OP ESG Due Dilligence Policy

ESG integration and Oldfield Partners' response to the Sustainable Finance Disclosure Regulation

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. We have a classic contrarian value investment philosophy that 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' – lowly valued stocks, trading at a discount to their intrinsic value, where we can see a path to that discount closing. Through sound empirical analysis and understanding of a company's underlying business, the industry it operates within and its strategic position, sustainable growth or recovery prospects, we establish the potential investment's intrinsic worth. The delivery of long-term returns requires a valuation methodology to identify intrinsic worth which is consistently applied during market cycles, with a clear valuation-driven 'buy' and 'sell' discipline. 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.

The firm is small, private and quiet. 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.

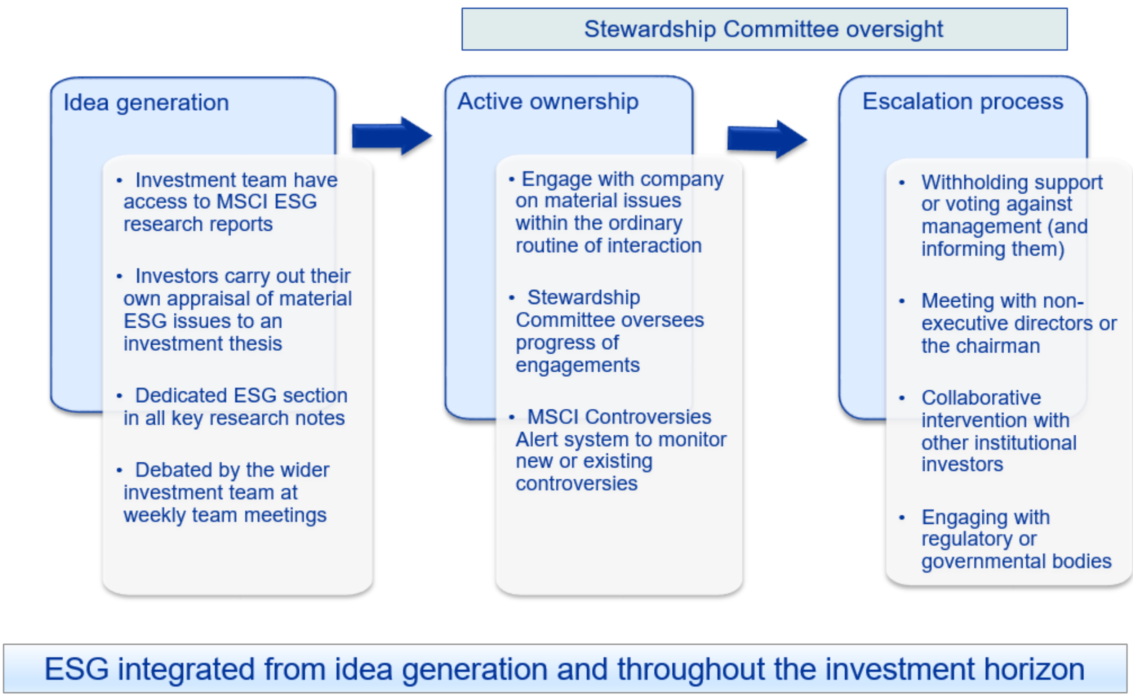
Principal adverse impacts of investment decisions on sustainability factors

We consider it an important part of company analysis to assess corporate governance, as well as the management of social and environmental issues such as corporate governance and behaviour, corruption, instability, biodiversity, land use, carbon emissions, community relations, health and safety, and toxic emissions and waste. 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's 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, we also have a Stewardship Committee to reinforce our stewardship efforts. The Committee monitors the progress of our engagement efforts, providing useful 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.



ESG factors, and their materiality to the investment thesis, are assessed on a case-by-case basis. In the case of climate change, for example, 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 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 already mentioned, we have formed a Stewardship Committee to reinforce our stewardship efforts. The committee can carry out an independent assessment of climate related transition risks and may challenge the decision of the investment team as to the materiality of these risks.

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 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.

We believe this approach to stewardship helps to serve the best interests of our clients, whilst staying true to our contrarian and index-agnostic investment beliefs. 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.

Escalation strategy

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. 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
- engaging with regulatory or governmental bodies, where deemed appropriate and effective

- collaborative intervention with other institutional investors

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+, IIGCC and the PRI.

Proxy Voting

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. 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.

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. 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#.

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.

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.

Governance, resources and incentives to support stewardship

We have brought together an experienced, cohesive team who share a common philosophical commitment to patient, contrarian, value investing. We are based in London's West End, away from the frenzy of the City, to allow us to pursue our global search for value, and our dispassionate assessment of the opportunities that we uncover. 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.

In building the investment team we have actively considered the cognitive diversity of the group. We have sought individuals who bring different experiences 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.

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. 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 which comprises Richard Oldfield as chairman (absent in matters relating to himself) and the three non-executive directors of Oldfield & Co., the managing member of OP. When deciding bonuses, the remuneration committee takes into account factors including but not limited to contribution to overall investment debate, portfolio performance (both short and long term) and contribution to firm management. Responsible investment objectives form a part of this appraisal process.

Alongside the investment team is the Stewardship Committee which provides oversight to these stewardship efforts. The Committee is comprised of our CEO/CIO Nigel Waller, two members of our investment team, Richard Garstang and Alexandra Christiansen, Grace Thompson from our Client Relations team, and Marie Tangi from our Operations team. They meet once a quarter to review ongoing stewardship efforts, assessing progress and effectiveness of engagement methods and processes. The committee members also share insights gained from any external training or collaborative initiatives undertaken by the group.

We understand 'service providers' to be commercial parties that provide stand-alone engagement services, or investor organisations that conduct engagement on their members' behalf. Because of the highly concentrated nature of our strategy, there is no need for us to outsource to third parties – we undertake all of our own engagements. It is true that we are members of collective investor groups, but we use this mainly for sharing best practices or for collaborative engagement efforts. 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.

Historically we have not relied on third party assurance of our stewardship policies and process, however we are signatories of the PRI, meaning our stewardship process and policies are 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.

Climate Change

Climate change forms a central part of our stewardship discussions. We accept that 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 to reduce their emissions footprint over time. As part of this we are now 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. Through these initiatives we have been able to share and gain knowledge, and crucially participate in relevant collaborative engagements. We have also begun integrating the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD) into our research process, and we have now incorporated a dedicated section in key research notes for assessing the risks from a transition to a low carbon economy.

Communication on stewardship activities

We publish our stewardship 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. Reports generally include details of all votes and of engagement activity.

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.

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.

February 2021