Hosking Partners®

UK Stewardship Code
2022/23 Submission

April 2023

Foreword

At Hosking Partners, we consider stewardship, active ownership and engagement with investee companies to be fundamental components of the investment process that has delivered superior long-term returns for clients.

Not only are each key tenants of our fiduciary responsibility, these activities help us better understand the world in which we invest and inform the decisions we make.

We are proud to comply with the UK Stewardship Code, which provides an invaluable handrail for asset managers and owners alike.

If you have any questions, please do not hesitate to be in touch.

James Batting

James Batting
Senior Partner

April 2023

Compliance with the UK Stewardship Code

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. This document describes Hosking Partners approach to stewardship and details its compliance with the UK Stewardship Code (as updated 1st Jan 2020).

Principle 1

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

CONTEXT

Hosking Partners LLP (the "Firm") is a Full-Scope Alternative Investment Fund Manager ("AIFM") authorised and regulated by the Financial Conduct Authority (FCA) in the United Kingdom and registered as an Investment Adviser with the Securities and Exchange Commission (SEC) in the United States. The Firm is also registered with the Financial Sector Conduct Authority (FSCA) of South Africa as a (Category I Intermediary Services) Financial Services Provider. Hosking Partners was established in the United Kingdom on 7th February 2013 under the name Seculum Asset Management LLP. The Firm's name was changed to Hosking Partners LLP in August 2014. The assets under management as at 19th April 2023 were USD $4.7 billion.

Hosking Partners is a limited liability partnership (LLP) which is wholly owned by its partners with no one partner owning more than 25% of the business. The Firm believes this ownership structure helps to ensure that the business remains focused on generating investment returns for clients rather than for external shareholders.

Hosking Partners' strategy focuses on investing predominantly in equities, such as but not limited to common stocks, preferred stocks, convertible bonds, warrants, depositary receipts, exchange-traded funds and other securities which are convertible or exercisable into shares or which, in the opinion of the Firm, have equity characteristics (such as income trusts). The Firm provides its investment management services to institutional and professional investors such as government entities, pension and superannuation funds, foundations and endowments, as well as pooled investment vehicles.

Hosking Partners' investment team is held together by its strong commitment to a shared investment philosophy. Faced with the challenge of distilling a large universe of opportunities into a portfolio with attributes that are associated with value creation, Hosking Partners focuses on the concept of the capital cycle. The 'Capital Cycle' investment approach was first developed by Jeremy Hosking (and colleagues) in the 1980s. It recognises the gradual changes that the supply of capital has on the competitive landscape of an industry and the inverse relationship that exists between supply-side dynamics and returns. Under the capital cycle approach, consolidation is regarded as bullish and the opposite, a proliferation of competing firms, is regarded as bearish. This approach leads the team to shun areas of the market where profitability is high and investors are enthusiastic and to target areas where profitability is low and investors are apathetic. This leads to investments that are contrarian and often give the portfolio a value bias.

The investment approach transcends sectors and countries. Each of the four autonomous portfolio managers, supported by three investment analysts, has a remit to invest globally. Global generalists benefit from the neuroscientific finding that cognition is improved as contrast levels increase. For example, a Japanese pharmaceutical company is dramatically different to a Mexican cement company and, in most fund management architectures, the two are never compared directly due to silo-based investment teams which should be a source of latent alpha. Additionally, in circumstances where two or more portfolio managers hold the same shares, often bought at different times, the probability success rate of such overlapping stocks benefits from what is an independent second opinion. And rather like a medical diagnosis, the success rate of the investment in question is probably improved.

A range of valuation tools are employed and the use of elaborate forecasting models is avoided. The portfolio managers prefer inference over forecasting and tend to invest if their assumptions are more optimistic than those inferred by the current market price. The investment team also make use of valuation metrics based on replacement costs, takeover values, and revenues, which suit the long-term investment horizon. Valuation metrics are applied flexibly, adapting the approach depending on market conditions and sectors.

ACTIVITY

Hosking Partners charges a low base fee plus a performance fee. There is also a tiering mechanism which means the base fee lowers as firm-wide AUM increases. The Firm intentionally aligns its business interests with those of its clients and places emphasis on performance rather than asset gathering.

The Firm's qualitative investment strategy naturally encourages frequent and sustained engagement with investee companies. The Firm does not rely on quantitative modelling to screen the portfolio or investment universe. As such, active ownership, engagement, and stewardship is an integral part of the investment process because it allows the portfolio managers to better understand how investee or prospective companies are positioning themselves with respect to the Firm's investment philosophy.

Consideration of ESG issues forms a key part of the Firm's investment analysis. Hosking Partners approaches ESG using an integrated approach, as the Firm does not think it appropriate to isolate any single aspect of a company's activities from the rest. Hosking Partners consults third-party ESG research, ratings and screens, but it does not exclude any geographies, sectors or stocks from its analysis based on ESG profile alone. Our generalist remit and independent stance affords us the perspective to think more broadly about long-term factors such as changes to regulatory conditions, liabilities not reflected in financial statements and reputational issues which are captured more completely by a qualitative approach.

OUTCOME

Hosking Partners is dedicated to serving the best interests of our clients and their beneficiaries and this is viewed as the ultimate purpose of the Firm. Having both a clear purpose and a consistent and well considered investment strategy drives a cohesive culture within the Firm. Having the whole Firm bought into this ethos means that there is a common goal for effective stewardship. In order to actually achieve effective stewardship, Hosking Partners employs the below actions:

The Firm maintains a constant dialogue with clients to ensure they are fully cognizant of current thinking, investment objectives, past performance, past and upcoming engagements. Furthermore, the Firm works with each client to ensure geographically varying definitions of fiduciary duty are individually met and managed. Over the past 12 months, Hosking Partners has worked with several clients to ensure their accounts are individually tailored to guarantee certain climate-related standards, as well as begin work to incorporate a Modern Slavery mandate adjustment for one client account. This is discussed in more detail under Principle 3.

Engagement and proxy voting are fundamental parts of active ownership and our procedures are designed to ensure Hosking Partners both actively engages and instructs the voting of proxies in line with our long-term investment perspective and client investment objectives. Voting is undertaken on all shareholder meetings and reported to clients. Engagement is discussed in more detail under Principles 9-11, and voting under Principle 12, with associated data provided.

Furthermore, to underline the Firm's commitment to the ESG issues on which clients and beneficiaries are increasingly focused, Hosking Partners has in the past year renewed its commitment as a listed signatory of the United Nations Principles for Responsible Investment (UNPRI) and Supporter of the Taskforce on

Climate-Related Financial Disclosures (TCFD). The Firm has also registered as a supporter of the charity GAIN (Girls Are INvestors), which seeks to increase female representation in the asset management industry. Hosking Partners will welcome its first GAIN intern in Summer 2023.

More broadly, in the last 12 months the Firm has significantly increased its ESG-related communication to clients (and publicly), via an enhanced ESG & Active Ownership Report. This quarterly publication not only includes voting and engagement data, but also detailed qualitative discussion on a range of ESG and stewardship-related issues. Public versions of this document (which are shorter than the client versions) are available on the Firm's website.

Principle 2

Signatories' governance, resources and incentives support stewardship.

ACTIVITY

Hosking Partners' belief is that active ownership – in the form of long-term analysis of investments, active exercise of voting rights, and constructive engagement – improves management accountability, and long-term returns. The average holding period of investments at Hosking Partners is in excess of 10 years and engagement with governance and related issues is therefore seen as a cornerstone by the portfolio management team to the oversight of their holdings. Shareholder engagement is therefore integral to Hosking Partners' investment process.

The Firm's governing body is the Management Committee which is responsible for the strategic direction and the running of the business. Matters reserved to it for decision include approval of the following:

- Strategy and Management (including approval of business plans, oversight of the Firm's operations, adequacy of internal systems and controls, changes to Firm's management and structure, new appointments, review of performance, new products, contingency and succession planning, oversight of research and service provision);

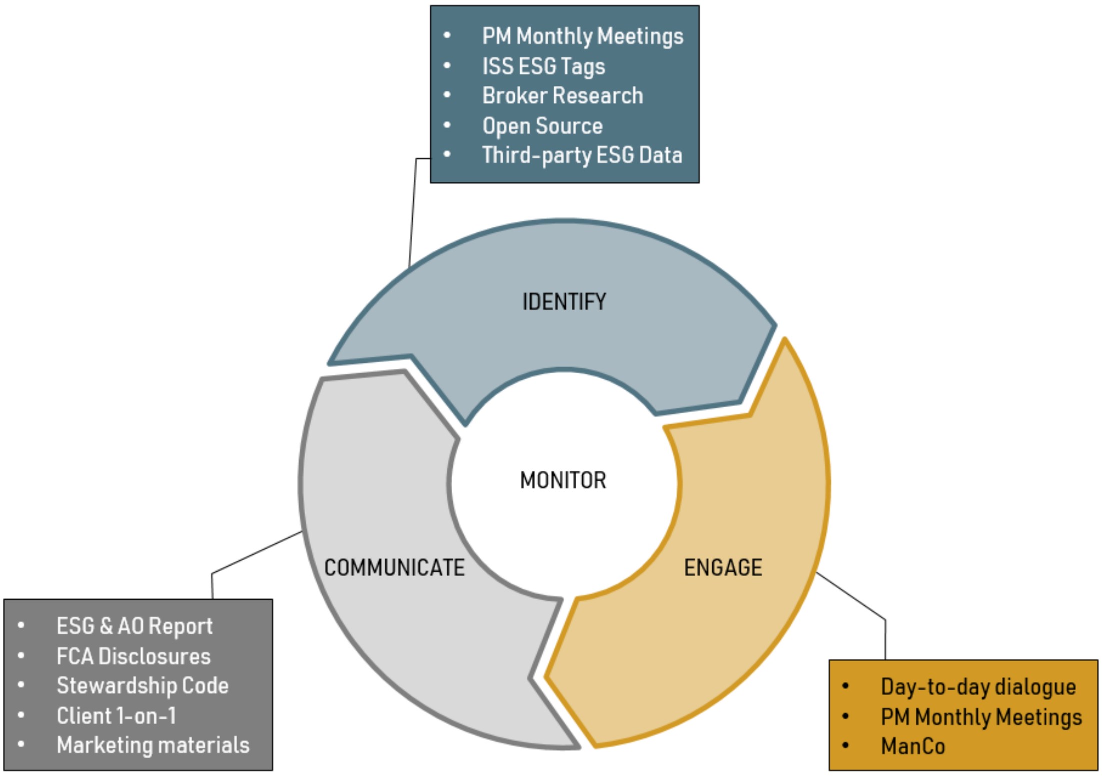
- Structure and Capital (including approval of Annual Audited Financials, ICARA, oversight of regulatory capital, bank facilities);

- Internal Controls (including approval of policies governing Firm's operations, compliance reports, approval of any significant outsourcing arrangements); and

- Other matters (including escalated engagement, legal matters, public relations).

Responsibility for Hosking Partners' stewardship and engagement activities also rests with the Management Committee. Day-to-day responsibility is split between the Risk, Compliance & Operations Committee (for compliance oversight and all matters of non-investment operations including voting), the Head of ESG and the Investment team (for investment, stewardship, engagement and active ownership). The overall governance structure is displayed below:

Whilst an informal dialogue regarding stewardship, engagement, and ESG integration is encouraged and achievable due to the small size of the Firm, it has also been recognized that formal processes are required to ensure decisions are recorded, communicated, and appropriately scrutinised. A continual dialogue is maintained between the four portfolio managers, three investment analysts, the Head of ESG, and the operations and business development teams. This dialogue is formalised in monthly ESG-focused meetings between the Head of ESG and each member of the investment team, but in practice stewardship and ESG are integrated on a day-to-day basis. The Firm follows a process that identifies opportunities for engagement, engages, and then communicates that engagement. Hosking Partners believe this approach to governance to be appropriate for the size of the Firm as it enables the team to work closely but cross-functionally, while the formalised meetings adds rigour and the ability to document the rationale for decisions. A graphical depiction of this process, and the internal inputs to it, is provided below:



Hosking Partners currently engages a range of research and service providers, from big banks to small independent boutiques. Because stewardship and engagement are integrated into the investment process from the bottom-up, each of these providers helps inform the Firm's approach despite the fact that few focus on stewardship solely or specifically. Research and service provision is discussed in more detail under Principle 8.

Remuneration for the investment team is not linked specifically to ESG or stewardship outcomes, but both are integral to the extent they contribute to overall Firm success in terms of client retention and long-term investment performance. Furthermore, the calculation of the Firm's performance fee over a 5-year period reduces short-term thinking and is aligned with the elements of stakeholder theory that suggest a constructive approach to ESG and stewardship increases value over time. As long-term investors, Hosking Partners are therefore indirectly incentivised to consider stewardship and material ESG issues as part of their core investment activity.

Hosking Partners is an equal opportunity Firm, and candidates for employment are judged solely on their merits and suitability for the role. Any recruitment firms used source candidates from a broad pool (both race and gender) and share our commitment to equal opportunity. The Firm operates with a small team (circa 30 persons) and hire only experienced professionals for key roles in the investment team and other areas of the business. Not only are the team experienced professionals but some also have recognised qualifications and are members of relevant professional bodies and institutes. These individuals have been actively sought in part due to these qualifications, as they have a proven understanding of the industry and are subject to the diligence that their body membership requires. All employees of the Firm are subject to continual professional development through more broad annual training on regulation and compliance. There is also a culture that encourages individuals to partake in learning and development opportunities that are specific to their role. It is important that key man risk and succession planning is considered for these roles, and the Firm also considers diversity and inclusion as an important criterion to successfully address this priority. In addition, the Firm maintains a strict Anti-Discrimination and Anti-Harassment Policy.

OUTCOME

Hosking Partners continually seeks ways to further improve its structures and processes, both in support of stewardship and wider goals. At the end of 2019, Hosking Partners became a signatory to the UNPRI. This was promptly followed in 2020 by the publication of a formal ESG Statement, a document which sets out the Firm's philosophy and approach to incorporating ESG into the investment decision making process, and the strategy for voting and engaging with investee companies. Active ownership was a main area of focus through 2020-2021 and the approach was formalised with the publication of a Shareholder Engagement policy. Throughout 2021 internal monitoring procedures were further developed to enable the documentation of engagement and voting efforts in the form of a quarterly Active Ownership report. This report was designed to support client oversight obligations and give additional transparency on voting and engagement activities on various ESG matters. Following the hiring of a Head of ESG in December 2021, the following calendar year (2022/3) has seen the Active Ownership report upgraded once more to include a quarterly ESG report and more granular detail and data regarding stewardship and shareholder engagement.

The last 12 months have seen the Firm continue to expand its ESG and stewardship communications, both through the Active Ownership Report and related multi-media content including podcasts and media articles. Additionally, procedures and governance structures have been further strengthened, particularly with a view to ensuring there is a formal system for flagging emerging risks (including geopolitical, reputational etc) to the Management Committee and, if necessary, the Supervisory Board. This 'red cord' system was introduced following the Russian invasion of Ukraine, and allows any member of the Investment Team, Management Committee, or Compliance Team to convene an all-hands meeting to assess a perceived risk to client interests. This extends beyond potential investment risks to include broader reputational, ESG-related, or stewardship-related issues. To date, the Firm has not been required to exercise this function.

In response to an increasing level of interest from clients and the broader investment community, there has recently been an increased focus on the carbon intensity of the portfolio and understanding the transition risks arising from the move to Net Zero by 2050. This is a major area of analysis at the Firm, and consideration of physical and transition risk is factored into all investment decisions. The Firm has also written extensively on the topic over the last 12 months (e.g. see here, here, here and here).As an active member of the AIMA, IIMI, and UNPRI, the Firm frequently engages with other industry actors to discuss the complexities of investing for Net Zero. Furthermore, over the past 12 months the Firm has been actively involved in industry consultations on the FCA's incoming Sustainability Disclosure Requirements, and has submitted feedback at several points.

Principle 3

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

CONTEXT

Hosking Partners has an organisational structure that works in concert with our investment goals. This structure also serves to minimise the likelihood of conflicts of interest from the outset. To recap, the relevant fundamental principles on which our business has been modelled are:

- Single strategy;
- Low base fee plus long-term performance fee; and
- Perpetual partnership that discourages the sale of the business, assists succession planning and maintains the boutique structure of the Firm.

Several of these principles directly contribute to reducing conflicts of interest, particularly in relation to our duty as stewards. Hosking Partners manage one strategy only, that being global equities. This product provides the sole source of income for the Firm. The Firm therefore generally avoids the sorts of conflicts of interest inherent in multi-product firms. Similarly, the Firm's performance fee structure keeps the team focused on investment performance, and Hosking Partners do not have specific AUM growth plans. In particular, the fact that the Firm measures its performance fee using a long-term approach (5-year rolling) inherently reduces the likelihood of short-term conflicts of interest and principle-agent problems. It also significantly reduces the likelihood of conflicts of interest *between* portfolio managers, who are equally incentivised to deliver the best long-term performance for clients rather than themselves.

Augmenting these fundamental principles is a robust Conflicts of Interest policy designed to ensure all decisions are taken wholly in the interest of its clients, and that any potential and actual conflicts are identified, evaluated, managed, monitored and recorded. The Conflicts of Interest Policy is available to the Firm's clients upon request and defines activities that have potential to present conflicts of interest, and sets out the procedures to manage those conflicts. Of particular note with regards to stewardship, the Firm's Conflict of Interest Policy specifies appropriate steps to identify and avoid conflicts between the Firm and its clients.

ACTIVITY

Examples of procedures that help identify and manage conflicts of interest are listed below. Our conflict of interest policy can be found on our website. These examples highlight areas of particular relevance to ensuring good stewardship.

- In accordance with the requirements of the FCA Rules, each partner or employee of the Firm who is directly or indirectly interested in a contract or proposed contract with the Firm must declare the nature of that interest to the Compliance Officer as soon as practicable. The Firm conducts annual training to ensure all staff understand underlying definitions, updates to the regulatory landscape, and the Firm's Code of Ethics.

- The Firm typically executes client orders on an aggregated basis so that each client included in the block transaction obtains the same average price, with transaction costs shared pro rata between clients based on their proportionate share of the aggregated transaction. Where the Firm aggregates client orders, the Firm must be satisfied that it is unlikely such aggregation will work overall to the disadvantage of any client included in the aggregation.

- The Firm has strict controls in place to manage conflicts between the Firm and its clients. These controls are set out in policies covering Best Execution, Order Handling, Aggregation & Allocation, and Inducements. All these policies are fully available to clients upon request. The Firm does not have any soft dollar / Use of Dealing commission arrangements with its brokers.

- The Firm has developed detailed and effective strategies for determining when and how any voting rights are to be exercised, to the exclusive benefit of its clients. Should a conflict of interest arise, the Firm's Management Committee would take such steps as it considers appropriate to achieve fair treatment. Should any conflict arise which the Firm's arrangements do not enable it to manage, as required by the FCA rules, the Fund Board of Directors would be notified and the Board in turn would notify the investors should it deem such action appropriate.

- The Firm maintains a register of Outside Interests for all personnel including the Firm's partners. There is a requirement on all partners and personnel to inform the Compliance Department of any outside interests and these are reviewed on no less than an annual basis to confirm that they do not give rise to any conflicts that cannot be managed by the Firm's internal procedures and that such conflicts do not negatively impact clients' interests.

- The Firm has in place a Personal Account Dealing Policy which requires Relevant Persons to obtain prior approval for personal transactions. The procedures include black-out periods prior to and after dealing in securities for clients.

- The Firm has in place a Gifts & Entertainment Policy which requires all gifts and entertainment to be notified to Compliance. Prior approval is required before accepting gifts or corporate hospital from brokers as well as for any gifts or corporate hospitality with a value greater than £50 per contact in any twelve-month period.

OUTCOME

Examples of the management of conflicts in practice are noted below. During the past 12 months, no material conflicts of interests have been identified at Hosking Partners.

Trailing 12-Month Examples (to 30th April 2023)	
Example Topic	Example Narrative
Difference between the stewardship policies of managers and their clients	As stated in response to Principle 1, Hosking Partners does not generally isolate any single aspect of a company's activities from the rest, including those related to ESG. However, the Firm recognises that in today's market there exists considerable diversity of opinion on certain ESG matters, and particularly the issue of how best to address climate change and reach Net Zero by 2050. These differences can result in minor conflicts regarding the stewardship policies and investment priorities of managers, clients, and beneficiaries. Over the past year, Hosking Partners has continued to work with a major client to ensure their portfolio account stays within a predetermined level of carbon intensity. Over the past 12 months the Firm has continued to evolve this process – in dialogue with the client in question – to ensure client aims are being accomplished in the most effective and efficient manner possible.
Stock-specific exclusions and the response to Russia/Ukraine	The Firm accommodates a range of stock-specific exclusions, exclusions based on any company generating >10% of revenues from tar oil sands or thermal coal, and geographical exclusions. Following the Russian invasion of Ukraine, several clients requested the Firm divest its remaining holdings in Russian equities (listed either on the Moscow Stock Exchange or held as internationally listed Depositary Receipts), while some other clients were content to retain these positions or defer to the investment team's judgement and the ever-changing sanctions restrictions imposed by worldwide jurisdictional bodies. The Firm has continued to work closely with all clients

	as the conflict has continued on over the last 12 months, to ensure individual client mandates were achieved, and any potential associated conflicts are minimised.

Principle 4

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

ACTIVITY

As a long-term investor Hosking Partners considers a diverse array of financial and non-financial factors when making investments. The Firm believes that the generalist remit of its investment team allows it the perspective to think broadly about the interaction of investee companies and both the market-wide and systemic environment in which they operate. Perturbations at the macro level are directly relevant to the valuation Hosking Partners apply to these companies, and indeed the Firm's capital cycle approach is at least partly reliant on an assessment of which sectors (and constituent companies) are best positioned to navigate market-wide and systemic risks. For example, the Firm consistently seeks to understand issues such as exposure to future regulatory changes, financial liabilities carried off balance sheet, legislative risks, and reputational issues before making an investment decision.

Hosking Partners' approach to identifying and responding to systemic risks avoids setting formalised criteria and considers each situation on its own merits. The investment team are all generalists, and do not have defined areas of focus, which brings a unique perspective to discussions of global trends. The team strives to avoid groupthink and challenge assumptions, using a wide-ranging and carefully selected range of third-party research providers to assist in this effort. Hosking Partners also routinely participate in wider industry initiatives and forums, including UNPRI, AIMA and IIMI. Examples of how the Firm has approached systemic risks over the past 12 months are provided below.

Trailing 12-Month Examples (to 30th April 2023)	
Example Topic	Example Narrative
Introduction of 'red cord' system following the Russian invasion of Ukraine	Following the Russian invasion of Ukraine in February 2022, the Firm reviewed and updated its procedures for managing novel and emerging risks. In May 2022, having completed a thorough review, the Firm introduced a new system designed to concentrate attention on novel risks if and when they are identified. This 'red cord' system encourages any member of the Investment Team, Management Committee, or Compliance Team to convene an all-hands meeting to assess a perceived emerging or novel risk to client interests. This extends beyond potential investment risks to include broader reputational, ESG-related, or stewardship-related issues. To date, the Firm has not been required to exercise this function.
The macro-environment – inflation, interest rates, commodities, and the collapse of Silicon Valley Bank (SVB)	Hosking Partners' view is that inflation is not transitory - and as the energy crisis attests, it is unwelcome. Interest rates are going to rise to levels that will test years of positive reinforcement around the Fed-put. As such, the cost of capital is rising. Trends in existing industry capital cycles - many of which reached turning points during the Covid pandemic - will be amplified by higher interest rates. Prior decade winners are most at risk, and vice versa. Furthermore, energy and commodity shortages are real. Years of fossil fuel and mining sector under-investment have led to supply-led price rises that will take years to unwind. The consensus around the energy transition was built in an era of cheap money and cheap energy. This will be tested as rising energy and commodity prices squeeze incomes. The interest rate cycle benefits very few areas of the stock market save the Firm's largest sector exposure - financials, which represents just under a quarter of the portfolio. Hosking Partners have been consistent that the self-help, cost-driven story in this consolidating and

	digitizing industry does not need rising rates to deliver acceptable returns. But returns could be super-charged should this rate cycle be a success. While in the long run rising interest rates should be beneficial to the financial sector, in the last 12 months the rapid rate of increases placed strain on the broader system. This culminated in the collapse of SVB, which suffered a classic bank run as its corporate depositors withdrew funds amidst rumours of poor bank liquidity. Although the general likelihood of such events increases during rate hike cycles, the portfolio's exposure to financials is overwhelmingly concentrated in the 'Big 4' US banks – Wells Fargo, JP Morgan, Bank of America, and Citi. As 'Global Systemically Important Banks' (G-SIBs), these large diversified banks are better capitalised and more tightly regulated than their smaller, regional peers. Following the GFC of 2007/8, these banks undergo rigorous stress testing annually, and the Firm's belief is that they are well-protected from the short-term pressures of rising rates. As such, although the Investment Team remained alert to the possibility of an SVB-like event, financials exposure was not reduced through the rate hike cycle because while the collapse of a higher-risk regional bank would inevitably have broader short-term sectoral fall out, the Firm believes that the long-term trend continues to be greater industry consolidation to the large banks combined with higher-for-longer rates. Both factors strengthen our conviction in the long-term investment case; indeed, it may prove that the SVB collapse strengthens and/or quickens this trend as depositors undergo a flight to the safety of the 'Big 4'. Meanwhile, the capital cycle in the commodity and energy sector (at around 18% of the portfolio) stands to benefit from a multi-year period of elevated pricing. And whilst the Firm believes the cure for high prices is high prices, a meaningful supply response anytime soon appears unlikely, so this cycle is going to be long-lived. Hosking Partners believes its portfolio is well positioned to respond to these market-wide challenges.

OUTCOME

In addition to our investment strategy, another important part of protecting the integrity of financial markets is ensuring the Firm's own ability to continue to operate under testing circumstances. As such, Hosking Partners maintain a documented Disaster Recovery Plan (and Business Continuity Plan). The objectives of the plan are to ensure (1) timely recovery of critical applications (trading and settlement being the immediate priority), (2) that the data and servers at the secondary site can be used within 24 hours in the event the primary site is incapacitated, and (3) that staff are able to access the network remotely. The IT set-up incorporates cloud-based services and there are no physical servers at the office. Thus, all data and applications are held in a secure cloud-based server. The primary server is based in London and is backed up in near real-time to a secondary server in Brussels. Under the Firm's Disaster Recovery Plan, it is estimated that it would take no longer than 24 hours for the Firm to become fully functional after a disaster. The Disaster Recovery test and Business Continuity Plan were successfully tested in June 2021.

Hosking Partners actively consider the ever-changing risks associated with the market as outlined in the examples provided above. Over the past year, the Firm has tightened its processes and procedures in response to growing market and wider geopolitical instability. This tightening includes the red cord system noted above as well as the strengthening of the Compliance team described under Principle 5 (below), but also includes a wider range of minor alterations to operational procedures to better safeguard clients' assets. This culture of continual improvement is a key facet of Hosking Partners' working practice and is driven by our Senior Partner supported closely by the Managing Partner. The effectiveness of these procedures is routinely monitored by the Management Committee both internally and as part of a two-way dialogue with our clients, and is currently assessed as strong but with further room for incremental improvement.

Principle 5

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

ACTIVITY

Hosking Partners' belief is that active ownership – in the form of long-term analysis of investments, active exercise of voting rights, and constructive engagement – improves management accountability, and long-term returns. Shareholder engagement and stewardship is therefore integral to our investment process.

Hosking Partners has a robust framework in place to support the investment team's approach to stewardship. The Management Committee provide overall oversight of processes and compliance (discussed below), and will also contribute to active ownership issues that go beyond routine engagement. The Operations team collates data on engagement and voting for reporting, client communications, and internal trend analysis. Examples of this data can be found under responses to principles 9-12. The Business Development team works with the Management Committee, portfolio managers, and Operations team to ensure stewardship and engagement policies, actions, and data (respectively) are clearly communicated to clients. The Head of ESG sits outside these teams and works across all staff functions to lead development and evolution of the underlying policies and processes, facilitate open and constructive interaction between teams, and ensure ESG and stewardship reporting is fair, accurate, and balanced.

The Chief Compliance Officer and the Management Committee are responsible for conducting an annual review of the Firm's policies, processes, and compliance programme. This includes reviewing changes in the Firm's business, products, personnel and resources; addressing compliance issues; evaluating corrective actions; amending policies and procedures; coordinating responses to regulatory examinations and actions; assessing the Firm's risk factors and related risk controls; participating in internal and third-party testing and reviews; and monitoring of legislative, regulatory and compliance industry changes. The Firm's policies and procedures set out the controls in place to ensure compliance and these documents are reviewed on at least an annual basis. These policies and processes are managed on a day-to-day basis via the Compliance Monitoring Programme (CMP), which is led by the Chief Compliance Officer. The CMP also ensures continued compliance with initiatives such as the UK Stewardship Code, and all subordinated processes and policies that contribute to that compliance.

OUTCOME

Due to the size, nature and complexity of the business Hosking Partners currently do not feel it is necessary to maintain an internal audit team beyond the scope of the CMP (described above). Ashland Partners International LLC complete an annual internal controls audit in accordance with ISAE 3402. With regards to stewardship specifically, Hosking Partners consider the Firm's commitment as a fully compliant signatory of the UK Stewardship Code suitable external assurance of the strategies, policies, and procedures described by this document.

Examples of continuous improvement in our approach to stewardship from the previous 12-months are provided below:

Trailing 12-Month Examples (to 30th April 2023)	
Example Topic	Example Narrative
Bolstering of the non-investment Team	A strategic decision was taken in 2022 to introduce a new role to the non-investment functions of the Firm (ultimately covering all of the functions that report into the managing partner). An associate was hired by the Firm in order to bolster the Finance, Compliance, Operations, Legal and Client Services teams. The aim of this was to provide support to all of these areas as and when needed. The person chosen for the role is a qualified chartered accountant and

	as such provides rigour and a level of professional scepticism around stewardship activities. Specifically, to date this has involved significant input into the compliance function and keeping abreast of regulatory requirements. Given the small size of Hosking Partners, having an adaptable member of the team who is trained to understand a number of the functions of the business, is something the Firm considers to be a notable investment and provides the opportunity for more holistic monitoring of any stewardship related activities.
Hiring of three Investment Analysts	In May 2022, Hosking Partners hired three senior investment analysts to join the Investment Team. As a team of global generalists, each member of the investment team is expected to pay close attention to the principles of stewardship, lead company engagements, and integrate 'ESG' and other long-term intangible value drivers into their analysis. This capacity addition has significantly expanded the Firm's ability to conduct company engagement (as can be seen in the uptick in number of engagements depicted under principles 6 and 9-11). The analysts work closely with the Head of ESG to align their work with the Firm's ESG, stewardship, and engagement policies.
UK Stewardship Code 2020	Hosking Partners originally signed up to the 2012 version of the UK Stewardship Code in 2015. When the code was updated in 2020, the Firm committed to renewing its signatory status. Over the past 12 months, the Firm was proud to be certified as a signatory, and looks forward to continuing its commitment to the Code in 2023/24.

Principle 6

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

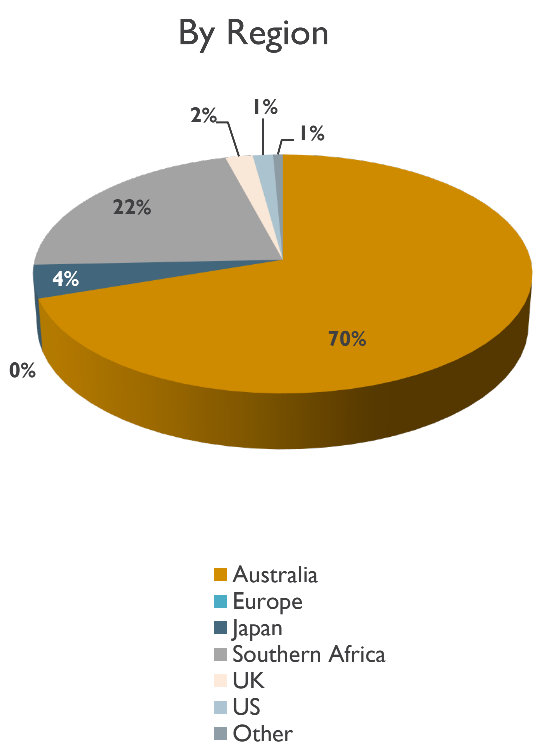
CONTEXT

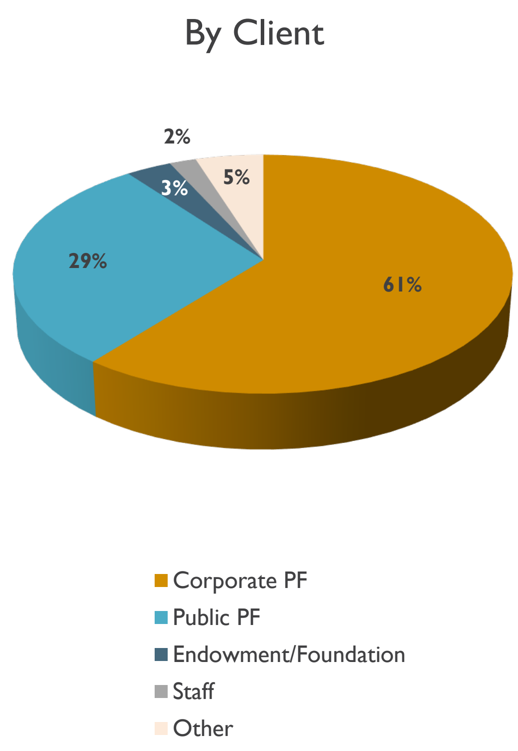
As described under Principle 1, Hosking Partners is a single-strategy firm. The entire team is dedicated to managing global equities for institutional investors. Hosking Partners charge a low base fee plus a performance fee. There is also a tiering mechanism which means the base fee lowers as firm-wide AUM increases. The Firm intentionally aligns its business interests with those of its clients and place emphasis on performance rather than asset growth.

The investment strategy is best described as all-cap core, with a very long-term approach and eclectic style. Over the team's long history of working together, the portfolio has tended to have a value bias (which has recently been increasing). That said, the investment team is not precluded from investing outside of this space and indeed make use of a variety of approaches as part of our analysis that may tend to favour different market sectors, industries, styles and strategies over time.

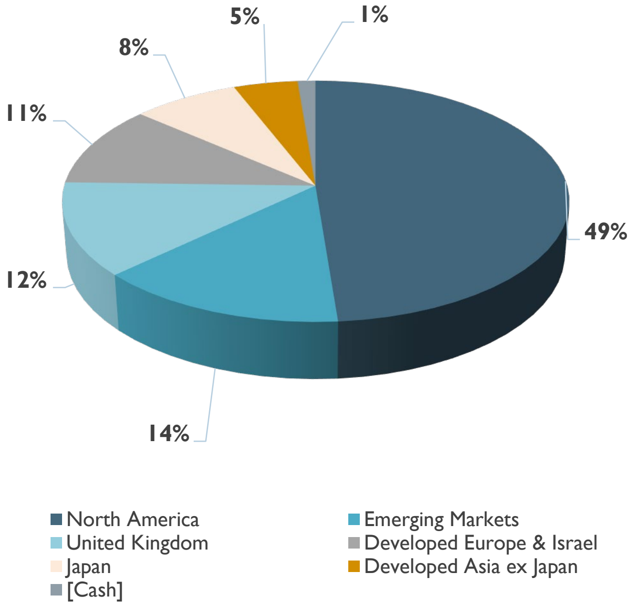
In general, Hosking Partners have observed markets becoming increasingly short-term, with many asset managers mirroring this outlook. In contrast, the Firm's patient investment approach results in an average holding period in excess of ten years, and leads to opportunities not available to short-term players. In other words, the Firm "fishes where the fish are, not where the fishermen are". The Firm believes its patience, rather than its concentration, displays the conviction in its portfolio and also allows tolerance during periods of underperformance, which typically sets the stage for periods of significant outperformance.

Breakdowns of our AUM by geography of the client base and the type of client are depicted below. Also included is a breakdown of our portfolio investment by geography. (Information correct at 28th February 2023).





Breakdown of clients by both region and type

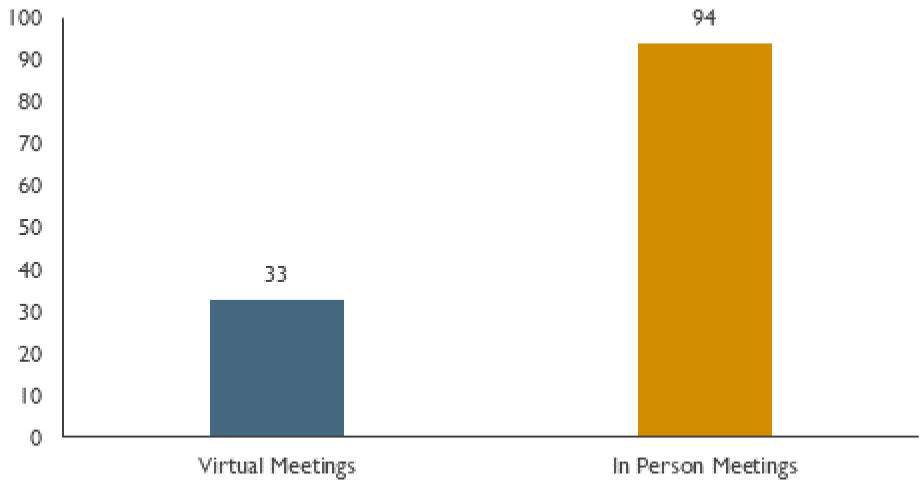


Breakdown of portfolio investments by region

ACTIVITY

Client engagement and communication is a cornerstone of Hosking Partners' core mission. The Firm is in routine communication with all of its clients, in both a responsive and proactive capacity. Given the long investment holding periods, the Firm's is committed to at least one formal meeting with each client per annum, which is always attended by at least one portfolio manager. In practice, the Firm often meets with clients more frequently, and communicates digitally on a regular basis. Portfolio managers are 'on rotation' for these formal meetings, to ensure clients have the opportunity to meet and discuss issues with each portfolio manager in turn, since all five can speak to the global equity strategy that is relevant for all clients. Hosking Partners believe this system is more beneficial to clients' interests than a policy of placing each client in a silo with a single portfolio manager indefinitely, as adopted by some firms.

Some simple statistics describing the total number of client, prospective client, and consultant meetings conducted in 2022 are provided below:



In addition to regular meetings, Hosking Partners produces monthly and quarterly investment reports. The monthly report includes performance returns and a full portfolio holdings list. Quarterly reports include investment commentary, portfolio and performance analysis – attribution, security, regional and sector exposures vs. the benchmark. The Firm also produces a quarterly ESG and Active Ownership Report for clients. This covers ESG and stewardship, voting, and engagement in detail. Complimenting this drumbeat of reporting, the Firm also produces investment thought pieces, the Hosking Post, several times a year. Further, bespoke information is made available to clients upon request.

OUTCOME

Examples of how Hosking Partners have taken the views of clients into account, and resulting actions from the past 12-months, are provided below.

Trailing 12-Month Examples (to 30th April 2023)	
Example Topic	Example Narrative
Client-specific climate-related portfolio targets	Over the past year two clients requested that Hosking Partners tailor their accounts to stay within a predetermined level of carbon intensity, which they felt would best align with the interests of their beneficiaries. The team worked closely with the clients in question to accommodate their requests. The Firm has subsequently updated its investment approach with respect to these clients, and adapted relevant processes accordingly. In the last 12 months, the discussion with one client has continued, as they have sought to introduce greater nuance to their carbon emission reduction methodology. The Firm felt this was a welcome change, as the Weighted Average Carbon Intensity (WACI) metric previously utilised is a fairly simplistic measure that can serve to sector-bias a portfolio without offering a clear lever to real-world effect. The Firm continues to work closely with the client in question to further develop the processes that underwrite their conceptual intent, and to ensure that carbon emissions limits can be maintained without negatively affecting either the composition or performance of the associated portfolio account.
Stock-specific exclusions and the response to Russia/Ukraine	The Firm accommodates a range of stock-specific exclusions, exclusions based on any company generating >10% of revenues from tar oil sands or thermal coal, and geographical exclusions. Following the Russian invasion of Ukraine, several clients requested the Firm divest its remaining holdings in Russian equities (listed either on the Moscow Stock Exchange or held as internationally listed Depositary Receipts), while some other clients were content to retain these positions or defer to the investment team's judgement and the ever-changing sanctions restrictions imposed by worldwide jurisdictional bodies. The Firm has continued to work closely with all clients as the conflict has continued on over the last 12 months, to ensure individual client mandates were achieved, and any potential associated conflicts are minimised.
SVB collapse response	Following the collapse of Silicon Valley Bank the Firm proactively produced a document describing the portfolio's Financials exposure for clients' benefit, and offering calls to discuss the issue in more depth. The Firm subsequently conducted a number of sessions with interested clients to talk them through wider market and portfolio-specific risks and opportunities. This example is demonstrative of routine procedures the Firm has in place to be proactive with client communications, receptive of client feedback, and to offer time with the Firm's senior decision makers following both significant market events, and/or as a routine measure to address more niche client interest areas.

Principle 7

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

CONTEXT

As long-term investors Hosking Partners consider many non-financial factors when making investments, including the presence of a significant inside owner, management incentives and other behavioural factors. While the Firm actively considers ESG factors and acts in accordance with the principles set out in the UK Stewardship Code and UNPRI, it does not incorporate formal ESG 'screens' in the same way that it avoids creating and relying on financial models (although Hosking Partners may take notice of models and screens created by others in order to help stimulate discussion and prompt investment ideas).

Hosking Partners hope that the generalist remit of the investment team allows it the perspective to see the wood for the trees. In so doing, the Firm focuses on less obvious risks such as exposure to future regulatory changes, financial liabilities carried off balance sheet, legislative risks, reputational issues, and capital misallocation. These may materialise in any industry, and are relevant across the spectrum of the E, S, and G areas. The hiring of a dedicated Head of ESG in December 2021 enhanced this expanded coverage, and over the course of 2022 this resource became further embedded within the investment team, helping to coordinate and lead engagements and adding capacity to the portfolio managers. Engagement remains a key part of the Firm's approach; if an issue which the investment team believes could negatively affect the value of the company is identified, and it is determined that engagement may rectify matters, Hosking Partners will actively engage with the company management/board as appropriate. This is discussed in more detail under Principle 9.

As well as engaging in specific situations and in response to (or ahead of potential) controversies, Hosking Partners focuses on company management and how they are rewarded, considering whether they are exposed to more corrupting incentives which elevate short-term rewards above longer-term success, or more thoughtfully designed schemes promoting better thinking. All investment managers, even the most activist, are essentially subcontracting the majority of capital allocation decisions to underlying managers of the underlying portfolio companies. Part of getting capital allocation right is to think and act on the E and the S in ESG along with other factors that might affect long-term valuations. Careful consideration is therefore undertaken by the portfolio managers assessing whether management teams' time horizons and incentive frameworks come close to aligning them with the company's shareholders.

Given the Firm's contrarian investment approach, it remains alert to the opportunity to exploit the ESG rating process where it is inevitable that there will be certain companies that are rejected by negative screens for reasons which may not be valid (e.g. historic behaviour which is being addressed by concrete governance changes, or quirks in certain climate assessment metrics which unfairly disadvantage certain revenue models). In contrast to relying purely on a simplistic rating system, a contrarian instinct leads Hosking Partners to look below the surface and understand the underlying issues at a fundamental rather than descriptive level.

Hosking Partners consider proxy voting to be a fiduciary duty and an integral component of the investment process. The Firm employs Institutional Shareholder Services (ISS) to assist with proxy voting and provide recommendations prior to implementing the votes on the Firm's behalf. All recommendations are reviewed by a member of the investment team before being accepted. This is discussed in more detail under Principle 12.

ACTIVITY

The relevance and weighting given to ESG and these other issues depends on the circumstances relevant to the particular investee company and will vary from one investee company to another. This includes the consideration of socio-cultural factors that may be more or less relevant in one geography (or indeed sector) than another. For example, while a mining company operating in South Africa will likely consider broadly the same set of ESG-related risks as a similar company operating in Canada, it may prioritise them very differently. Indeed, the materiality of those issues are likely to vary considerably across geographies. The increasing standardisation of ESG across the financial system can serve to smooth these important differences. This is a key area in which Hosking Partners believes active managers continue to play a critical role in pricing the cross-sectoral and cross-border nuances of ESG issues. As such, the Firm plays close attention to local influences when assessing the materiality of an ESG topic, and will also adjust its engagement strategy appropriately to take into consideration cultural norms.

Whilst Hosking Partners may use third-party ESG research, ratings or screens, the investment team does not exclude any geographies, sectors or stocks from its analysis based on ESG profile alone. The Firm's multi-counsellor approach, which is deliberately structured so as to give each autonomous portfolio manager the widest possible opportunity set and minimal constraints on making investment decisions, means that ESG and other issues relevant to the investment process are evaluated by each portfolio manager separately rather than on a firm-wide basis.

In the past 12 months, Hosking Partners have further refined the policies and processes used to ensure ESG continues to be integrated into the Firm's decision-making, across the investment, operations and business development functions. This information flow is coordinated by the Head of ESG, and driven by monthly ESG meetings with each of the portfolio managers. These meetings ensure shared situational awareness on current ESG issues, engagements, and focus topics. A culture of constructive challenge ensures portfolio managers are encouraged to consider ESG matters, even where they do not form a primary part of their investment thesis or idea, without interfering with their independence and primacy in making the final investment decision. These meeting also cultivate the consideration of longer-term ESG 'themes', which are addressed in the quarterly ESG and Active Ownership Report. In keeping with the Firm's contrarian approach, these themes often address areas of ESG investment that are overlooked or misunderstood and therefore present opportunities which Hosking Partners may look to seize. For example, certain 'hard to decarbonise' sectors (such as aviation or construction materials), are frequently ignored by ESG funds because they appear 'dirty' when viewed cross-sectionally, even though they present some of the best opportunities to reduce gross carbon emissions over time.

On a broader firm level, all members of staff continue to learn more about emissions reporting, led by the Head of ESG. Key areas of focus include the work conducted by the Task Force on Climate-related Financial Disclosures (TCFD), the Transition Pathway Initiative (TPI), and issues and challenges relating to achieving Net Zero by 2050. In the last year, the incoming FCA SDR regulation has also been a topic of focus. Hosking Partners undertakes to completely offset its own Scope 1, 2 and 3 emissions (less investments) via an agreement with carbon offset providers C-Level. Furthermore, Modern slavery has always been a risk factor in our investment decision making process. Due to new legislation coming from the UK and Australia on this subject, Hosking Partners are now in the process of creating a formalised policy on modern slavery, both at the corporate level and within the context of the investment portfolio. This work is ongoing in partnership with our clients.

OUTCOME

Examples of acquisition, monitoring, and exit decisions made primarily or partly on the basis of ESG factors are provided below, with the caveat that Hosking Partners rarely (if ever) makes an investment decision on the basis of a single factor, ESG-related or otherwise. As such, each of the below examples represents a decision reached by integrating a wide list of rationale, of which ESG formed a contributory input:

Trailing 12-Month Examples (to 30th April 2023)	
Example Topic	Example Narrative
Exit	**Flemish fruit and vegetable supplier.** The Firm exited its position in a fruit and veg supplier after repeated safety failings at a number of warehouses resulted in outbreaks of bacterial contamination. Although the company in question has made efforts to reform its health and safety processes, the Firm

	concluded that the company has failed to correctly incentivise a health and safety driven culture and thus the risk of future outbreaks remains too high. Combined with the dangers of an increasingly unstable balance sheet, this led the Firm to sell its holding.
Monitoring	**Chinese solar company**. Hosking Partners have been closely monitoring the ongoing plight of the Uyghur population in Xinjiang, paying particular attention to the alleged involvement of elements of the Chinese solar industry in forced labour and labour transfers. This is an interesting ESG issue, where ESG support in one area (energy transition) conflicts with ESG flags in another (forced labour). In November 2021, the Firm first spoke with and subsequently wrote to a Chinese PV silicon manufacturer to seek assurances that they are taking steps to rid their supply chain of any firms implicated in forced labour. Chinese solar is critical to global efforts to upscale renewable energy quickly and cheaply, but is subject to the structural risks posed by a lack of transparency and the concentration of Chinese PV silicon production in Xinjiang. The company has assured Hosking Partners that they are actively engaging with the issue, and have already received relevant commitments from 150 suppliers. This dialogue has continued throughout 2022, with a focus on encouraging enhanced disclosures and transparency.
Acquisition	**US forestry company**. In April 2023 Hosking Partners initiated a position in a US forestry company. Aside from the upside potential offered by wood as a low-carbon building material that can substitute for high carbon cement – particularly when delivered as high tensile strength Cross-Laminated Timber (CLT) – the company also offers a significant carbon capture utilisation and storage (CCUS) opportunity. As the owner of over 11 million acres of US land, the company has a meaningful moat versus potential competitors. They plan to deliver both sustainable forestry offsets and subsurface carbon capture (CO2 injection) solutions to US industry, rapidly ramping this new revenue stream over the next 3-5 years, and taking advantage of incoming tax benefits offered by Biden's Inflation Reduction Act.
Addition	**Two international tobacco companies**. Companies that produce products designed to deliver nicotine are still generally called 'tobacco' companies, although the term may become increasingly misleading in the future. Two of the major international firms are clearly leading the way in pivoting away from highly harmful 'combustibles' (i.e. traditional cigarettes) and towards Next Generation Products (NGPs) which deliver nicotine in a variety of different ways, all of which avoid burning and therefore the release of smoke and associated toxic substances into the human body. These companies still have a long way to go, and this remains a controversial area as they continue to derive the majority of their revenue from legacy products. However, the Hosking Partners view is that providing these companies are appropriately incentivising, and consistently evidencing a genuine transition away from combustibles and towards NGPs, they have the power to considerably reduce the harm done by smoking going forwards. After a series of engagements with these firms, Hosking Partners added to positions in the two most convincing examples of this harm-reduction strategy. This example is provided to demonstrate that Hosking Partners' approach to ESG leans towards positive engagement rather than divestment and exclusion.

Principle 8

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

ACTIVITY

Hosking Partners engages a range of research and service providers, from big banks to small independent boutiques. Because stewardship and engagement is integrated into the investment process from the bottom-up, each of these providers helps inform the Firm's approach despite the fact that few focus on stewardship solely or specifically. The high-quality online resources available through the UNPRI, MSCI and ISS are utilised throughout the Firm, and the portfolio managers draw ESG information from numerous sources including independent third-party research, annual reports, financial statements, broker research, road shows, company meetings and proxy voting research from ISS.

The list of engaged research and service providers is reviewed regularly by the portfolio managers and Management Committee. This review process includes a qualitative discussion of the research and services already provided, and the extent to which they are meeting expectations and providing value for money. The Firm also considers additions to the list, especially where gaps in coverage are identified as new investment ideas increase in prominence. The portfolio managers drive proposals for inclusion, but any member of staff is able to suggest a new provider for consideration by the Management Committee. Furthermore, the Head of ESG has the responsibility to review the use of ESG products and services specifically.

OUTCOME

In the last 12 months, Hosking Partners conducted a thorough review of all research providers which resulted in streamlining towards those that were deemed by the investment team to add the most day-to-day value for clients' benefit.

Hosking Partners continuously monitor the market of ESG research providers for alignment with our investment philosophy and are currently engaging with ISS, AlphaSense, MSCI, Moody's, and Vigeo Eiris to see if their product offerings would support our portfolio managers' and Head of ESG's analysis, and our related reporting process. Previous searches have involved Sustainalytics and Credit Suisse Holt. The Head of ESG leads this process, with a particular focus on service/data providers. Hosking Partners feel that the current market for ESG data is still in the process of maturing, with many offerings remaining overly simplistic or deterministic is their coverage. That said, the market is evolving rapidly and the Firm will continue to assess new offerings as they arise throughout 2023.

As has been previously mentioned, Hosking Partners employ ISS to assist with proxy voting. ISS provide recommendations and implement the votes on the Firm's behalf. All recommendations, whether on ESG or other matters, are reviewed by a member of the investment team before being accepted. Where deemed appropriate, an ISS recommendation may be overruled. In each case this decision is justified and recorded, with relevant data and examples communicated to clients quarterly as part of the ESG & Active Ownership Report. In some specific cases clients may express a view on a specific vote issue, which the Firm will consider and action as appropriate. It should be noted that this is not generally encouraged as it may dilute the strength of the Firm's overall vote. More detail on voting, including data from the past 12 months, can be found under Principle 12.

During the last 12 months, the Firm has engaged with one provider of carbon emissions data to improve the quality and timeliness of the data provided. This was prioritised because incomplete and/or mistimed data was causing problems in calculating one client's mandate-specific carbon emissions threshold. The Firm worked closely with both the client and data provider to find a solution to this issue, which is in the process of being finalised as of April 2023. The solution reached was designed and proposed by Hosking Partners, and will ensure smoother execution of the clients' carbon emissions policy going forwards.

Principles 9-11

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

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

Signatories, where necessary, escalate stewardship activities to influence issuers.

ACTIVITY

Each of Principles 9-11 focus on engagement, so the Firm has elected to collate its responses into a single section to avoid repetition. Hosking Partners' Engagement Policy can be found here.

Engagement is an important part of our process and our willingness to take on large stakes in companies allows us more effectively to put to use the potential value of our engagement. As well as engaging in specific situations, Hosking Partners focus on company management, and careful consideration is undertaken to assess whether the management teams' time horizons and incentive frameworks are aligned with the long-term interests of our clients. The Firm also seeks to confirm management's understanding of capital allocation and believe part of getting capital allocation right is to consider environmental and social risks, along with other factors that might affect a company's long-term valuation.

Hosking Partners are open to engagement in any portfolio company, regardless of the size of holding or topic of engagement, if the Firm deems that there is a material shareholder (or wider stakeholder) benefit to such action. Areas the Firm pays close attention to include (but are not limited to): minority interests; capital allocation strategies; forced labour in the supply chain; energy transition planning; and conflicts of interest.

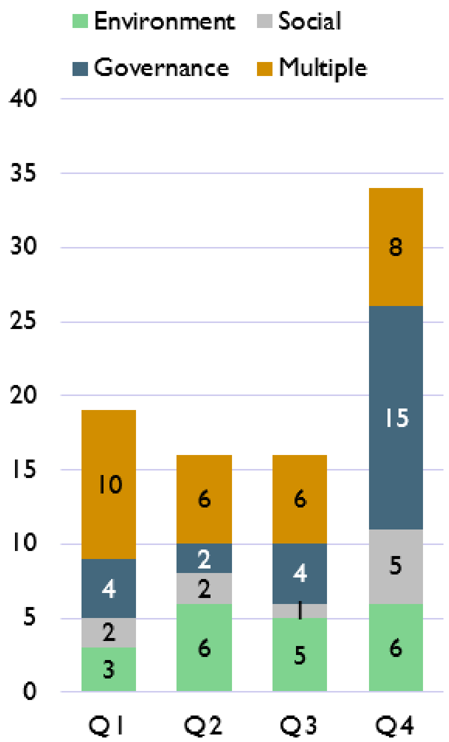
Hosking Partners look to engage with companies generally, and in particular where there is a benefit in communicating its views in order to influence the behaviour or decision-making of management. Engagement will normally be conducted through periodic meetings and calls with company management. Our approach to engagement is consistent across Funds in that the investment strategy is consistent. However how Hosking Partners looks to engage may differ across geographies. This takes many forms depending on the circumstance and location of a specific engagement. For example, the Firm will be particularly sensitive to avoiding unnecessary publicity when engaging with a Japanese or South Korean company, as these business cultures do not respond in the same way to pressure via publicity as their Western equivalents, for whom this is a recognised engagement tactic. Another example is that engagements with Chinese companies generally take place over a longer time period than elsewhere due to local nuances around transparency, government regulation, and shareholder primacy. Understanding and working within the strictures of local nuances such as these is vital for a global investor like Hosking Partners, and the Firm routinely tailors engagement objectives and timelines accordingly.

Where necessary, Hosking Partners will escalate engagement, with each escalation assessed on a case-by-case basis to determine the appropriate next steps. The decision to escalate considers myriad factors, including: size of holding; geography and sector; cultural differences; time-sensitivity; the aim to be achieved; and outcomes of comparable previous engagements. This may include further contact with executives, meeting or otherwise communicating with non-executive directors, voting, communicating via the company's advisers, submitting resolutions at general meetings, or requisitioning extraordinary general meetings. The Firm may conduct these additional engagements in connection with specific issues or as part of the general, regular contact with companies.

Hosking Partners recognises that there are occasions when it is better to work with other shareholders to effect change. Where Hosking Partners considers that it is likely to enhance its ability to engage with a company, and it is permitted by law and regulation, it will work with other investment firms. This may involve sharing views and ideas with such other institutions. It may also involve meeting companies jointly with other shareholders or using the services of third-party membership organisations or other collaborative or informal groups. Examples of collaborative engagement are provided below.

OUTCOME

The frequency of engagements with companies has increased in the last 12 months given the hiring of the Head of ESG in the prior reporting period and the introduction of three investment analysts to the team. A graphical depiction of ESG-related engagements conducted over calendar year 2022 is included below.



Recent examples of engagement (both individual and collaborative) are provided below.

Trailing 12-Month Examples (to 30th April 2023)	
Example Topic	Example Narrative
Governance (individual/collaborative mix)	2025 will mark 10 years since the Corporate Governance code was introduced in Japan. Progress to date has been non-linear and inconsistent – arguably echoing the relatively pedestrian equity returns delivered over the period (~4% annualised return for TOPIX '15-present vs. >9% for MSCI ACWI) and helping to explain the fact that >50% of Japanese listed equities today trade on a valuation below 1x P/B. The relative nascency of Japan's corporate governance movement reflects both cultural nuances, as well as all-too-important economic history. One pertinent example is the close ties between Japan Inc. and the domestic banking sector. Dating back to the immediate aftermath of World War Two, the banks were critical providers of debt capital to corporates following the withdrawal of wartime fiscal earnings. However, when corporate Japan became too indebted, many loans were ultimately converted to equity, resulting in Japan's financial institutions becoming meaningful owners of domestic equities. The net result was a requirement for Japan Inc. to improve financial stability, prioritise debt obligations, and pay deference to their newly-anointed majority shareholders. In retrospect this marked a turning point concurrent with a de-prioritisation of return-seeking minority shareholders. Japan's bubble bursting in 1991, the

economic impacts of the Kobe earthquake in 1995, as well as the Asia Financial Crisis in 1997 continued the trend of bolstering balance sheets, encouraging protectionist cross-holdings, and underpinning a conformist conservatism in Japan Inc.'s capital allocation approach. As the Japanese phrase goes, "the nail that sticks up gets hammered down".

Returning to present day, and hot on the heels of an investment trip to the land of the rising sun, Hosking Partners believe real change is afoot in Japan. Most clearly encapsulated in a collection of communications issued by the Tokyo Stock Exchange (TSE), the Firm is starting to see very public endorsement of necessary corporate-led reforms to promote concepts including capital efficiency, returns on capital, and shareholder returns. Indeed, from on the ground across engagements with the local stock exchange, more than twenty listed corporates, and Japan-focused investors (both local and overseas), there is a clear assertion that for corporate governance in Japan 'this time could well be different.' The road will be undoubtedly be long and winding – a nod to the Japanese phenomenon of Ukino (the pursuit of taking a slower course in life) – however Hosking Partners are encouraged by the early signals. 2023 is expected to be the third consecutive year of record shareholder returns in Japan (dividends plus share repurchases), as companies start to unwind their wieldy cash-ridden balance sheets and investment portfolios obfuscating true industrial asset bases. While recently-issued medium term plans across the index have included commitments to greater focus on returns on capital. A handful of corporates have even directly addressed a desire to achieve a P/B of at least 1x - a symbolic valuation threshold referred to by the TSE in a number of their communiqués. As the upcoming AGM season approaches for many Japanese corporates, it appears likely that the declining voting support witnessed over the past 2-3y – a symbol of mounting pressure on boards from both domestic and overseas investors – will likely be an additional contributing factor in the journey.

Hosking Partners' engagement at one Japanese forestry company's Tokyo offices focused on the ability and inclination of the company to increase reporting transparency related to the value embedded in their large domestic and international forestry holdings. The Firm was encouraged to hear that this is a matter that management is focused on. This comes in complement with their recent announcement to pursue the launch of a forestry fund business leveraging their asset class know-how while deploying third party capital. Needless to say, a robust reporting framework will be a critical element to the success of this endeavour which can have positive read across to the company's own balance sheet holdings. Elsewhere, engagement with a housing loan guarantor focused on the board's recently announced medium term plan. Hosking Partners welcomed the company's decision to continue their trend of improving dividend pay-out distributions (targeting 50% by 2025 from <30% three years ago). However, with the company's achievement of an A flat credit rating in February 2023 and limited reason to continue to build reserves, it is likely that future growth will convert into distributable capital at an increasing rate. With the shares trading at a discount to book value, neither reflecting their market leading position nor their strong capital position, the Firm continues to encourage the company to consider increasing shareholder returns further, including opportunistic share repurchases given the value that is on offer. Meanwhile, a meeting with a prominent printing company followed closely on the back of the company's strategic update, including the announcement of a significant share repurchase programme (Y300b over three years). While progress is to be commended, the Firm believes there is

	significant further value to be unlocked as the company more acutely focuses on capital efficiency of their balance sheet, and Hosking Partners are encouraged to be invested alongside an activist with a c.5% stake. As global generalists investing in an unconstrained manner, the Firm believes it is well-positioned to identify the opportunity in Japan. With no pre-determined affinity to any particularly geography or region, Hosking Partners endeavours to see the wood from the trees and allocate client capital to the parts of the market where prospective returns are most compelling. While the Firm's highly-diversified portfolio means it is able to able to deploy a basket approach to a market where the headline valuation opportunity is clear for all to see, but without simply placing concentrated bets on one or two companies. Additionally, sidecar investing with a number of thoughtful, long-term engaged investors with whom the Firm shares philosophical investment overlap empowers Hosking Partners to take advantage of the opportunity as stewards of client capital to ultimately drive corporate governance improvement.
Energy transition and social license (Individual)	In Q2 2022, the Firm conducted several engagements with a UK-listed Exploration & Production prospect that operates in Africa and South America. Hosking Partners were particularly interested in understanding the firm's approach to ESG issues, in line with the belief that ESG analysis has the most to offer in the parts of the market that are most exposed to potential ESG-related risks. As a supporter of the Taskforce for Climate Related Disclosures (TCFD) the Firm consistently encourages both prospective and existing hydrocarbon investments to maintain excellent standards of transparency and disclosure. The 'consent and evade' tactics that many companies practiced in the past are outdated, and the best way to avoid potential regulatory risk is to practice upfront, accurate, and compliant climate reporting. Hosking Partners were pleased to find that the firm in question had an excellent approach, in alignment with TCFD best-practice. The majority of the engagement focused on examining how the company leverages its position in the local community to achieve positive outcomes, mainly across the 'E' and 'S' pillars. The company stressed its commitment to maintaining its 'license to operate', which hinges on a consistent, reliable contribution to the local economy, and provision of a safe working environment for local people (who make up 80% of the workforce). Over the last five years, the company has paid $1.2bn in direct spend and contributed another $1.7bn indirectly to host countries. The company also has a solid commitment to biodiversity and the environment, implemented via a high-quality offsetting agreement that prioritises local projects. The company has set a carbon neutrality target by 2030, and is exploring an option to re-purpose flared gas emissions as fixed-contract natural gas supply for the host nation. The company is rated BBB by MSCI, with governance and community relations highlighted as areas of ESG outperformance. Negative areas of the assessment (safety, environment) either reflect structural sector-related risks, or lag the company's current practices. For example, MSCI finds "no evidence of environmental targets" despite clearly stated decarbonisation targets, and "no evidence of initiatives to restore sensitive lands" despite recent investments in mangrove restoration and biodiverse forestry. Similarly, 65% year-on-year improvements in health and safety have not yet been incorporated. This leads Hosking Partners to categorise the company as an ESG improver, and suspects

	that an ESG rating upgrade is overdue. Cross-checking primary research and engagement with rating agency reports is a useful way to identify opportunities to exploit 'ESG arbitrage', whereby ratings lag reality. From a capital cycles perspective, inaccurate ESG ratings can exacerbate capital underinvestment by disqualifying firms from ESG-labelled fund ownership. Although it is difficult to precisely quantify the value impact of such discrepancies, in general the Firm believes that such situations strengthen an investment case when combined with an attractive fundamental valuation. Following these engagements, two PMs initiated a portfolio position in the company. Hosking Partners went on to conduct as in-depth ESG workshop at the company's offices early in Q3, and further engagement on ESG continues into 2023. This focuses on management of the geopolitical and regulatory risks associated with working in West Africa, as well as alignment of executive compensation with long-term ESG performance.
Energy transition strategy and safety (individual)	In November 2022 the Firm undertook a wide-ranging engagement with a South African precious metal's miner. Recent safety failures, recession, and country risk remain the main near-term headwinds, while longer-term the company seems better placed, with a longer-than-expected Internal Combustion Engine (ICE) runway and growing hybrid electric vehicle (HEV) market serving as potential drivers of outperformance in platinum group metals (PGM). The company has a high carbon intensity on a kilo-for-kilo basis, which is mainly driven by their gold operations. Gold production is structurally high carbon intensity on a per unit basis due to the complex production chain which results in compounded efficiency losses, and low overall output mass. This is exacerbated by their majority reliance on an 80% coal-fired South African grid. In spite of this structural headwind, the company has set Science-Based Targets initiative (SBTi)-backed targets to reach carbon neutrality by 2040, although they expect to do so well ahead of this deadline. The company expect to drop below their SBTi glidepath in 2023-24, something Hosking Partners will monitor. Their primary decarbonisation levers are efficiency gains, a switch to electric mobility from diesel, and a solar project which comes online in 2025-26. This is expected to generate power at a 20-30% discount to Eskom (grid) tariffs, even without factoring in the additional benefits that would accrue from carbon pricing and reduced reliance on coal-fired grid power. They will concurrently benefit from the South African government's efforts to reduce wider grid carbon intensity. With regard to the energy transition more broadly, PGM have been associated with a somewhat bearish outlook compared to base and rare earth metals due to their deep connection to ICEs. Therefore, there is a structural demand decline priced into many manufacturers' share prices, aligned against the extremely aggressive EV targets pushed by the International Energy Agency and increasingly adopted by EU and other countries. However, there are counterpoints to this thesis. Firstly, hybrid EVs have an even higher PGM loading than ICEs, due to frequent stop-starts lowering the operating temperature, and therefore the performance efficiency, of the coating. The fix is to apply extra coating. Secondly, transitional regulations such as China's "China 6 standard", which are designed to reduce ICE emissions by adding a PGM-coated gasoline particulate filter, represent another near-to-medium

	term growth opportunity. It seems more likely that many economies in both the developed and developing world will adopt transitional policies like this before they start switching to expensive EVs outright. More broadly, there is reason to question the aggressive EV targets being bandied by Western governments as battery metal supply is unlikely to meet demand as quickly as forecast. All this adds up to a longer ICE runway, combined with increasing transitional ICE regulation such as the China 6 standard, both of which are positive for PGM in contrast to wider market consensus. The company suffered 20 fatalities in 2021 and almost 500 serious incidents, amid a wider industry safety regression that has been blamed on the disruption to team cohesion and safety standards following the return to work post-Covid. This disappointing safety performance led to a 20% haircut on C-level remuneration, over and above a 0% reward within safety-linked contributions, as well as a company-wide review of safety policies. A third-party audit concluded that while overall policies were solid, they were not being adequately followed by employees or low-level managers. The company has implemented a number of 'fixes', designed to better ensure safety oversight. Notably, they have separated the Safety Officer role from the Production Manager role and given them a separate chain of command. This change is designed to ensure there is no overlap between productivity and safety incentivisation. Hosking Partners will watch safety performance closely going forwards, as this is a potentially significant risk if improvement cannot be maintained. In 2022 there were a further 5 fatalities, a significant reduction year-on-year but still some way from the company's 'zero harm' target. Hosking Partners impressed upon the company their strong support for the pursuit of zero harm, the importance of which cannot be understated. This will form the centre of ongoing engagement going forward, to ensure the company is achieving its harm reduction targets.

Principle 12

Signatories actively exercise their rights and responsibilities.

CONTEXT

Hosking Partners believe that active ownership – in the form of long-term analysis of investments, active exercise of voting rights, and constructive engagement – improves management accountability, and long-term returns. The Firm votes proxies in accordance with the procedures set forth below and the procedures apply to any voting or consent rights with respect to securities of the funds and segregated clients where delegated to the Firm. Our full Voting Policy can be found here.

Hosking Partners maintains proxy voting policies and procedures that are designed to ensure that it instructs the voting of proxies and the exercise of other rights attached to shares, taking account of the Firm's long-term investment perspective and its clients' investment objectives and policy and interests, subject to any restrictions attached to the exercise of such rights. Hosking Partners uses the proxy voting research coverage of ISS. Recommendations are provided for review internally and where the portfolio manager wishes to override the recommendation they give instructions to vote in a manner in which they believe is in the best interests of its clients. This is discussed in further detail under 'Activity'.

The Firm will consider a range of factors in relation to proxy voting which include (but are not limited to) the following:

- *Board of Directors and Corporate Governance.* Factors such as the directors' track records, the issuer's performance, qualifications of directors and the strategic plans of the candidates.

- *Appointment / re-appointment of auditors.* The independence and standing of the audit firm, which may include a consideration of non-audit services provided by the audit firm and whether there is periodic rotation of auditors after a number of years' service.

- *Management Compensation.* Factors such as whether compensation is equity-based and/or aligned to the long-term interests of the issuer's shareholders and levels of disclosure provided by issuers regarding their remuneration policies and practices.

- *Takeovers, mergers, corporate restructuring and related issues.* These will be considered on a case-by-case basis to determine whether they are in the best interests of shareholders.

In certain circumstances, Hosking Partners' instructions regarding the exercise of voting rights may not be implemented in full, including where the underlying issuer imposes share blocking restrictions on the securities, the underlying beneficiary has not arranged the appropriate power of attorney documentation, the relevant securities are out on loan or the relevant custodian or ISS do not process a proxy or provide insufficient notice of a vote. In addition, the exercise of voting rights may be constrained by certain country or company specific issues such as voting caps, votes on a show of hands (rather than a poll) and other procedures or requirements under the constitution of the relevant company or applicable law.

Clients are informed of upcoming votes in advance and in some specific cases may write to Hosking Partners to express a view on voting intention, although this is not generally encouraged as it may dilute the strength of the Firm's overall vote. Where an instruction is placed by a client that is contrary to the house position, Hosking Partners will vote the account's shares in accordance with their instruction. Generally, this process is only facilitated for large institutional clients who are required by their own internal policies to support or oppose certain types of resolution (e.g. climate change) in line with a pre-determined position. Such instructions remain rare.

ACTIVITY

The Firm entered into a proxy voting service agreement with ISS on 17 June 2014. ISS is a provider of corporate governance solutions for asset owners, investment managers, and asset service providers. ISS' solutions include objective governance research and recommendations and end-to-end proxy voting and distribution solutions.

The Firm has subscribed to the 'Implied Consent' service feature under the ISS Agreement to determine when and how ISS executes ballots on behalf of the funds and segregated clients. This service allows ISS to execute ballots on the on the funds' and segregated clients' behalf in accordance with the ISS vote recommendations. However, the Firm retains the right to override the vote if it disagrees with the ISS vote recommendation by using the ISS Proxy Exchange platform to communicate override instructions to ISS. In practice, ISS notifies the Firm of upcoming proxy voting and makes available the research material produced by ISS in relation to the proxies. The Firm then decides whether or not to override any of ISS' recommendations.

Hosking Partners' investment strategy is founded on a multi-counsellor approach with each portfolio manager operating on an autonomous basis. The decision as to whether to follow or to override an ISS recommendation or what action to take in respect of other shareholder rights is ultimately taken by the individual portfolio manager(s) who hold the position. In circumstances where more than one portfolio manager holds the stock in question, it is feasible, under this multi-counsellor approach, that the portfolio managers may have divergent views on the proxy vote in question and may vote their portion of the total holding differently. Any decision to override the ISS recommendation is reviewed by Compliance to check that it does not give rise to any conflicts of interest and records are maintained.

Data describing the voting practices of Hosking Partners for calendar year 2022 is provided below. This table is further discussed as part of the 'KLA Corp' example provided below.

2022 FULL YEAR THEMATIC BREAKDOWN	FOR		AGAINST		ABSTAIN		AGAINST ISS	
	Total	% share-holder	Total	% share-holder	Total	% share-holder	Total	% share-holder
Director related, elections etc	3,123	<1%	280	12%	70	7%	67	21%
Routine/Business	1,157	<1%	50	18%	2	-	4	50%
Capitalisation incl. share issuances	515	-	55	-	-	-	10	-
Remuneration & Non-Salary Comp	542	<1%	88	5%	-	-	23	-
Takeover Related	132	-	8	-	1	-	1	-
Environmental, Social, and Corporate Governance	28	57%	60	98%	1	100%	19	95%
Other	42	14%	25	92%	1	-	14	86%
Total	**5,539**	<1%	**566**	23%	**75**	8%	**138**	33%

Notable examples of voting decisions taken over the past 12 months are provided below:

Trailing 12-Month Examples (to 30th April 2023)	
Example Topic	Example Narrative
Similar proposals with different voting decisions	**Atlas Copco & Fairfax Financial**. An example evidencing Hosking Partners' case-by-case approach to voting on similar proposals is provided by the vote we made in favour of the Atlas Copco board (and against ISS), in comparison to the vote against the board (and with ISS) at the Fairfax Financial AGM. Both proposals regarded the election of directors to boards with less than 30% female representation, which is the ISS minimum required to support election.

	In general, we support ISS' policy to encourage at least 30% gender diversity. Although we are wary of quotas, the direction of travel is clear, and well justified. As an aside, we have also been thinking carefully about our own diversity this quarter, and have recently signed up to support the charity GAIN (Girls are Investors), which promotes the representation of women in the asset management industry. Atlas Copco is controlled by the Wallenberg family through Investor AB, which was founded in 1916. The family-run business has a long history of providing investors with strong compounding returns. In USD terms, Atlas Copco has compounded at 13% over the past ten years, twice the rate of its domestic index. With the strong total return in mind, we decided to vote with management in re-electing five directors back to the board. This conflicted with the ISS recommendation, which suggested voting against due to concerns related to gender diversity. In this case, we assessed that board longevity has been directly contributory to strong shareholder returns, and as such supporting re-election was warranted despite the diversity issue. We engaged with the company, and were satisfied that because Atlas Copco has formally committed to achieving the 30% threshold, and is currently just short at 25% female, we could vote with good conscience and the best interests of clients upheld. In contrast, Fairfax Financial has been somewhat of a disappointment, with returns compounding at a rate of just 5% per annum over the last decade. When ISS suggested that the board was not independent or diverse enough we decided it was right to vote with the ISS recommendation and against the company. In this case, board longevity has not benefitted shareholders and the board would benefit from refreshed strategic thinking through a more diverse composition. Furthermore, unlike Atlas, Fairfax has demonstrated no commitment to achieving the 30% gender diversity standard set by ISS. We have reached out to the company to discuss this issue in greater detail.
Abstention	**Amazon**. The last year saw an unusually large number of shareholder resolutions proposed at the AGMs of the world's largest technology companies. Institutional, impact and activist investors put forward an average of fourteen shareholder proposals at the AGMs of the three 'FAANG' stocks in the Hosking Partners portfolio. Societal and environmental concerns were the overarching themes, while on the governance side proposals were put forward to democratise voting power through restructuring share classes. The proposal that gave Hosking Partners most pause for thought came at the Amazon meeting. It suggested that non-management employees be included as prospective director candidates. On the surface, we like the idea and are already familiar with it as another portfolio holding, JD Wetherspoon, has been implementing a similar concept for some time. The idea is to incentivise employees by offering the opportunity to share in the decision-making process at the highest level, which we feel may offer a preferable employee representation model to unionisation in some cases. Unfortunately, the wording of this particular proposal (put forward by Oxfam America) stated it was seeking "significant" representation from non-management employees, which implied the imposition of quotas. We believe this is a step too far, and as such we abstained on this occasion. We will revisit our position in the future if the language of such proposals is softened.

Vote against ISS on the nuanced topic of climate disclosures	**KLA Corp**. Climate-related shareholder proposals have become increasingly common, often being placed en-masse by non-profit activist organisations in the US and Europe. Generally, they request companies to expand climate-related reporting and set more aggressive emissions targets, but in some cases – particularly for energy and financial firms – they go further in suggesting wholesale abandonment of certain operational themes (e.g. ceasing investment in new fossil fuel development). As the table at the bottom of the above 'Activity' section reveals, we more often than not found ourselves obliged to vote against such proposals. In 2022 we voted against 79% of shareholder proposals related to ESG, versus 39% of shareholder proposals unrelated to ESG. More broadly, the fact that 23% of our total votes against are cast against shareholder proposals, which make up only 3% of overall proposals voted, is demonstrative of the fact that as a general rule, shareholder proposals are often speculative, favourable to a narrow minority, or politically motivated. Where a climate-related proposal suggests shutting down entire revenue streams or conducting a wholesale restructuring of a company, we generally find that our proxy voting advisor ISS agree that support is not warranted. Of the 59 votes we submitted against ESG-related shareholder proposals, we voted in agreement with ISS 73% of the time, which is higher than our 67% overall rate of consensus with the service. We have discussed the counter-productive and potentially damaging effect of ceasing investment in conventional energy sources too quickly elsewhere, a pragmatic view that ISS appear to share. However, where a proposal is softer in nature – focused instead on emissions reporting and targets – ISS are more often supportive. As ever, we generally adopt a nuanced position. While we were supportive of four shareholder proposals designed to enhance environmental reporting, we voted against both proposal and ISS on ten other occasions. We would like to make clear that this tendency does not reflect unwillingness to support decarbonisation or other ESG-related initiatives. Where such proposals are well worded, appropriate in scope, and demonstrably material to the long-term value of the company in question, we are supportive. Examples of our support in 2022 include a proposal requesting enhanced emissions reporting at ConocoPhillips, and another seeking better reporting on efforts to reduce plastic use at Amazon. However, we are repeatedly frustrated to find that the majority of these proposals are badly worded, overly prescriptive, ask for things that the company is already doing in one form or another, or not clearly material to value. A representative example of this issue is the above proposal from the KLA Corp. AGM. The proposal requested the company disclose how it intends to reduce emissions in alignment with a 1.5-degree limit on global warming. KLA – which manufactures semiconductors and other nanoelectronics – already has a target to reduce Scope 1 and 2 emissions by 50% by 2030 and reach net zero by 2050. They target the use of 100% renewable energy across global operations by 2030, and publish detailed data on Scope 1, 2 and 3 emissions annually. However, because the vast majority of KLA's total emissions are Scope 3, the proponent – and ISS – concluded that these measures were not good enough. In our view, the issue of Scope 3 emissions remains highly contentious, both in terms of accurate measurement and actionable reduction. Ultimately, all Scope 3 emissions are someone else's Scope 1 or 2 emissions. The attribution of responsibility (and therefore cost) to reduce these emissions is unclear. If one buys a KLA semiconductor to power a diesel engine truck, then Scope 3 emissions rise. But what if one uses it to power a computer which

	helps integrate solar into an electricity grid? Such complexities mean there is no agreed standard to measure Scope 3 emissions, let alone any legal basis to attribute them. Until that changes, it seems to us that there is no good foundation upon which to justify supporting shareholder proposals aimed at their elimination. In this case, the majority of shareholders shared our view, and the proposal did not pass despite ISS support.

OUTCOME

An example of a notable outcome resulting from resolutions on which the Firm voted over the past year is provided below:

Trailing 12-Month Examples (to 30th April 2023)	
Example Topic	Example Narrative
Shareholder interests in M&A	**Spirit Airlines**. A protracted battle for budget carrier Spirit Airlines, Inc offered a real-world example of the principal/agent problem at the portfolio company level. In February 2022, Bill Franke's Frontier Airlines proposed a merger with Spirit, a company Franke previously chaired, by tabling a $25.83 per share combined cash and stock offer. This represented the opening salvo in a bidding war between Frontier and JetBlue for control of America's answer to Ryanair and the opportunity to create the fifth largest airline in the United States. In April, before shareholders had voted on the first Frontier bid, JetBlue tabled a competing offer; the two parties went back and forth over the spring and summer before Spirit's board, under pressure from its own shareholders, finally accepted a $33.5 bid from JetBlue. JetBlue's all-cash offer represented a 36% premium to the final merger terms offered by Frontier. At Hosking Partners, we place a high value on management teams that act like owners, we were therefore supportive of the JetBlue offer and found ourselves struggling to understand the rationale for supporting management and ISS in their preference for the Frontier bid. ISS, presumably at the direction of the Spirit board, were making an argument that Frontier's offer might end up being worth more than the present value of the JetBlue cash offer. While this might (or might not) prove to be true in the long run, cash delivered today shouldn't be discounted and accepting stock with a present value lower than a competing cash offer in the current market environment struck us as naïve. As at 30th September 2022, the average year-to-date share price decline of the three parties involved was -32%. Another argument made in support of the Frontier bid was one made on anti-trust grounds. Both Frontier and the Spirit board claimed that the JetBlue bid was more likely to fail to receive regulatory approval from the Justice Department. In our view, both bids came with regulatory questions marks hanging over them and this was reflected in the bids, both parties offered to pay a $350m reverse termination fee should the deal fail to pass regulatory muster. Clouding the negotiations was the relationship between Bill Franke and his Indigo Partners investment vehicle and, Spirit Airlines. Bill Franke was formally the Spirit chairman and his relationship with the target company gave the impression that the Spirit board were being deliberately uncooperative with JetBlue despite its superior offer. This obvious conflict of interest combined with the Spirit board's recommendation of the less remunerative Frontier bid made us question whether the Spirit board was more interested in helping out their old friend rather than honouring their fiduciary duty to shareholders.

	Following the vote, the merger with Frontier collapsed as Spirit shareholders convinced the Board to pursue the JetBlue merger, in line with our position. Ultimately, due to the regulatory frictions associated with consolidation in the US airline industry combined with an approaching capex cycle that history suggests may lead to weaker pricing, we decided to exit our Spirit position around the end of Q3, despite the success of the JetBlue approach over Frontier's.

Statement of Compliance

Hosking Partners LLP is authorised and regulated by the Financial Conduct Authority in the United Kingdom and registered with the Securities and Exchange Commission in the United States. The investment objective is to achieve rates of return in excess of the benchmark over the long term via investment in a portfolio of global securities.

The UK Stewardship Code is overseen and published by the Financial Reporting Council, the independent regulator overseeing financial reporting, accounting and auditing and corporate governance. The Code, first published in 2010, sets the benchmark in the UK for institutional investors to meet ownership obligations in respect of their holdings of UK equities.

Hosking Partners' multi-counsellor approach is deliberately structured to give each autonomous portfolio manager the widest possible opportunity set and minimal constraints to make investment decisions.

Hosking Partners supports the aims of the Stewardship Code for its UK investments and supports the Principles as best practice for its other investments. Hosking Partners considers that it complies with the recommendations of the UK Stewardship Code. Set out in the preceding document is the approach taken in respect of the key recommendations.

Contact

Please direct any questions regarding Hosking Partners' approach to stewardship to one of the following:

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Signatory of:

PRI Principles for Responsible Investment

Supporter of:

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

LEVEL

CARBON BALANCED