Responsible Investment Approach

At Kiltearn, our approach to responsible investment is rooted in our broader investment philosophy and process. This note sets out the core beliefs that underpin our approach to ESG integration and stewardship, and places these elements within the wider context of our investment approach.

Our Investment Philosophy

Kiltearn offers a single global equity program, managed with a disciplined value investment philosophy.

Kiltearn's value philosophy is focused on fundamental business valuation. Stock market values tend to fluctuate to a greater degree than underlying business values. Kiltearn's focus is on business values, and in particular, intrinsic value, which it defines as the assets, earnings, and dividends that a company delivers to the investor over time. Kiltearn seeks to maximise intrinsic value by focusing on the price paid to own a piece of a business and the quality of that business.

Kiltearn focuses its resources on fundamental analysis of individual companies which are valued within the bottom quartile of the market. Through disciplined and methodical research, and regular and methodical rebalancing of the portfolio towards under-valued stocks, the long-term intrinsic value of the portfolio is compounded.

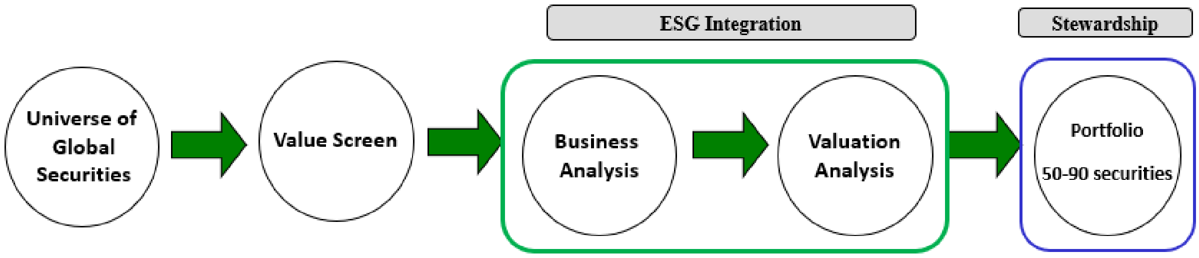
Kiltearn believes that the relevant time period for assessing our abilities is three to five years. Individual stocks are purchased in the portfolio with this holding period in mind, as it frequently takes time for the value opportunity to be realised.

Responsible Investment at Kiltearn

At Kiltearn, we view responsible investment as the practice of systematically assessing issues of companies' sustainability within our investment process and encouraging those companies to improve their practices over time, with the aim of delivering attractive returns for clients over the long term. The sustainability (or otherwise) of a company's business model, products and practices has material implications for its intrinsic value and long-term return potential.

Our approach has two pillars:

- ESG integration: the explicit and systematic assessment of material Environmental, Social and Governance factors in our investment process.
- Stewardship: active stewardship of clients' capital through voting and company engagement.



ESG integration

What is 'ESG'?

Environmental, Social and Governance considerations are collectively referred to as 'ESG' factors. Combined, these factors can paint a picture of how a company interacts with a broad range of stakeholders, including its customers, suppliers, employees, lenders and equity holders, as well as the natural environment and society in which it operates. Common considerations are outlined below, but the relevance varies between regions, industries and business models.

Environmental	Social	Governance
Exposure to energy transition	Employee diversity and welfare	Board structure and independence
Greenhouse gas emissions	Product and operational safety	Incentive structures
Energy and resource usage	Supply chain oversight	Shareholder rights
Waste and water management	Relations with local society	Disclosure practices

ESG data is typically considered 'non-financial' information and is often disclosed separately from accounting data because there are no uniform and enforceable reporting standards in most regions. While there are some quantifiable metrics, ESG data can also be highly qualitative and hard to measure consistently across companies.

Why do we integrate ESG factors into the investment process?

ESG considerations can have a material impact on a business's intrinsic value. Increasingly ESG factors such as the global transition towards more sustainable energy sources and improving labour practice requirements are a source of long-term structural change. These considerations are shaping the capital allocation decisions, regulatory environment and competitive dynamics of the companies in which we invest. Systematically exploring these considerations provides a more comprehensive assessment of factors including, but not limited to:

- *Investment Risk:* Preservation of capital is an important component in delivering a superior long-term return. Inadequate ESG practices and policies can lead to inefficiencies, operational disruption, litigation and reputational damage for companies. Robust ESG practices can mitigate these risks and enhance business quality.
- *Asset quality:* Assessing ESG factors can also provide a more comprehensive lens through which to assess the quality of intangible assets, which have reached record high levels (~70% of Book Values for the S&P 500) in recent years. The value of intangible assets is often tied to brands or reputation, which tend to be closely linked to the perception of how a company treats various stakeholders (e.g. customers, employees, the local community).
- *Cost of capital:* A company's exposure to and management of ESG risks can impact its formal credit rating, a key factor that influences the company's cost of and access to capital, which in turn has implications for underlying intrinsic value.

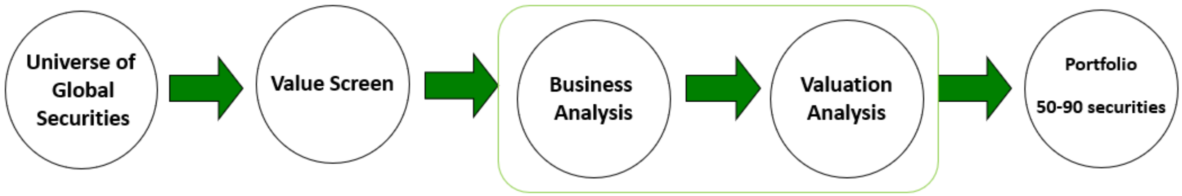
Our Approach to ESG Integration

Our approach to ESG integration is based on the following principles:

- *We consider ESG factors from a returns-focused perspective*: At Kiltearn, our focus is on generating returns for our clients over the long-term. As such, our approach to ESG integration is also returns-focused. Our investment process is based on rigorous fundamental analysis, which is designed to assess each investment's ability to protect and grow intrinsic value over the long-term in order to drive returns. We view material ESG issues as investment factors like any other, with the scope to impact business quality and intrinsic value over time.

- *We focus on materiality:* We consider ESG factors from a financial and economic perspective, focusing on areas that have a high probability of materially impacting a company's intrinsic value. The impact of material ESG factors can be positive or negative, reflecting risks or opportunities.
- *ESG considerations are not necessarily investment constraints*: We do not view ESG factors as investment constraints. As value investors, we see opportunity in out-of-favour companies, including those facing ESG challenges. As long-term investors, we have scope to benefit as these companies better position themselves for sustainable value creation over time. As active stewards, we can support these efforts through engagement and voting. A weak starting point may be acceptable provided there is a credible plan for improvement.
- E*SG factors can be opportunities for intrinsic value growth*. Where companies have robust ESG practices and/or are positioned to benefit from changing ESG dynamics such as rising environmental standards or labour practices, this can contribute a positive skew to business quality and intrinsic value growth.

Our ESG Integration process



- In keeping with our view that ESG considerations should not be viewed as constraints, we do not apply exclusionary filters at the screening stage of our process.
- ESG factors are instead integrated into both our assessment of business quality and valuation.

Business Analysis: We employ an evidenced-based approach to assessing business quality. Areas of focus include balance sheet strength, cash generation characteristics, return on invested capital, and management's capital allocation decisions. Within this framework, we seek to explicitly consider ESG factors: identifying relevant and financially material considerations based on a company's industry and business model. Areas of focus include, but are not limited to:

- Energy transition and environmental impact
- Product safety and consumer protection
- Supply chain management and oversight
- Labour relations and employee welfare
- Board structure and executive compensation

Where an issue has been deemed potentially material, we consider:

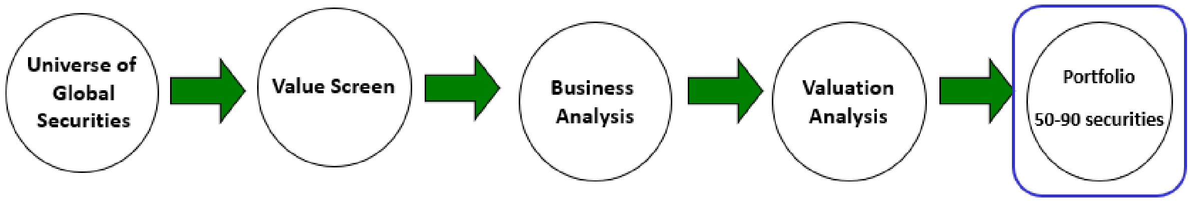
- What type of challenge or opportunity these factors pose (e.g. a change in competitive dynamics, an ongoing investment requirement, or an existential threat to the business model).
- Whether existing policies and practices seem sufficient to mitigate potential controversies and position the business on a sustainable path.

Our assessment of ESG factors is aided, but not dictated, by specialist third party ESG research. We use this research one input into our analysis, which also draws on sources such as company disclosures, traditional sell-side analysis and the investment team's judgement and experience.

As with other investment consideration, evidence of strong ESG credentials can enhance our overall assessment of business quality, while evidence of weak practices can detract.

Valuation Analysis: Based on our analysis of a company's historic financial characteristics and performance over cycles, we seek to normalize the earnings, cash flow and balance sheet as appropriate and then consider the valuation relative to the global investment universe, the stock's own history or a relevant peer group. ESG factors are taken into account during the normalization process where there is likely to be an ongoing impact (positive or negative) on earnings, cash flow or assets. The overall assessment of business quality, of which ESG factors are explicit components, also dictates the margin of safety required for investment.

<u>Stewardship: Our approach</u>



At Kiltearn, we view ourselves as long-term stewards of our clients' capital. Stewardship involve regular engagement with management and the board of our portfolio companies, as well as thoughtful execution of voting rights.

Engagement: We seek to engage with companies in which we invest to support governance practices that ultimately drive value accretion for shareholders.

Kiltearn has established universal principles that set out our general expectations with respect to a company's governance practices. These principles guide – but do not restrict – Kiltearn's proxy voting decisions and engagement priorities. These principles are sent directly to each company's board following Kiltearn's initial investment. This framework provides companies with additional context around the drivers of our votes and lays the foundation for future engagement. Examples of some of the key principles include:

- A sound balance sheet. Kiltearn expects a company to give due consideration to regulatory capital requirements, business cycle issues and free cash flow characteristics. A company should not excessively leverage its balance sheet. Conversely, a company should not hold excessive net cash or investments on its balance sheet that are potentially dilutive to shareholders.
- A sensible and disciplined approach towards M&A. Any proposed M&A should be able to earn a return above the cost of capital.
- A company's shareholders should not be put at undue risk of dilution. Share issuance should be modest in scale and generally offer pre-emption rights to existing shareholders.
- Executives' remuneration should align their long-term interests with those of shareholders.
- A sufficiently independent board so as to ensure that it is capable and motivated to supervise management's performance and remuneration, for the benefit of all shareholders.
- Shareholders should be afforded meaningful rights in respect of structural provisions, such as approval of, or amendments to, a company's corporate governing documents and a vote on takeover defences.
- A company's social and environmental practices should meet or exceed the regulatory standards and general practices of the markets in which it operates.

Companies held in Kiltearn's portfolio may not always exhibit some of the preferred characteristics enshrined in the principles. Kiltearn consequently takes each company's facts and circumstances into account when voting proxies and engaging with management.

Engagements with companies, outside of discussions of matters to be voted on at meetings, are typically instigated by the governance team at the request of the investment team. However, Kiltearn also engages with other stakeholders at their request.

We accept that patience and appropriate escalation are required before we see tangible success in this realm.

Voting: Kiltearn recognises proxy voting as both its fiduciary responsibility as an investment manager and an opportunity enhance the value of its clients' investments over the long term. Kiltearn has a robust process for evaluating and executing proxy votes.

In addition to our governance principles, Kiltearn's proxy voting process involves Kiltearn's governance group reviewing a company's materials and our own investment research – with a particular focus on the "Able and Honest Management" and "Run in the Interests of Public Shareholders" categories. Kiltearn also reviews, but does not necessarily follow, the recommendations of ISS' proxy voting research. ISS is one of the two leading providers of proxy voting research.

Internal Structures

There are two groups that combine to provide internal leadership and resource for Kiltearn's Responsible Investment approach: the governance group and the ESG Integration spearhead.

Governance Group: As noted above, Kiltearn has a governance group that sets out our governance principles, is responsible for proxy voting and spearheads company engagement. This group consists of the Head of Corporate Governance/CCO, two members of the investment team and a member of investment administration.

ESG Integration spearhead: Kiltearn believes it is essential for the investment process to be 100% investor-led. ESG integration is therefore spearheaded by a member of the investment team to ensure that ESG factors are evaluated and assessed within the same framework as traditional financial and economic considerations. All investors engage in research, analysis and assessment of ESG factors as part of the wider investment framework and decision-making process.

ESG Resources

- Company research and reports:
  - Annual reports and non-financial disclosures
  - Company meetings (investment-led and governance-specific)
- Specialist ESG research:
  - Sustainalytics risk ratings and controversies research (>7000 companies covered)
  - ISS Ethix reports-norms based assessment
  - ISS governance and proxy voting research-informs but does not dictate Kiltearn's voting
- Sell-side research (industry level themes, ESG specific reports and materiality matrices)
- Other: NGOs, press reports, credit rating agency commentary