investment team to make their own proprietary assessment and analysis. From here the investment analyst prioritises those ESG issues deemed most material to the investment thesis. These issues will therefore vary on a case-by-case basis however, our priorities are on good governance including the diversity of boards, climate change and seeking commitments from companies to target net zero emissions by 2050, cyber security, large scale environmental damage and the absolute avoidance of child labour.

We have described how ESG factors and engagement on material issues are systematically integrated at the idea generation stage and throughout the investment horizon. As such, the entire investment team are involved in this process. And we have noted how stewardship objectives form a part of the appraisal process for investors when determining discretionary bonuses. Finally, we have described how the Stewardship Committee interacts with the investment team – monitoring the progress of our engagement efforts, setting firm-wide ESG objectives and sharing best practices.

It is worth noting that we do not outsource any element of stewardship in our investment decisions. As mentioned, investors do have access to ESG research from third party providers such as MSCI, however this is taken as a starting point for our own appraisal of the material issues to an investment thesis. And as already described in Principle 2, we do not use service providers to conduct engagements on our behalf. We have also already described how we employ the services of ISS to manage the voting process and assist our decision-making. ISS provides analysis and voting recommendations for each proposal. However, the investment team always reviews these recommendations relative to each individual investment thesis. In some instances, investors will come to a different conclusion than that reached by ISS, in which case we instruct ISS to vote as we see fit. This includes reviewing whether ISS' recommendations are supporting the integration of stewardship in our investment process. One clear example of this is where voting against management can be an effective tool in the escalation of an engagement. In Principle 1 we described how we voted against management in the case of BT's remuneration policy. This was against ISS' recommendation. Leading up to this decision, we had been engaging with the company on the policy. Ahead of the AGM, we laid out our concerns in writing. The company did respond to us with explanations for the chosen incentive structure, but we were not satisfied with these justifications. Hence our decision to escalate the engagement, and vote against the policy at the AGM in July.

Principle 8 – Signatories monitor and hold to account managers and/or service providers.

As outlined earlier, all our investment analysts have access to MSCI ESG reports at an industry and company level. These are used as a starting point for their own proprietary assessment and analysis. We are wary of assessing the ESG fundamentals of a company based solely on the rating ascribed to it. These ratings are backward looking and there is usually a significant lag between changes in a company's fundamentals, and a corresponding change in the ESG rating. We are also conscious that the rating system itself can only be as good as the underlying data available. In situations where our own assessment of material ESG issues diverges meaningfully from that of the MSCI report, we are able to contact MSCI and gain a more detailed understanding of this difference in views. While we have meetings with MSCI representatives on an ad hoc basis, we do not currently undertake a regular review of MSCI to ensure their services have been delivered to meet the needs of the investment team. We recognise this is a shortcoming on our behalf. As such, the Stewardship Committed has included an annual assessment of MSCI as a firm-wide objective for 2021.

We have already explained that we undertake all our own engagements – because of the highly concentrated nature of our strategy, there is no need for us to outsource to third parties. We do use MSCI's 'Controversies Alert System' to alert us to any controversies specific to the companies we are invested in. However, we do not rely on their engagement services – once the controversy has been brought to our attention, we take on the responsibility of engagement. These providers are there to complement our own engagement efforts, not for outsourcing purposes.

Finally, we have described how OP employs the services of ISS to manage the voting of proxies and assist our decision-making. We evaluate the services of ISS on an annual basis. This assessment considers factors such as the quality of the analysis and voting recommendations, the technology that ISS provides as part of the service and any potential conflicts of interest. The conclusions of our last annual review were as follows:

<u>Quality of analysis and voting recommendations</u>
We are happy with the quality of analysis that ISS provides. We read and review the research before voting; this research is generally accurate, thorough and conclusions are clearly communicated. There are occasions where interpretation of the data may differ. There are also occasions when, in our view, some of the conclusions lack consistency. However, we can draw different conclusions and have the discretion to vote in a different way to any recommendation if we chose to do so. We outline these differences and our reasoning to clients.

<u>Technology</u>
The technology platform is good. We are alerted to upcoming events and research can be accessed easily. There is also the ability to sort and screen by various factors which is helpful. The voting process is simply and efficient.

<u>Capacity</u>
ISS is one of the leading providers of proxy advisory services, covering thousands of meetings each year. It employs people around the world to conduct research and provide recommendations, and its methodologies and guidelines are reviewed and updated regularly. We are comfortable that ISS has both the capacity and resource to successfully provide the proxy advisory services.

<u>Conflicts of interest</u>
We have reviewed and are comfortable with ISS's procedures for identifying, disclosing and addressing potential conflicts of interest.

Principle 9 – Signatories engage with issuers to maintain or enhance the value of assets.

We believe that engagement is a fundamental part of our role as active managers. We have already described how, as part of the risk assessment of a business, investment analysts will identify ESG issues deemed as a material risk to an investment thesis. There is a dedicated ESG risk section in all key research notes, and these issues will be debated by the wider investment team in our weekly team meetings. Once we become shareholders, we seek to engage with the company on these issues. This is done through the discussions we hold with company representatives within the ordinary routine of interaction. However, we may decide to extend our engagement activity and/or escalate specific areas of concern in order to effect the change we are seeking. Such decisions are made on a case-by-case basis, influenced by factors such as the materiality of the issue and the size of the holding relative to our total AUM.

As mentioned earlier, over the last reporting year we have evolved our stewardship process such that we now record a clear objective at the outset of an engagement. Because we engage on those issues which we deem to be a material risk to the investment thesis, it is this risk assessment which forms the basis for identifying and determining the objective. However, we do continue to struggle with setting a fixed timeline for our engagements. As value investors we believe a patient, yet persistent approach is more likely to deliver meaningful change, and therefore superior returns for our clients over the long run. We are genuinely motivated to engage with companies and effect change in material ESG issues, since this will contribute to de-risking the investment case. But where we see a credible strategy to improve these issues is being formed, we are willing to give management time to deliver this change.

Holdings above 1% of firm AUM are automatically considered for engagement. The concentrated nature of our strategies results in a relatively smaller pool of potential candidates for engagement. At the time of writing there are just 33 companies in which we have investment value above 1% of firm AUM. As noted, while the focus of our engagement efforts is on the ESG issues which we deem to be most material to the investment thesis, we also believe it is our responsibility to monitor new or existing ESG controversies, and continually assess whether these issues should be escalated to engagement. We employ the services of MSCI to help us monitor such controversies.

We have also explained the Stewardship Committee's role in monitoring the progress of our engagements. The Committee will review and sometimes challenge the method and process of engagement, drawing on insight from other ongoing engagements and industry best practices. We employ a variety of methods when engaging with companies. Over the last reporting year, 57% of our engagements were by phone call, 23% by emails, 10% via video conference, 7% via meeting and 3% by letter. Our approach to engagement also varies in terms of the cultural nuances of different regions. For example, when engaging with Japanese companies, more often than not we will follow up a call or in-person meeting with a formal letter to the senior management team. Similarly, in our collaborative engagement with KEPCO (the Korean utility), one of our collaborators is Korean speaking. We have taken advantage of this by asking her to engage with the company and relevant government bodies in Korean on behalf of the investor group.

At this point it may be useful to go through a case study in order to better demonstrate engagement in our investment process. We have been shareholders in Nomura Holdings since 2015. In 2019 a material governance issue occurred when Nomura Research Institute (NRI), an affiliate company of Nomura, leaked sensitive stock-market information to the Nomura sales team, which then reached its institutional clients. Japan's Financial Services Agency issued a "business improvement order" to Nomura Holdings and Nomura Securities after it had come to light that multiple employees of Nomura Securities and its affiliate were involved. This was immediately discussed by the investment team and flagged as a material governance issue that we needed to engage with senior management about. This was particularly the case since this was not the first time that the FSA had issued an administrative order to Nomura in recent years. In August 2012, Nomura received a "business improvement order" after Japan's Securities and Exchange Surveillance Commission discovered that Nomura employees had leaked non-public information about secondary share offerings by three companies for which Nomura Securities served as the lead underwriter.

The Chief Strategic Officer and Head of EMEA came to our offices where we addressed this issue, amongst others. They assured us that this was a compliance breach done in error, rather than a clear violation of the principle of market integrity as was the case in 2012. We were satisfied that the company had co-operated promptly with the regulator and would implement improvements to its governance structures in order to avoid a reoccurrence, including additional employee training and performance evaluation standards with a focus on compliance. Despite this, we decided to vote against the re-election of the Chairman, Mr Koga, as we believed he should be held responsible for information leakage that resulted in FSA administrative orders twice over the past decade, which took place during his tenure on the board. As the chairman of the nomination committee and compensation committee, we believed he should be held responsible for the company's failure to improve its governance practices in spite of the compliance concerns. In April 2020 he was replaced by Mr Nagai, however he has not been retired from the company, but instead is being kept on as a board director. On discovering this we engaged with IR to express our dissatisfaction with this decision.

An important consequence of the scandal was that Nomura sold down its stake in NRI to below a third and used the proceeds of the sale to buy back around 9% of shares outstanding in Nomura Holdings. This is something we had been engaging with management about and we communicated our strong approval of this decision. We reiterated our view that selling down the stake in its entirety and buying back Nomura Holding shares was an effective way to unlock value within the group and send a strong message on management's confidence in the company's potential. This action was taken very positively by the market with the stock up more than 10% on the day of the announcement. As a result of this action we increased our holding in the company across our Global portfolios.

It is worth noting that in September 2020, news broke of another information leak at the company, only a year after the previous scandal involving NRI. We reached out to the company asking for clarification as to the nature of the leak, and an update on the preventative measures that had been put in place since the previous year's incident. We were assured that this data breach was of a different nature, involving paper-based disclosure of client transaction data by a rogue employee. The information disclosed was not market sensitive. We were also reassured that robust procedures were in place to prevent a more serious breach in the future, and strict disciplinary action would be taken against this instance of misconduct.

In December we met with the President (Mr Okuda) and CFO (Mr Kitamura) of Nomura. As a reminder, last quarter we engaged with the company with regards to Mr Koga, who had earlier been removed as Chairman after taking responsibility for the scandals in Wholesale division but had nevertheless been retained as a board director. We were pleased to hear that he has now retired from the board altogether. We asked about the term of another member, Mr Lin Choo San, as he has been on the board for 10 years and we view his long tenure as entrenched. Mr Okuda responded that Nomura is reviewing its board structure and his view was that more international board members would be desirable, to reflect the business. We encouraged Nomura to move towards a board structure where the Chair is an independent, outside director, as soon as possible.

Another example that can serve to illustrate our process is our engagement with Lloyds Banking. In 2019 a controversy emerged over the CEO's remuneration, with particular focus on the high pension 'contribution' for the CEO that was not aligned with the wider workforce. This went against the Investment Association's (IA) guidelines, as well as the UK corporate governance code. This led us to reassess the company's remuneration policy and raised further questions around which metrics incentives were linked to and how they were calculated. We discussed this at the Stewardship Committee and decided to escalate this issue to engagement. We reached out to the Investor Relations team to express our concerns. The objective of the engagement was to understand better the company's thinking on the design of their remuneration structures for senior management and seek to ensure it was properly aligned with shareholder interests. Following this discussion, we were invited to a meeting with a member of the Remco where we were able to discuss our concerns in more detail. We wanted to conduct the engagement in an interactive conversation rather than via letter or email given the time sensitivity with the upcoming AGM.

Last year, ahead of the AGM, we spoke with the Chairman of the Remuneration Committee and a number of his colleagues, where we reiterated our concerns. Ultimately, we chose to vote with management hearing their rationale and broader approach to remuneration. However, we believe that there is still room for improvement. The group has an ROTE underpin – which we think is sensible – but think should be on an absolute basis rather than relative to peers. Furthermore, we question whether using only UK peers is appropriate. Finally, we are not convinced that some the targets in the balanced scorecard have high enough hurdle rates (this is where we do have visibility; in some areas, disclosure is low). Examples of this include the threshold target for statutory profits and the cost income ratio, especially given the historical guidance provided to shareholders.

In November Mr Sinclair presented to shareholders as part of the 'Board Corporate Governance' event. He spoke about the aims of the new remuneration policy and the progress in implementing it. Following this, we had a call with Stuart Woodward, Reward Director at Lloyds, to discuss the finer details. There was broad agreement regarding the approach and intentions of the new policy. However, there are still some aspects that are yet to be concluded. These include the quantum of award with regards to restricted shares, simplification and visibility of the scorecard, and how to allow for qualitative and quantitative factors, particularly for items such as strategy and ESG. We discussed these in detail, as well as other aspects that we believe can improve such as the ROTE underpin. We will review the scorecard and metrics, as well as the detail associated with the underpins, when the final policy is released.

We disclose the full extent of our engagement activity and outcomes in our quarterly company engagement reports which can be found here: https://www.oldfieldpartners.com/About-Us/ESG#.

Principle 10 – Signatories, where necessary, participate in collaborative engagement to influence issuers.

We believe collaborative engagement can be a powerful tool in effecting change, and we are members of several collaborative initiatives. These include the UK Investor Forum, Climate Action 100+, and the PRI. In Principle 4, we have already described our collaborative engagement with Korea Electric Power (KEPCO) through the Climate Action 100+ initiative. The engagement has been led by APG Asset Management and Sumitomo Mitsui Trust Asset Management, and we joined in the summer as a collaborating investor. Since first becoming shareholders we identified KEPCO's heavy carbon emissions as a material risk and started engaging with the company on this topic. However, we struggled to get access to the appropriate decision makers within the company, and our concerns and requests for greater disclosure had repeated fallen on deaf ears. On becoming signatories of the Climate Action 100+ initiative we saw an opportunity to achieve greater corporate access, and gain insights from our collaborating investors who had been engaging in parallel on similar issues.

While our collaborative effort has not yet delivered the change in company strategy we had hoped for, we have had a stronger voice and gained greater access within the firm, and we have also benefitted from the group's expertise in understanding which other government entities to engage with going forward. In Korea, 2020 has been a year of significant progress in terms of discussions on the coal phase-out at a national level. Investors were referenced repeatedly in the National Assembly when Ministers were being questioned on KEPCO's overseas coal projects. In October 2020, the South Korean government committed to achieve net-zero emissions by 2050, pledging to spend Won 8trn (equivalent to US$7bn) on green-focused growth. As KEPCO owns the majority of coal-fired power plants in South Korea, this plan is likely to have a significant impact towards accelerating the reduction of their GHG emissions. Engagement in 2021 will focus on obtaining further clarity on coal plant closures as per the government's directive, phase-out timeline of overseas coal plants and commitment to the full alignment of corporate disclosure with TCFD recommendations.

Last reporting year we also joined a collaborative engagement with Rio Tinto that the UK Investor Forum helped to coordinate. This followed the tragic and irreversible destruction of First Nations sites of cultural and archaeological significance in the Juukan Gorge, in Australia. Companies have a responsibility to operate within the bounds of a social license, which includes respecting local land and people. Rio Tinto has failed to adhere to this responsibility. The board review concluded that no single root cause or error directly resulted in the destruction of the rock shelter: "it was the result of a series of decisions, actions and omissions over an extended period of time, underpinned by flaws in systems, data sharing, engagement within the company and with the PKKP (Puutu Kunti Kurrama and Pinikura people), and poor decision-making." While we understand that such incidents are rarely due to a single error, it does mean that the response will likely need to address multiple areas. The board review details a number of such areas and we welcome these efforts. The subsequent change to management is a more radical move. J-S Jacques (CEO), Chris Salisbury (Chief Executive, Iron Ore) and Simone Niven (Group Executive, Corporate Relations) are all stepping down. In addition, a new Social Performance function is being established and a second Senior Independent Director role has been created. This has happened after engagement with shareholders who expressed concerns about the lack of executive accountability. We did not feel it necessary for the chief executive to step down: we would have preferred a much quicker, and strong, penalty – greater than the initial proposal. We recognise that this action has created a strong incentive structure which shows how such actions would likely to be dealt with in the future. The message to the future management team seems loud and clear – again, something we welcome.

At this point, we want to monitor progress regarding the implementation of the board's recommendations. We will need to ensure that the company provides sufficient information to assess this. As such we signed a letter as part of a group of 64 investors representing over $10.2trn in AUM. In it, we called for a genuine explanation of the company's risks and approach, and how Rio's policies and procedures are implemented in practice, rather than boiler plate information or mere replication of policies and procedures.

Following this, Investor Forum coordinated a call with the board, including the Simon Thompson (Chairman), Megan Clark (Chair of Sustainability Committee), Simon Henry (Chair of the Audit Committee), Sam Laidlaw (Chair of Remuneration Committee), and Michael L'Estrange (Lead of the 2020 Board Review of Cultural Heritage Management). The meeting focussed on three areas – board effectiveness, oversight and accountability, and license to operate. Overall, the board representatives were convincing in recognising a genuine need for cultural reform at Rio. They promised to provide greater transparency in the implementation of these reforms. As Simon Henry put it – the systems in place are good, but they are only as effective as the people operating within them. What is critical is to strengthen the perceived importance of Cultural Heritage, and the ethos of reporting and monitoring on this. We will continue to monitor the company's progress.

Principle 11 – Signatories, where necessary, escalate stewardship activities to influence issuers.

We have already described how, once we become shareholders in a company, we engage on those ESG issues deemed most material to the investment thesis. As mentioned, this is usually done through the discussions we hold with company representatives within the ordinary routine of interaction. However, we may decide to extend our engagement activity and/or escalate specific areas of concern in order to effect the change we are seeking. Such decisions are made on a case-by-case basis, influenced by factors such as the materiality of the issue.

The process of escalation in our engagement can include:

- withholding support or voting against management (and informing them)
- meeting/communicating with non-executive directors or the chairman
- collaborative intervention with other institutional investors
- engaging with regulatory or governmental bodies, where deemed appropriate and effective

The choice of escalation method will be assessed on a case-by-case basis and can be influenced by cultural differences across different regions. For example, we have already described how in our engagement with KEPCO, we decided the best escalation strategy was to engage with the relevant government entities in order to effect change from the top-down. Such radical action is usually not seen as necessary or constructive in the case of companies based in the western world.

In setting objectives for escalation, these will be aligned with the objective of the overall engagement. We have discussed objective setting in Principles 5 and 9.

We have already listed a few examples of this escalation process in practice. In Principle 1 we described how we voted against management in the case of BT's remuneration policy. Leading up to this decision, we had been engaging with the company on the policy. Ahead of the AGM, we laid out our concerns in writing. The company did respond to us with explanations for the chosen incentive structure, but we were not satisfied with these justifications. Hence our decision to escalate the engagement, and vote against the policy at the AGM in July. While the policy was approved at the meeting, we note that almost 7% of shareholders voted against it – we may consider collaborative engagement going forwards.
In Principles 4 and 10 we described our engagement with Korea Electric Power (KEPCO) around the company's transition away from coal. As already described, from the outset we had identified KEPCO's heavy carbon emissions as a material risk and had made several attempts to engage with the company on this issue. However, we struggled to get access to the appropriate decision makers within the company, and our concerns and requests for greater disclosure have repeated fallen on deaf ears. On becoming signatories of the Climate Action 100+ initiative we saw an opportunity to escalate our engagement efforts and join voices with those shareholders who shared our concerns around the KEPCO's transition risks towards a low-carbon economy. As noted, this collaborative initiative has gained us greater access to more senior and relevant company representatives, and the group has already escalated this effort by engaging with the appropriate government entities.

Principle 12 – Signatories actively exercise their rights and responsibilities.

It is OP's policy to vote all shares where we are entitled to do so, except where there are onerous restrictions – for example, shareblocking. As detailed in Principle 2, OP employs the services of ISS to manage the voting of proxies and assist our decision-making. ISS provides analysis and voting recommendations for each proposal. OP votes in line with ISS recommendations unless we have a conflicting opinion about a particular issue, in which case we instruct ISS to vote as we see fit.

We have already described how ISS's voting policies reflect best practice within the industry and are extremely thorough. As a reminder they can be found at the following link: https://www.issgovernance.com/policy-gateway/voting-policies/
OP is notified of all general and special meetings for the stocks we purchase for our clients. All resolutions are thoroughly reviewed by the relevant fund managers and analysts who in turn provide instructions on how to vote. Any voting decisions which differ from ISS's will be amended accordingly within the ISS platform prior to the voting cut-off.

The voting policies of ISS are generally the voting policies of OP and are therefore applied in all but a relatively small number of incidences. However, if there are company-specific factors which lead us to take a different view, we vote accordingly. Where a client has specific proxy voting guidelines which differ from ISS, we work with ISS to ensure that we vote in line with the guidance prescribed by the client, recognising that where the client has not delegated voting responsibility wholly to OP our first obligation is to follow the client's own preferred policy.

For segregated accounts, any voting activities will follow policies and instructions set within the Investment Management Agreement between the client and OP. We have one segregated account which exercises direct voting based on a policy which differs from OP's. The account's voting is closely monitored and any major discrepancies in terms of voting instructions is raised directly with the client. OP does not facilitate clients' direct voting in pooled accounts.

Certain OP client mandates undertake stock lending. Where a stock is on loan ahead of a general meeting or corporate action, and we have discretion to vote or act on that client's behalf, we recall the stock (unless it is not in that client's interest). OP does not borrow stock for the purpose of exercising votes.

OP closely monitors that all shares are voted on, cross checking the total number of shares available to vote per account between OP's records and ISS's for each meeting. Any accounts enrolled in stock lending will have shares recalled prior to the record date. Up until last year, OP had a policy of not voting in countries where POAs applied (Sweden being the only one in 2019). However, a review of all holdings has been undertaken and all necessary POAs will be completed to enable voting. We had one instance in 2020 of an unvoted meeting in the Netherlands due to shares being held via a depository which does not offer proxy voting service for non-domestic shares. This is a rare occurrence for cross boarder meetings and the relevant issuer has been contacted to enable a voted through the company directly.

We publish a quarterly summary of proxy voting as part of our Stewardship and Voting Activities Report on our website at the following link: https://www.oldfieldpartners.com/About-Us/ESG.
These reports include a full list of our voting records, as well as the rationale for cases where we voted against management or against ISS' recommendations.

In 2020 the total number of meetings at which our voting was possible was 100; we instructed ISS in respect of 99 of those meetings. There were 1,330 resolutions put before those meetings; we voted with management in relation to 1,262 of those resolutions, voting against in relation to 62 resolutions (the most common areas for such votes being those relating to directors related resolutions) and we did not vote or we abstained in relation to 6 resolutions (predominately where we agreed with the principle of the resolutions, but we disagreed with their suggested practical application).

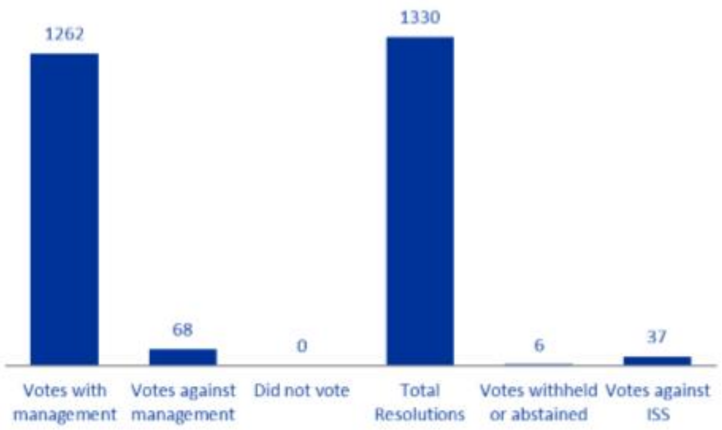
Voting Summary *

Total meetings available	=	100
Meetings instructed	=	99**
Number of resolutions	=	1330

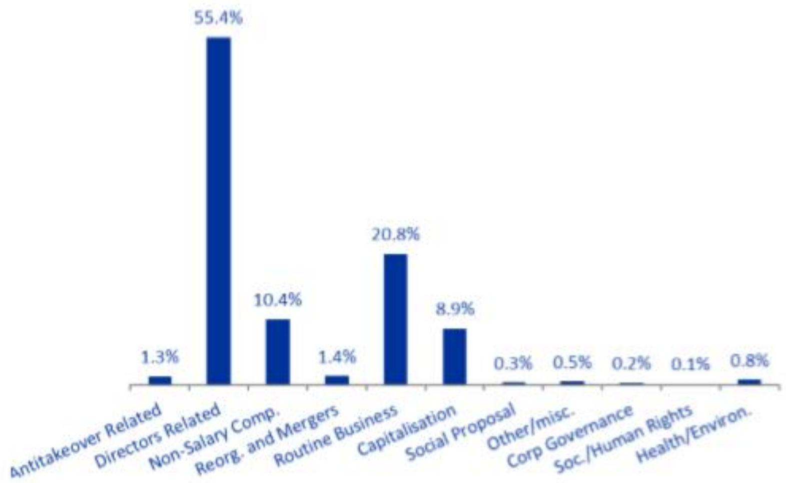
**For clients who have delegated voting authority to Oldfield Partners*

*** No votes were submitted at Shop Apotheke's AGM due to sub-custodian's issues.*

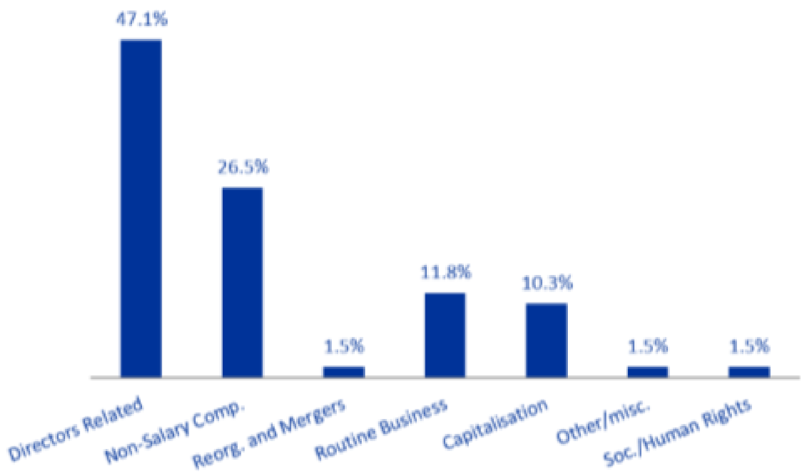
Vote Instructions



Breakdown of Resolutions



Breakdown of Votes Against Management



In Principles 1, 3 and 11 we have detailed case studies of BT and Bayer. Another example worth highlighting is our engagement with Newcrest Mining. At the AGM in November, shareholders were asked to vote on a resolution amending the company's constitution to allow for virtual AGMs. This has been an area of some debate in the context of the global pandemic. On the one hand, virtual AGMs should enable greater shareholder participation. On the other hand, there are potential risks of shareholder questions being ignored in such a format. In the end we decided to vote in favour of this resolution (and against ISS' recommendation). However, we caveated this vote by writing to the company and noting our preference for a hybrid structure (physical meeting combined with online virtual participation). We noted that, with a virtual only format, we would expect there to be adequate provision for shareholders to ask questions and that these are addressed by management at the meeting. We received a response from the company noting our concerns and assuring us this feedback would be sent to the relevant team internally.

March 2021