



DUNDAS
GLOBAL
INVESTORS

STEWARDSHIP REPORT 2023

WWW.DUNDASGLOBAL.COM

INFO@DUNDASGLOBAL.COM

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INTRODUCTION

Dundas Global Investors (Dundas) manages global equity portfolios for long-term dividend and capital growth on behalf of clients in the UK, USA, Australia, and New Zealand.

The simpler an investment management organisation, the fewer conflicts of interest. Three things help keep Dundas simple.

First, Dundas is independent, owned and controlled by partners working in the business.

Second, we invest alongside our clients via the Heriot Global Fund and Heriot Global Smaller Companies Fund, our UK-domiciled OEICs. Portfolios managed for clients elsewhere are created exclusively from stocks held in these two funds.

Third, staff and partners' profit shares come from a common pool derived from our management fees minus overheads. There are no individual incentives for sales or investment achievement.

This is our fourth UK Stewardship Code report. Writing it has sharpened our definition of stewardship and how we exercise our obligations to clients, particularly the delegated responsibilities we place upon those running the companies in which we invest.

Just as clients rely on us to be good stewards of their savings, the companies we invest in must be good stewards of their businesses, balancing the interests of shareholders, customers, staff, suppliers, and wider stakeholders.

It is rare for the words 'accountancy' and 'revolutionary' to appear on the same page, but the launch of the International Financial Reporting Standards (IFRS) Sustainability Standards justify it.

These disclosure standards will revolutionise corporate reporting.

Launched in June 2023, IFRS S1 and IFRS S2 came into force on 1 January 2024. Once fully adopted, companies must disclose accurate data on their climate-related metrics, risks, and mitigating actions. Boards, management, audit committees and auditors will have to sign off on the accuracy of these reports, just as they do today for their balance sheets, income statement, and cash flows. Proposals have been made to incorporate similar standards into US Generally Accepted Accounting Principles (GAAP).

Companies will report their emissions with as much clarity as their profits and cash flows. And once measured, the implications will be managed. Companies that manage the Net Zero transition will gain competitive advantage. We are seeing that already.

Having grasped the implications of the IFRS Sustainability accounting revolution, we wrote to the European companies in our global portfolios with four questions:

1. *The new standards mark a shift from voluntary to mandatory climate-related disclosures, as detailed in IFRS S1 and S2. What are the implications for your present and future reporting?*
2. *We understand that, to date, much climate-related disclosure is based on estimation about, for example, energy use, carbon intensity, CO₂ emissions, and so on. The new standards require companies to provide accurate, verified data. Can you please comment on the implications for data gathering, veracity, and reporting?*
3. *How are IFRS S1 and S2 being brought into your company's financial and operational reporting systems? And what immediate implications do you foresee for how the business is run?*
4. *Does the new climate-related disclosure system offer competitive advantages? If so, please provide examples.*

One company answered the fourth question thus – ‘...failure to do so poses a potential extinction risk...’

In 2023 we made three important announcements.

First, we decided to place lead responsibility for Stewardship in the hands of a partner and member of the Investment Team, David Keir.

Second, Russell Hogan retired as Managing Partner but continues as non-executive chair of the Compliance and Audit Committee, whose work includes ratifying Dundas' Stewardship code and our inaugural Taskforce on Climate related Financial Disclosures (TCFD) report.

Third, Dundas announced our intention to commit to Net Zero for portfolios and business operations by 2050, impossible without the new IFRS Sustainability Standards. We invest in companies on behalf of our clients. If those companies lacked credible Net Zero plans, we could not make a Net Zero commitment for portfolios. The IFRS Sustainability accounting revolution provides the steppingstones to Net Zero portfolios.

We are fortunate to work with many great clients who challenge us to be better stewards. They have our thanks for both the assets entrusted to us and for the dialogue on stewardship throughout 2023.



Alan McFarlane
Senior Partner



David Keir
Partner, Investment Manager and Head of Stewardship

ABOUT US

Founded in 2010 and based in Edinburgh, UK, Dundas manages global equity portfolios for institutional and professional clients worldwide. We seek the best dividend growth companies for portfolios because where dividends grow, share prices follow. Dundas is an independent partnership. Partners and staff invest alongside clients via the Heriot Global Fund and the Heriot Global Smaller Companies Fund, the two UK domiciled funds we manage, and which provide the stocks held in other clients' portfolios.

REGULATION AND SUSTAINABILITY LABELLING

The UK Financial Conduct Authority (FCA) in the UK, is Dundas' principal regulator. The FCA has introduced the Sustainability Disclosure Requirement (SDR) regime which will be implemented throughout 2024. As part of that regime, investment managers are required to describe their approach to sustainability in one of five ways. A manager can use one of the FCA's four sustainability labels or declare that it operates without one.

For the present, Dundas opted not to have a label.

We rely on publicly available, audited information to make investment decisions. Corporate disclosure on emissions and other sustainability topics remains incomplete, inconsistent, and heavily reliant on estimation.

Change is underway. In 2023 the IFRS launched its Sustainability Standards, building on the work of the TCFD, and with which countries and companies must comply from 1 January 2024. The USA's GAAP standards are moving in the same direction.

Dundas' policy on sustainability labelling is kept under review. Accurate reporting on climate risks and actions companies take will be a huge step forward.

Regulators want 'sustainability' to be applied clearly and credibly in investment product marketing. Investment product descriptions must fit the facts. Dundas' use of 'sustainability' is not intended to refer to or describe the sustainability characteristics of a sustainable product.

UK STEWARDSHIP CODE

Initially published in 2010 with the objective of encouraging stewardship best practice and accountability, the UK Stewardship Code outlines a set of high standards for asset managers, asset owners and service providers.

Developed by the UK's Financial Reporting Council (FRC) in response to the financial crisis of 2008, the code was the first of its kind and has since been followed by a number of countries and investor associations globally.

Revisions in 2012 and 2020 strengthened the code, increasing expectations for Environmental, Social and Governance (ESG) and providing the opportunity for stewardship to be reported annually in line with 12 principles.

The FRC define stewardship as “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”^{*}.

It exists alongside the UK Corporate Governance Code 2018, first published by the Cadbury Committee in 1992, which promotes good governance and transparency amongst UK corporates.

SHAREHOLDER RIGHTS DIRECTIVE II

The European Union Shareholder Rights Directive II (SRD II) introduced in 2019, amends the original SRD which came into force in 2007. The directive establishes disclosure requirements which aim to improve long-term shareholder engagement and enhance transparency among asset managers and owners in the EU.

PURPOSE OF THIS REPORT

This report has been produced in accordance with the expectations of the UK Stewardship Code 2020 and the SRD II. Dundas accepts and applies their principles to all equity holdings, regardless of listing domicile. Through this report we intend to enhance the understanding and transparency around our ongoing stewardship activities.

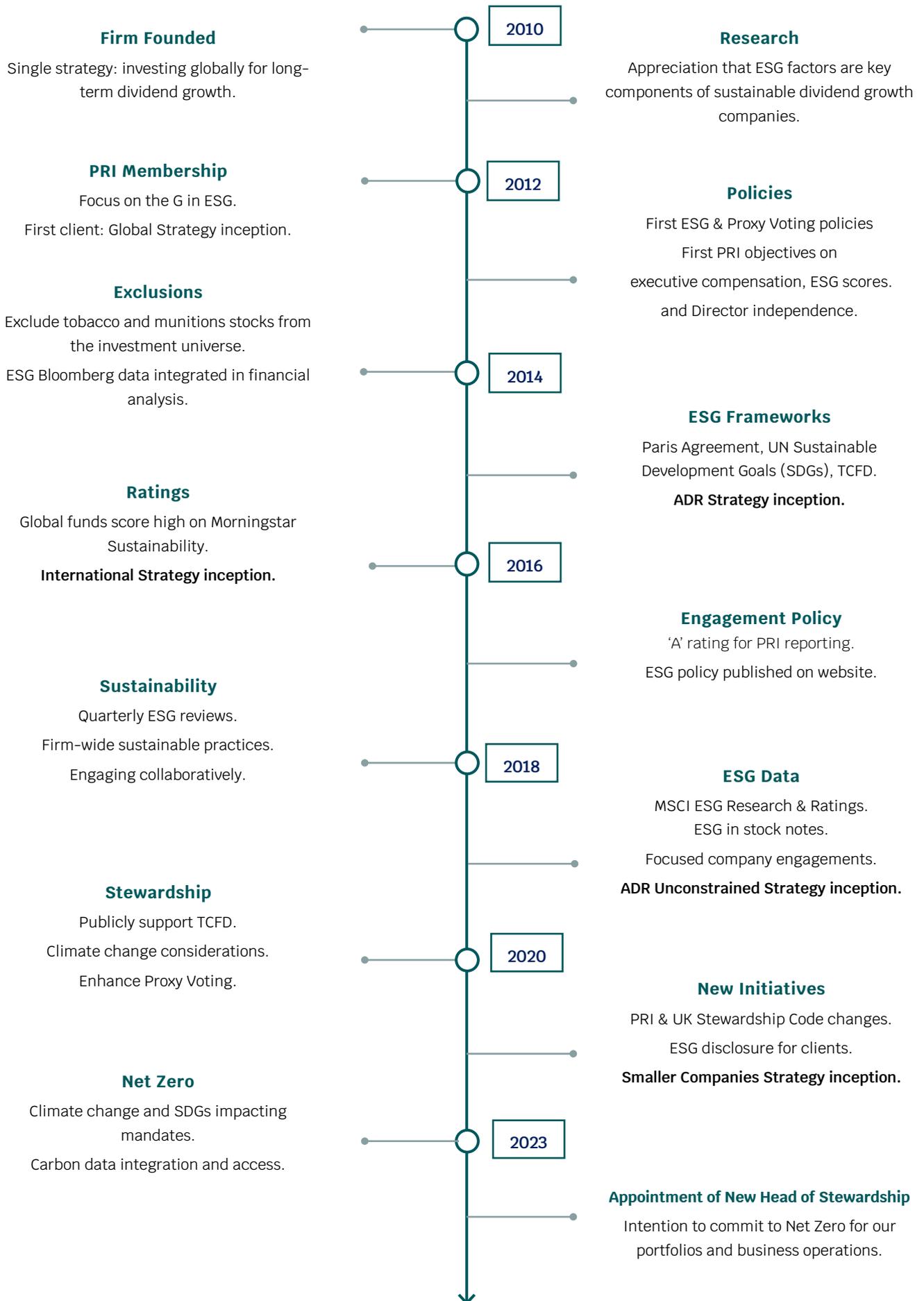
This report sits alongside our [Responsible Investment Policy](#), [Proxy Voting and Engagement Policy](#), [Modern Slavery Statement](#) and policy on [Conflicts of Interest](#), all of which are available on our website and via links in the Appendix.

^{*}Source: The UK Stewardship Code 2020, Financial Reporting Council.

UK STEWARDSHIP CODE

- 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.
- PRINCIPLE 2** Signatories' governance, resources and incentives support stewardship.
- PRINCIPLE 3** Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
- PRINCIPLE 4** Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
- PRINCIPLE 5** Signatories review their policies, assure their processes and assess the effectiveness of their activities.
- PRINCIPLE 6** Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
- PRINCIPLE 7** Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
- PRINCIPLE 8** Signatories monitor and hold to account managers and/or service providers.
- PRINCIPLE 9** Signatories engage with issuers to maintain or enhance the value of assets.
- PRINCIPLE 10** Signatories, where necessary, participate in collaborative engagement to influence issuers.
- PRINCIPLE 11** Signatories, where necessary, escalate stewardship activities to influence issuers.
- PRINCIPLE 12** Signatories actively exercise their rights and responsibilities.

EVOLUTION OF STEWARDSHIP AT DUNDAS



PURPOSE & GOVERNANCE

PRINCIPLES 1-5

PRINCIPLES 1 - 5

UK STEWARDSHIP CODE

PURPOSE & GOVERNANCE

OUR PURPOSE

We invest in global equities for sustainable dividend growth. Ensuring our full focus is on that task we have organised our business to be as simple as possible.

The firm was founded on five key principles:

Simplicity

We focus on the right businesses and avoid conflicting interests. Focusing on where we add value means outsourcing where appropriate while ensuring we have oversight.

It also means turning away business that does not align to our investment philosophy.

Aligned interests

By investing alongside our clients in our UK-domiciled funds, we have a common goal.

Financial incentives for all partners and staff are based on the firm's profits, not investment decisions or sales success.

Partnership

It is in our best interests to make optimal decisions on behalf of our clients. This structure promotes good decision making, taking a long-term view, and ensures ownership and control stays within the firm.

Fair pricing

Operating costs are kept low so we can provide our services for competitive fees, we foster good stewardship of client assets and our business.

Independence

We avoid sell-side investment research. Instead, all research is originated in house by a team of generalists, reducing bias.

CULTURE AND VALUES

Partnership is more than a legal structure; it is a belief that guides everything we do. This ethos is especially important in investment management, given we are entrusted with people's long-term savings and pensions. Partnership between clients and colleagues aligns the interests of everyone involved, ensuring we are principals (not agents) to our clients.

Stewardship speaks to the care and attention that is applied to ensure we leave an investment, a relationship, or a team member better than we found them. A constant reminder that the businesses we invest in must invoke good corporate practices and look after all stakeholders.

At its core, stewardship demands forgoing short-term gains/losses if they come at the expense of long-term success. This is true of our investment strategy, where all client portfolio holdings are derived from our global equity growth model.

We seek out the best dividend growth stocks regardless of industry, region, or market. Our process is clearly communicated to clients and intermediaries to make certain they understand what we do on their behalf.

Upholding values of collaboration and advocacy make us better colleagues and decision makers, the benefits of which we pass to clients through competitive returns. We subscribe to the philosophy that each voice should be heard when a decision is made, creating an environment in which team members can flourish and clients are assured the best of Dundas collectively.

We encourage new ideas to challenge the status quo and other behavioural biases. Investment decisions are taken in an open and inclusive manner, seeking out enduring connections between companies, industries, economies, and broad socioeconomic themes.

FIRM VALUES



Principals - Alignment means being investors alongside our clients.



Collaboration - Value an open mind and participate in the firm's success.



Advocacy - Put the interests of clients and the firm before yourself.



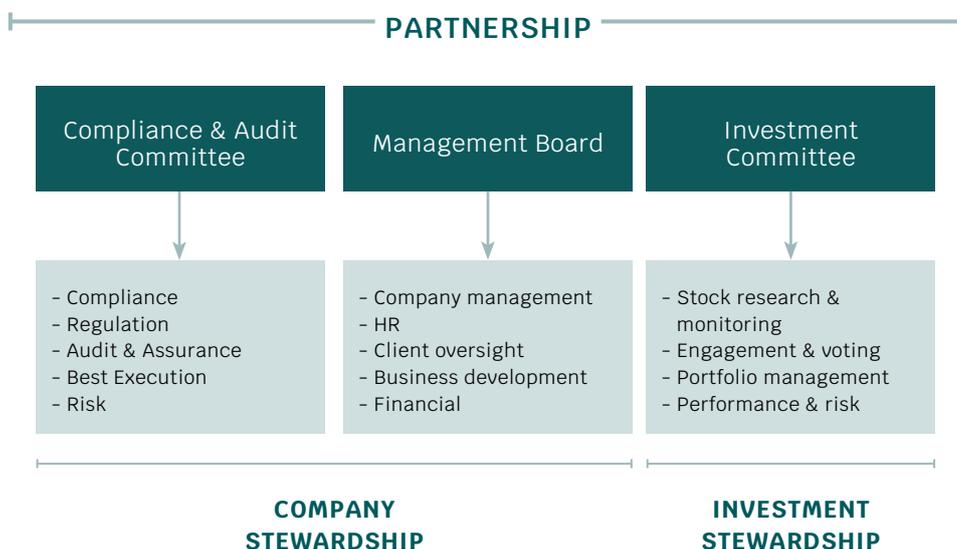
Stewardship - Take a holistic view and champion the investment philosophy.



Challenge - Say the unsaid, be aware of bias, and learn from mistakes.

GOVERNANCE & OVERSIGHT

GOVERNANCE STRUCTURE



Dundas is a Limited Liability Partnership (LLP) with a leadership team comprised of a Senior Partner (CEO) and seven equity partners. The Partners Board has ultimate responsibility and accountability for all aspects of the business. The Board meets quarterly and is kept up to date through reporting from the three sub-committees: the Investment Committee, the Compliance and Audit Committee and the Management Board, each of which meet weekly or monthly.

1. Investment Committee

Comprises those directly responsible for company research at Dundas along with those responsible for implementing those decisions for client portfolios and the Partner responsible for client communications and interactions. This Committee oversees all aspects of investment research, portfolio management and risk assessment, performance analysis and stewardship activities.

2. Compliance and Audit Committee

It is chaired by an external non-executive. Its role is to oversee compliance across the three regulatory frameworks in which the firm operates (UK, USA, and Australia/New Zealand). It oversees all external audit and assurance undertaken on the firm and its portfolios, best execution within client portfolios and the firm’s overall risk framework.

3. Management Board

It comprises four partners drawn from the seven equity partners and has day-to-day responsibility for managing the firm.

STEWARDSHIP RESPONSIBILITIES

During 2023 the firm appointed one of its partners, David Keir, to lead the firm’s Stewardship policy making, reporting and compliance. This includes all climate-related issues related to the firm’s portfolios and investments. In making this appointment the firm has assigned climate-related responsibilities to a senior management-level position within the firm. David is a member of the Investment Team with responsibility for Global Equity portfolios.

As a member of the Investment Committee and the Compliance and Audit Committee, described in the section above, David can report directly to both, the Chair of the Investment Committee (Dundas Senior Partner), and to the Chair of the Compliance and Audit Committee (non-executive).

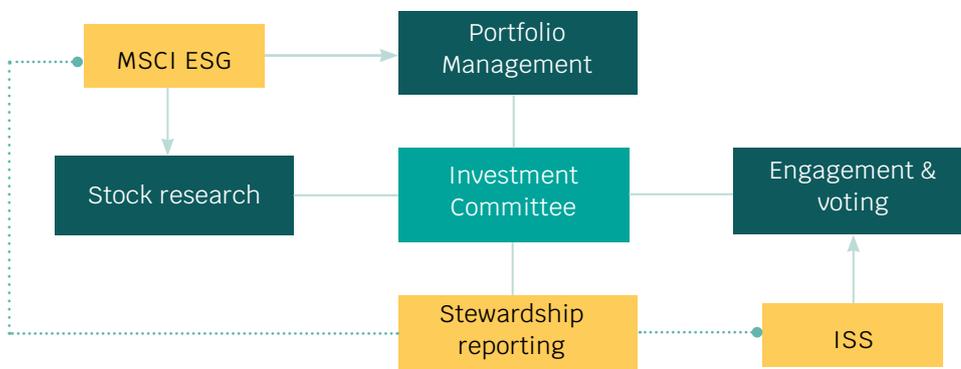
He is responsible, along with other members of the Dundas Investment Team, for day-to-day decision making and implementation across all Dundas investment portfolios of agreed policies and strategy.

As a member of the Partners Board and two of the three sub-committees, David plays a key role in keeping other members of the management team informed about climate-related issues and is a conduit to the rest of the firm and its clients.

Internal communication on stewardship is monitored through investment research and portfolio monitoring and a Corporate Access Tracker system covering all company interactions. These updates flow through our Investment Committee with stewardship covered monthly. The Investment Committee reviews ESG activity and sets objectives for the firm’s sustainable investment process. Investment team members have a particular role to play in ESG integration through the research and monitoring of the businesses considered for our portfolios.

Dundas has been a signatory to the Principles for Responsible Investment (PRI) and UK Stewardship Code since 2012 and 2021, respectively.

ESG IN PRACTICE



DUNDAS AND NET ZERO

In 2023, we announced our intention to commit to Net Zero for our portfolios and our own business operations by 2050. This was the first step in aligning our business and portfolios with the Paris agreement. To support this commitment a series of initiatives have been undertaken. The first being the creation of our operational baseline emissions report. The case study below gives further detail on this.

Case Study - Net Zero

Overview

Dundas started out on the road to operational Net Zero in 2018 when we introduced an office recycling policy and sourced our electricity from renewable sources. Since then, we have been making incremental changes to reduce our operational carbon emissions.

To make this more meaningful, we established the Carbon Footprint of our business operations to use as baseline data.

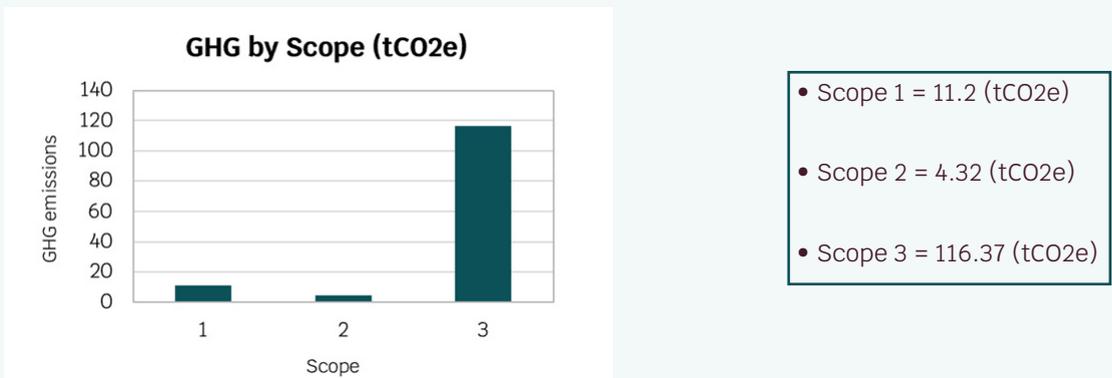
Action

Working in collaboration with the University of Strathclyde, using the Greenhouse Gas Protocol, we created and published (on our website) our first greenhouse gas emissions report using a baseline year of 2022.

This showed our Scope 1,2 and 3 emissions (shown in tons of Carbon/CO2 equivalent or tCO2e).

Process

Our results for each scope across our operations are as follows:



Source: University of Strathclyde 2023 Project report GHG Baseline Dundas Partners LLP*

This equates to 1.04 tons of CO2 equivalent greenhouse gas emissions per employee.

*Dundas Partners LLP is the legal name for Dundas Global Investors.

Outcome

The report, showed the areas in each scope where we should focus our attention and efforts on in order to have the most impact in terms of emission reductions.

Collaborating with the Edinburgh Chamber of Commerce and the Edinburgh Climate Change Institute we are creating a carbon reduction plan and an improved travel policy that has a focus on carbon reduction for publication during this coming year and also have embarked on a behavioural change programme to increase the energy efficiency within our office.

These collaborations will continue into 2024 and beyond, helping us to review, report on and enhance our efforts to reduce our emissions from our business operations going forward.

STRATEGY

We invest in the best companies capable of sustained dividend growth to meet our clients’ risk and return objectives. Our philosophy sets us apart, focusing on the most powerful factor driving long run, sustainable returns.

This strategy has served us and our clients well, demonstrated by our portfolio's dividend track record shown in the table below:

STRATEGY SCORECARD

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | % of stocks held |
|--|------|------|------|------|------|------|------|------|------|------|------|------------------|
| Numbers of stocks which: | | | | | | | | | | | | |
| -increased the dividend | 60 | 64 | 58 | 62 | 65 | 69 | 60 | 49 | 56 | 56 | 58 | 83% |
| -held the dividend | 15 | 6 | 8 | 18 | 8 | 8 | 10 | 13 | 14 | 9 | 7 | 15% |
| -cut the dividend | - | 1 | - | - | - | - | 3 | 9 | 5 | - | 1 | 2% |
| Dundas global strategy estimated dividend growth | | | | | | | | | | | | 11% |

Portfolio: Dundas Global Equity Growth Strategy.
 Benchmark: MSCI All Country World Index (ACWI).
 Dividend growth of the portfolio is the weighted average growth in dividends per share (DPS) of each portfolio holding translated to USD.
 Dividend growth of the benchmark is based on the growth of DPS of the MSCI ACWI in USD.
 Period shown is from 31 December 2013 to 31 December 2023.

BUSINESS MODEL

Collaborating with distributors has proven to be a successful strategy for Dundas, contributing to our business development over the past decade. During this period, we have expanded our assets under management, enabling us to sustain our cost-effective fee model. Our efforts involve regular engagement through quarterly update meetings and investment topic presentations, both in-person and via webinars. We strive for consistency in our content across various jurisdictions, facilitated by the commonality of our dividend growth strategies.

Our partnership with Apostle Funds Management, our Australian distributor, dates back to 2012. Over this period, our flagship global fund for Australian and New Zealand clients, Apostle Dundas Global Equity Fund, has grown to over A\$2.2billion* (US\$1.5 billion).

In the UK, LGBR Capital has served as our distribution partner since 2019, contributing to the growth of the Heriot Global Fund from £80 million to £302 million* (US\$385 million) and the launch of the Heriot Global Smaller Companies Fund in September 2021 (US\$13 million*).

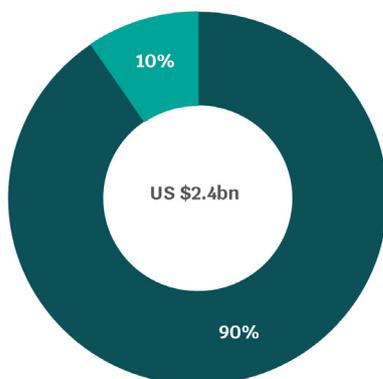
The expansion of our distribution in Australia, New Zealand, and the UK has resulted in significant firm and client growth. This development has enhanced the financial outlook for fund investors, enabled larger investors to consider our funds for clients, and diversified the investor base.

This strategic approach is set to continue into 2024.

In the USA, where we now manage the business development internally, our assets under management are US\$240 million. We entered the US market in 2015 and have met over 300 potential clients and advisors in those eight years, building long-standing business relationships.

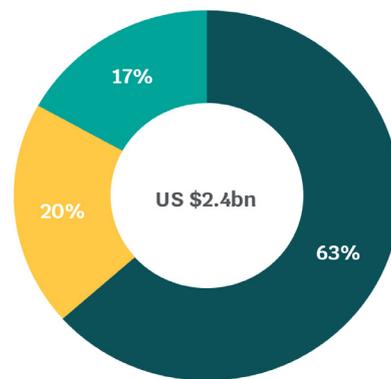
In 2023 across all our markets, we have met more than 400 prospects and built many new relationships.

FIRMWIDE ASSETS



- Assets under management = US\$ 2.2bn
- Assets under administration = US\$0.2bn

ASSETS BY REGION



- Australia & New Zealand
- United States
- United Kingdom

*Data as at 31 December 2023.

ENHANCING CUSTOMER CARE

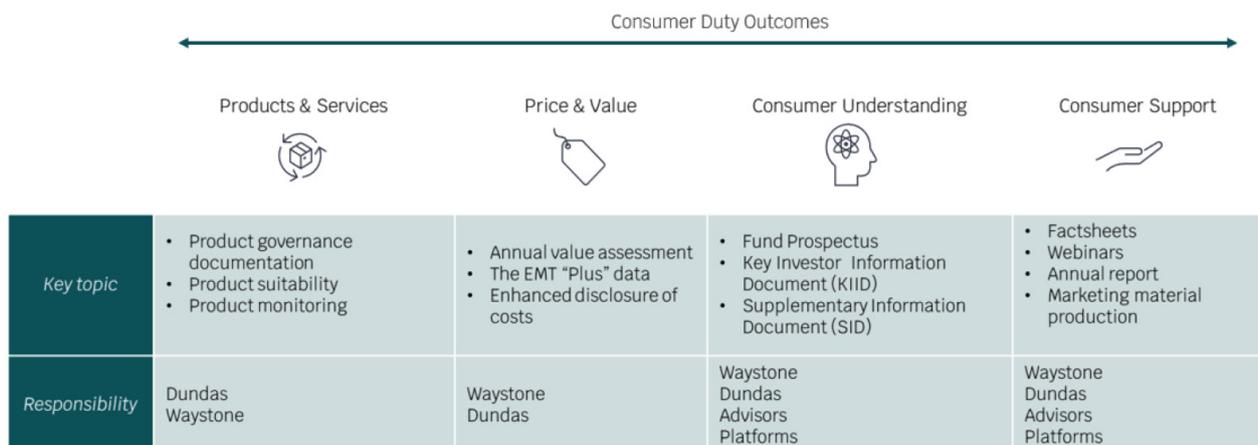
We work with compliance consultants in each of our regulatory jurisdictions. We train the whole Dundas team on regulatory changes to ensure everyone fully understands the rationale, expectations and day-to-day work required for compliance.

In July 2023 the FCA implemented the Consumer Duty (Duty) requirements. The Duty sets higher and clearer standards of consumer protection across financial services and requires firms to put the customers’ needs first. The positive outcomes are around products and services, price and value, consumer understanding and consumer support.

Dundas is a MiFID investment firm that does not hold client money and only has permission to market to professional and institutional clients – not retail. We are co-manufacturers of our UK Funds along with the Authorised Corporate Director, Waystone Management (UK) Limited and we also distribute the Funds to professional investors through our distribution partner, LGBR Capital. These manufacturer and distributor roles require us to understand how our product is viewed and used by the end consumer.

We mapped the customers journey though discussion with several independent financial advisers; understanding how they market and allocate our Fund to their clients, what makes their clients suitable for our funds – do they have the same investment risk appetite and investment time horizon and how do they identify vulnerable clients. These discussions gave us an insight to the part of the client journey we did not have before. The Assessment of Value for each of the Funds showed us positively against our peer group. We will continue to monitor this activity as is appropriate for the permissions we have.

MAPPING THE DUTY OUTCOMES TO ACTIVITY



PEOPLE & PROCESSES

To further strengthen the firm's Management and Governance, we created two new roles during 2023: Head of Stewardship and Finance and Compliance Manager.

David Keir, Investment Partner and Head of Stewardship, leads the firm's stewardship activity. He oversees, policy, reporting and compliance and coordinates our efforts towards best practice, keeping informed of regulatory changes, and ensuring the implementation of our stewardship policies.

David combines his duties as the Head of Stewardship and as Investment Partner through his participation at Investment Committee and Compliance and Audit Committee which oversees all external reporting and compliance, including the PRI, Stewardship and our (forthcoming) TCFD annual reports.

Natalie Moyes has been appointed in the role of Finance and Compliance Manager providing a greater focus on oversight and reporting in these areas.

Case Study - New Finance and Compliance Manager Role

Overview

In 2022 the Partners decided to have a dedicated finance manager in the business to perform all finance related tasks including book-keeping, financial modelling, regulatory reporting, internal financial reporting, and payroll.

Previously Dundas had an external part-time bookkeeper mainly focused on financial processing and month end tasks.

Action

In January 2023 a new Finance and Compliance Manager was appointed on a three day a week role.

Outcome

The Partners have welcomed the new role and feel the resource has been an asset to the business allowing them to concentrate on their own roles whilst still supporting the finance function where required.

Having a dedicated finance manager has allowed for more regular reporting to the Management and Partnership Boards, allowing the partners additional oversight of the financial position of the Partnership.

In addition, Dundas has implemented zero-base budgeting this year (2023). The Finance Manager reviewed all costs with the Senior Partner and allocated a partner responsible for each cost in line with the Senior Managers and Certification Regime.

In the first quarter (Q1) of 2024 the 2024/25 financial year budget process will begin, including scenario and stress testing for the subsequent three years.

RESOURCES & INCENTIVES

The firm is structured to be aligned with our client interests. Employees are paid competitive salaries alongside discretionary bonuses reflecting the overall profits of the firm. Partners are rewarded through profit share which is a function of returns delivered on existing assets, new asset growth and managing costs.

Dundas operates a Workplace Pension Scheme with pension contributions equal to 10% of salaries. Through salary exchange, the employer National Insurance saving of 13.8% on all personal contributions is redirected to employee pensions as an additional employer contribution.

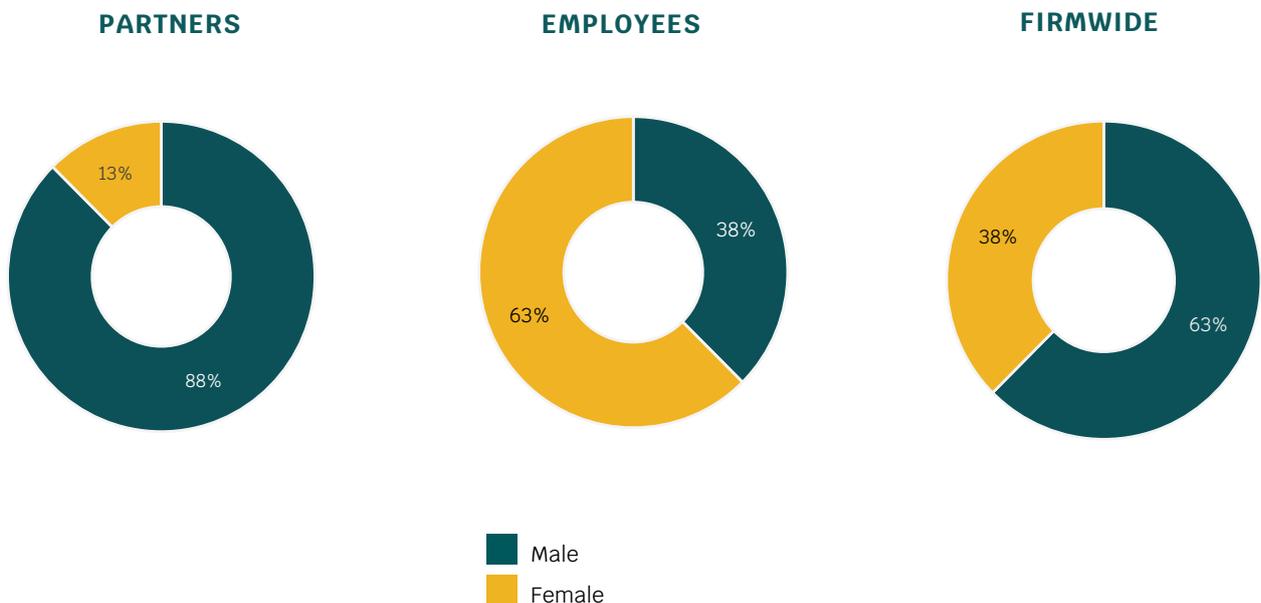
We have hybrid working as an option for all team members, with a requirement to be in the office a minimum of three days a week. We recognise the benefits of flexible working for team morale, productivity, and work life balance.

TEAM BUILDING

Continuous team development is the best way to grow the firm’s capabilities and plan for succession. Members of the firm are diverse in gender, age, and culture, as well as in professional and academic backgrounds. We are confident that our commonalities combined with our diversity provide a solid foundation for good decision making, helping to drive the future success of both the business and our investments.

TEAM BREAKDOWN

GENDER DIVERSITY*



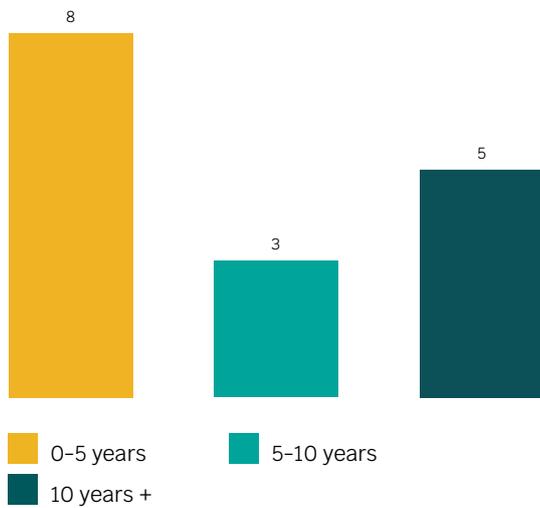
*Data as of 31 December 2023.

We embrace the advantages of employing individuals from a range of backgrounds, it fosters a creative work environment and a team that values differences. We embrace diversity, challenge discrimination, and promote tolerance and fairness. All employees and job applicants are treated fairly to avoid unfair or unlawful discrimination.

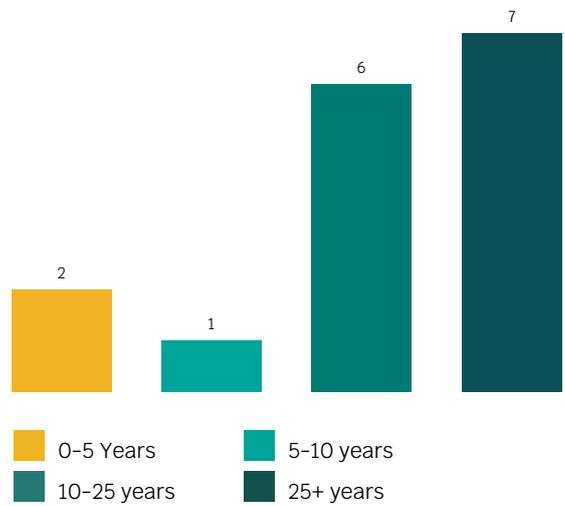
TEAM BREAKDOWN

EXPERIENCE*

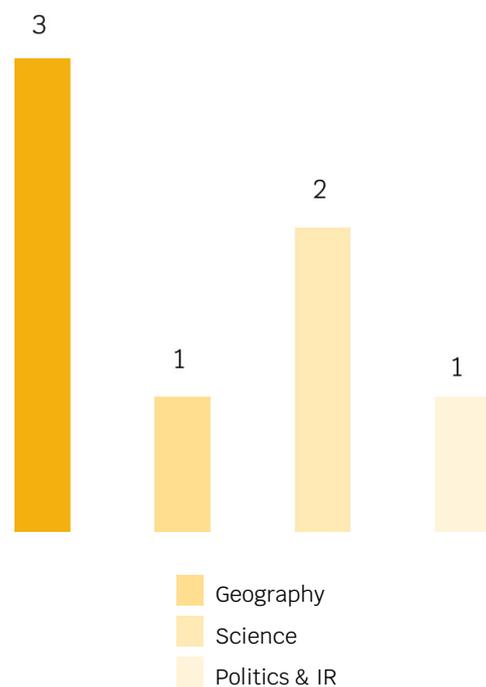
FIRM TENURE**



INDUSTRY TENURE



BACKGROUND*



*Data as of 31 December 2023.

**the Firm's inception date is 2010.

PERSONAL DEVELOPMENT

We encourage team members to deepen their skills and knowledge via a range of methods, including:

- ▷ The CFA UK's Investment Management Certificate and its Certificate in ESG Investing
- ▷ A minimum 21 hours of Continuing Personal Development (CPD) a year following CFA Institute guidelines. Compliance, cybersecurity, HR and development training arranged by the firm covers this minimum for all staff
- ▷ In 2023 team members attended an Investment Association course on Carbon Accounting and an industry course on the Task Force for Nature related Financial Disclosure (TNFD)
- ▷ In early 2024 a bespoke programme addressing sustainability is being run for the whole Dundas team by the University of Edinburgh Business School

COMPANY INITIATIVES:

The Saltire Scholar Programme is Entrepreneurial Scotland's flagship programme designed to find, grow and connect students with the ambition and potential of becoming future leaders for Scotland.

Open to full-time undergraduate penultimate and final year students from all 16 of Scotland's universities, the programme puts students in an 8-12 week funded summer internship with host companies from all over the world.

Dundas have engaged with Entrepreneurial Scotland and their Saltire Scholar Programme on a number of previous occasions and did so again in 2023.

Our requirement to design, develop and implement an Investment Performance Reporting Database system provided a suitably challenging and interesting project for the successful candidate.

The database system would offer enhanced data storage capabilities, allowing efficient storage and retrieval of large volumes of data resulting in improved data management, integrity, ease of access and reporting capabilities.

Our 'Scholar' managed to build a good working prototype of the system in only eight weeks, complete with comprehensive documentation allowing us to continue to build on his good work going forward.

Dundas is also a member of Future Asset, a charity encouraging girls in Scotland to take up a career in investment management. Future Asset provides industry-wide engagement with schools, educators, and pupils in Scotland, aiming to raise awareness of the investment sector, spark interest in a career in financial services and widen the industry's talent pool.

As a member of Future Asset, the firm participates in an annual engagement programme. Several members of the firm volunteered to be Investment Mentors in the 2023 Growing Future Assets Competition, supporting girls in exploring their careers, developing skills, and gaining experience and confidence in investment research.

CONFLICTS OF INTEREST

MITIGATION CONTROLS

Our simple business model insulates us from many of the potential conflicts of interest which can confront organisations active in more than one area of investment management or other financial services.

The firm's policy on conflicts of interest ensures that where actual or potential conflicts of interest arises, we pay due regard to the interests of our clients and treat them fairly. We maintain effective organisational and administrative arrangements that are proportionate to the risks we face to prevent conflicts of interest as defined in the guidelines of FCA SYSC 10, Australian Securities and Investments Commission (ASIC) and Securities and Exchange Commission (SEC). These controls and systems allow us to appropriately identify, monitor and mitigate potential conflicts of interest.

Senior managers are responsible for establishing and managing their areas of conflict while our Compliance Officer is responsible for assessing and monitoring overall conflicts, logged in a Conflicts of Interest register.

We have identified potential conflicts of interest and mitigating actions described below.

| CONFLICT | MITIGATING CONTROL |
|---|--|
| Personal Account Dealing | Staff may not deal in individual equities. Dundas encourages investment via the Heriot Global Fund and Heriot Global Smaller Companies Fund, our UK domiciled funds. |
| Client Investment Performance | The firm adheres to the Global Investment Performance Standards (GIPS®) of the CFA Institute to calculate and present its performance results, including management of its policy in setting composite performance schedules. |
| Research and Broker Commission | Access to company meetings or specific research is paid for by Dundas. |
| Remuneration and outside business interests | The team are remunerated depending on the firm's overall performance and profitability. Outside business interests must be approved in advance and reported to the Compliance Officer. All interests are registered and disclosed to the Partnership. |
| Gifts, Hospitality and Inducements | Firm limit of £50, noted on the register. Anything above this level must be approved in advance. |

POTENTIAL CONFLICTS OF INTEREST

Dundas is structured as a Partnership to provide a single focus on the overall long-term performance of the firm. This is delivered through investment success rather than multiple and potentially competing remuneration policies. All team members share in the overall profitability of the firm which is directly tied to the long-term growth of our clients' investments.

Members of the firm hold a total of four outside business interests including directorships, chair and trustee positions, and advisory services involving foundations and charities. None give rise to conflict of interest.

We encourage all team members to invest alongside our clients in our UK-domiciled funds. We are aware that while this approach aligns the interests of individuals working at the firm with those of our clients, the potential for conflicts of interest exist where these individuals are actively involved in the investment decision making process. This is of particular concern when the assets invested in our funds become an increasing proportion of individuals' savings. We have worked to mitigate this potential conflict of interest through several avenues:

- ▷ We reduce bias in our investment decision making process by our generalist research approach and team decision making
- ▷ Since 2019 we have partnered with a distributor to market the Heriot Global Fund and Heriot Global Smaller Companies Fund to professional investors in the UK. As a result, the proportion of assets held by team members has reduced
- ▷ As part of wider work done reviewing the Dundas Pension Scheme in 2021, we offered all team members consultations with a financial planner to advise on topics from pension contributions and salary exchange to diversifying their savings and investments



RISK MANAGEMENT

FIRM RISK

As long-term investors, sustainable well-functioning markets are vital to enable us to deliver for our clients. Similarly, as a small investment firm, we have established an appropriate robust operational framework to ensure we do a good job for our clients. We take seriously wider questions about structure and operations.

BEST PRACTICE

Rather than adopt a patchwork of rules by market, we try to apply the most rigorous regulation across our jurisdictions. This approach means we can incorporate future obligations early and reduce dispersion between client portfolios.

Diversity, Equity & Inclusion (DEI) is a focus for our clients. Our Australian clients are subject to annual reporting following the introduction of the Modern Slavery Act 2018. Focus is on the risk of modern slavery amongst both investment managers' operations and their underlying investments. In addition, our Australian Superannuation fund clients are industry leading with their approach to Net Zero and have been instrumental in our intention to commit our portfolios and business operations to Net Zero by 2050.

CORPORATE RESPONSIBILITY

The Senior Managers and Certification Regime (SMCR) aims to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence. Within the firm we used this as a catalyst for change to ensure we had in place effective controls by encouraging greater individual accountability.

We reviewed each risk identified by the firm and made Senior Managers personally accountable for each of those risk areas. We continue to assess the competence and capability of each member of the team against set objectives and the FCA Conduct Rules. Each year we revisit the documented responsibilities of our Senior Managers to ensure accountability remains relevant and accurate as the team grows.

As an expanding team, we ensure new employees undergo criminal and financial checks and regulatory references where required. We notify the regulator of any changes including seeking prior approval for the appointment of partners and revalidate criminal and financial checks for the whole team every two years as is appropriate for our firm.

CAPITAL ADEQUACY

We prepare an Internal Capital Adequacy and Risk Assessment (ICARA) annually to provide a public document assessing the overall risks faced by the firm, our risk appetite and mitigants including the regulatory capital held by the firm as required by the FCA. The primary risk identified was a prolonged period of negative global equity returns resulting in a decline in fee revenue and the loss of clients. We examined credit, market and operational risks and determined that given our business model these risks are modest and appropriately mitigated.

MANAGING SYSTEMIC RISKS

The Investment Firm's Prudential Regime (IFPR) was introduced by the FCA in January 2022. The IFPR's aim is to streamline and simplify prudential requirements for MiFID investment firms by looking at not just the risks firms could potentially cause, but also the harms to consumers and markets. The regime asks firms to consider the amount of capital and liquid assets we hold to wind-down or exit the market in an orderly way. Firms that are subject to the IFPR fall into one of two categories: Small and Non-Interconnected (SNI) and Non-Small and Non-Interconnect (non-SNI).

During 2023, due to an increase in MiFID Assets Under Management, Dundas moved from an SNI to a non-SNI. The change required us to increase our disclosures around risk and remuneration and consider additional markers when calculating our regulatory capital requirements and liquidity.

We undertook a full review of our ICARA which included updating our Own Funds Adequacy Requirements. As a non-SNI we must now consider a new metric in our regulatory capital calculation called K-Factor. The K-factor requirement is based on the type of business activity or the type of assets we manage.

Our wind-down plan was reviewed and tested against three different scenarios to establish how and in what circumstances there would be a need to wind-down the business. The FCA's expectation is that wind-down is done in an orderly way to minimise disruption to consumers and the market.

We considered our wind-down planning with this in mind and calculated everything from staffing requirements during the period to legal fees and exiting vendor and cancelling client contracts.

The Remunerations requirements for non-SNI are more stringent and require increased public disclosure. The FCA Remuneration Code is in place to promote effective risk management in the long-term interests of investment firms and their customers; to ensure alignment between risk and individual reward; support positive behaviours and healthy firm cultures and to discourage behaviours that can lead to misconduct and poor customer outcomes. Dundas was required to identify Material Risk Takers, an employee whose professional activities could have a material impact on the firm's risk profile – we identified four in addition to the Partners.

We reviewed our pay structure to ensure we had a fixed and variable remuneration in line with the Code's expectations; there is no differentiation between variable remuneration schemes within the firm other than that between salaried staff and partners. The financial performance of the firm is the primary factor impacting remuneration levels in the firm and particularly variable remuneration.

Case Study - Cyber Security

Overview

The importance of cyber security cannot be overstated. Dundas arranges continuous and mandatory Cyber Security training for all staff to elevate levels of risk awareness and best practice.

Action

Ongoing security measures include regular phishing test emails, based on the most successful attacks registered within our training platform. Further, security patches are installed daily on all devices, with virtual machine server patches scheduled appropriately.

During the year, the firm added layers of security for endpoints (desktops, laptops, and mobile device) via built in automation to detect and respond to risky activities or malicious attacks. Moreover, two key improvements have been identified by refreshing our Global Breach Contingency policy. These centre around creating backups to a secondary independent provider to allow for a fully air-gapped solution. All incoming email is scanned for threats and all staff require Multi Factor Authentication.

Outcome

Dundas passed the annual UK Government-backed Cyber Essentials certification scheme, Dundas and Cyber Essentials Plus – the audited version of the Cyber Essentials information security standard.

This audit involves a series of tests that provide a further level of assurance that our technical controls have been successfully implemented. Seeking external assurance demonstrates our commitment to cyber security, helping to protect the confidentiality, integrity and availability of data stored on devices connected to the internet.

PORTFOLIO RISKS

We work exclusively with professional investors; institutional pension funds, independent financial advisers or wealth managers, all of whom have well diversified portfolios. Equities are only a part of these portfolios and the allocation to Dundas is only a proportion of those. Nonetheless, as a market participant, we are still subject to market- wide and systemic risks.

MARKET RISK

We manage and mitigate market risk through our investments in resilient businesses capable of paying dividends through recessions and periods of rising interest rates. The defensive characteristics of these companies are manifest in the risk-adjusted returns achieved by our large-cap strategy, particularly the downside capture ratio which measures how much of market declines are avoided over time.

Our long-term (five years or more) investment horizon results in low portfolio turnover. This means we are not seeking market liquidity every day and can be more selective in those trading days. In addition, 99% of our AUM is invested in businesses with a capitalisation greater than US\$2bn with few issues of portfolio liquidity.

The remaining 1% of our AUM is invested in smaller companies following the successful launch of the Heriot Global Smaller Companies Fund in September 2021. The fund invests in stocks with a market capitalisation greater than US\$250m at purchase and sufficient liquidity for the size of the portfolio. We understand the increased liquidity risk within this market cap range and have enhanced our ongoing liquidity monitoring process to ensure sufficient liquidity is available to raise funds in a timely manner under normal market conditions.

SECURITY SELECTION RISK

With most client portfolios drawn from the largest 85 percent of global equity market capitalisation, these businesses are listed on the world's largest equity markets and subject to the greatest degree of regulation and transparency requirements, helping to mitigate Security selection risk.

Our internal research is focused on businesses in growing industries, with strong financial track records and an appropriate strategy for sustainable dividend growth. Dundas portfolios are also well-diversified by industry and geography, with active share of around 90 percent meaning that they are quite different from the comparator index (MSCI ACWI).

CLIMATE CHANGE

As responsible stewards of client's assets, it is essential to integrate climate considerations into our investment process and business operations. During 2023, we announced our intention to commit to Net Zero for both our portfolios and our business operations.

Dundas' first TCFD report will be published in 2024, setting out our approach to climate related risks and reaching Net Zero for our investment portfolios.

TCFD recommends that climate change risks and opportunities must be included in firms' risk management frameworks. As stock pickers, risk management at Dundas starts with thorough analysis of individual companies before they make it into any portfolio. This process allows us to manage risk at the company and portfolio level, including those linked to climate change. We believe that Net Zero is becoming an instrument of corporate competitive advantage.

We assess climate methodologies & metrics, using a combination of company reported data (obtained directly or via data providers such as Bloomberg and FactSet) and support this with ESG metrics and research from MSCI ESG.

We leverage this data and internal investment research, applying the same fundamental criteria to all the stocks that we research, and avoid biases for or against a particular industry group.

We have identified sectors and industries that are likely to face the greatest risks and opportunities associated with climate change.

Case Study - Renewable Energy Sift Review

Overview

Towards the end of 2022 we reviewed the main listed Renewable Energy companies worldwide, around 250 in total of which 95% were discarded on a number of criteria – poor financials, weak governance, product quality.

Fifteen companies were reviewed in detail and while a great deal was learned, no investments were made. Stock market enthusiasm for renewable energy share prices was not matched by strong corporate fundamentals. Three US based businesses – Enphase, SolarEdge and Hubbell – were selected for monitoring.

Action

Coming back to the sector a year later we find that returns for investors have been poor. As measured by the largest industry fund, the iShares Global Clean Energy ETF, the sector was down 20% in USD in 2023 while the Global ACWI index was up 22%.

The wind industry has been caught by rising component costs, the challenges of very large offshore installations, price competition and rising interest rates.

The solar industry also saw raw material prices soar, supply chain issues and component logistics post Covid. While these pressures are easing, indeed photovoltaic (PV) prices fell around 25% in 2023, investors are still wary as private users of solar cells are struggling to fund installations with higher mortgage costs.

Looking ahead as PV costs fall and cells become more efficient the balance for new renewable power is tipping toward solar which is already easier to install and with fewer planning restrictions.

The table below shows how the businesses of the largest companies in wind (Vestas) and solar (LONGi) have evolved in recent years along with diminishing returns to investors.

Enphase and SolarEdge were identified as potential investments last year, both provide residential and commercial solar installations. In contrast, Hubbell is involved in the electricity distribution infrastructure which requires to be upgraded to meet the transition to greater electricity usage. We decided not to invest in 2023 due to over-capacity and profit-less prosperity.

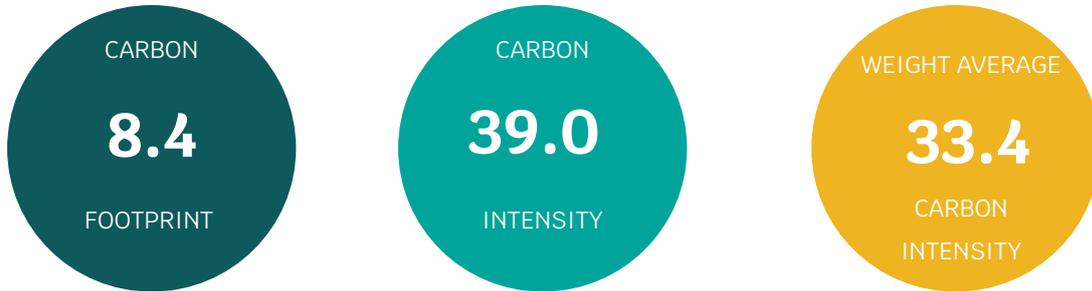
| Company | Industry | 2020 revenues | 2023 est. revenues | Revenue growth over 3 yrs (p.a.) | Total return over 3 yrs (p.a.) |
|------------|---|---------------|--------------------|----------------------------------|--------------------------------|
| Vestas | Wind | 110bn | 113bn | 1% | -10% |
| LONGi | Solar | 54bn | 137bn | 36% | -17% |
| Enphase | Solar | 0.774bn | 0.23bn | 44% | -11% |
| Solar Edge | Solar | 0.1459bn | 0.3bn | 27% | -36% |
| Hubbell | Electricity distribution infrastructure | 4.2bn | 5.3bn | 8% | 28% |

Source: Bloomberg

Outcomes

Dundas will continue to monitor progress on these companies. While the news has been poor for investors in the past year, the growth of wind and solar power continues to make inroads into the necessary transition to renewable energy.

We report quarterly, the climate-related risk metrics for our flagship global equity strategy are detailed below*.



- t CO2e/\$M Invested - Normalised measure of a portfolio’s contribution to climate change.
- t CO2e/\$M Sales - The ratio of portfolio carbon emissions normalised by sales.
- Weighted Average Carbon Intensity - The sum product of each company’s Carbon Intensity and portfolio weight.

CARBON METRICS



Carbon footprint & intensity

90% lower carbon footprint per \$ invested.*
75% lower carbon used per \$ of revenue.*



No fossil fuels

0% direct exposure.
Final stock divested in 2019.



Renewable energy investments

Not investible due to margin pressures and soaring valuations.



Transition plans

>60% of portfolio companies have top quartile carbon management scores.

*Source: MSCI. Data as at 31 December 2023. Certain information ©2023 MSCI ESG Research LLC. Reproduced with permission.

New IFRS Sustainability Standards

In 2023 the IFRS Sustainability Standards were announced, incorporating the work of the Task Force on Climate-related Financial Disclosures and other similar bodies. This is a major step forward which, once adopted by the countries which uphold IFRS accounting standards, will provide a great improvement in global disclosure on companies' Net Zero plans.

Case Study - IFRS Sustainability Standards

Our engagement with companies on the impact of IFRS S1 and S2.

Action

We wrote to all Dundas' European holdings with four questions as they prepare to apply IFRS Sustainability standards from the beginning of 2024:

1. The new standards mark a shift from voluntary to mandatory climate-related disclosures, as detailed in IFRS S1 and S2. What are the implications for your present and future reporting?
2. We understand that, to date, much climate-related disclosure is based on estimation about, for example, energy use, carbon intensity, CO₂ emissions, and so on. The new standards require companies to provide accurate, verified data. Can you please comment on the implications for data gathering, veracity, and reporting?
3. How are IFRS S1 and S2 being brought into your company's financial and operational reporting systems? And what immediate implications do you foresee for how the business is run?
4. Does the new climate-related disclosure system offer competitive advantages? If so, please provide examples

We have colour coded some of their responses in the table below:

| | ASML | Asa Abboy | Atlas Copco | Biomerieux | Novo Nordisk | Sonova |
|--|--|---|--|--|--|---|
| Implications of IFRS S1 & S2? |  Full compliance with CSRD, EU Taxonomy |  More resources required |  Finalising gap analysis |  Investing in new reporting system |  Welcome IFRS Standards |  Embedded |
| Shift from voluntary to mandatory and from estimation to accuracy? |  Working on accurate data/ still using estimations |  Scope 1 & scope 2 95% actual data. Scope 3 isn't |  Process is maturing and working to replace estimates with actuals |  Data consolidated on scope still TBD |  Introduced full scope 3. Audit committee oversees reporting |  Full scope 1,2 & 3 assured by EY |
| Governance & business operations implications? |  CSRD in Annual Report in 2024 |  Currently reported through TCFD report |  Embedded sustainability reporting into the financial reporting system |  Reporting systems need to be adapted |  Transition to a centralised ESG data management system |  Further integrating systems |
| Competitive advantage? |  Transparency is vital |  Ability to differentiate |  Enable Net Zero transition |  Potential extinction |  Necessity |  Risk mitigation |

Outcome

Dundas’ engagement highlighted that companies are at different stages of preparation for the new Sustainability standards. More resources and investment will be required to comply with the standards. Most importantly, companies understand the importance of being able to comply with the standards or face “potential extinction”.

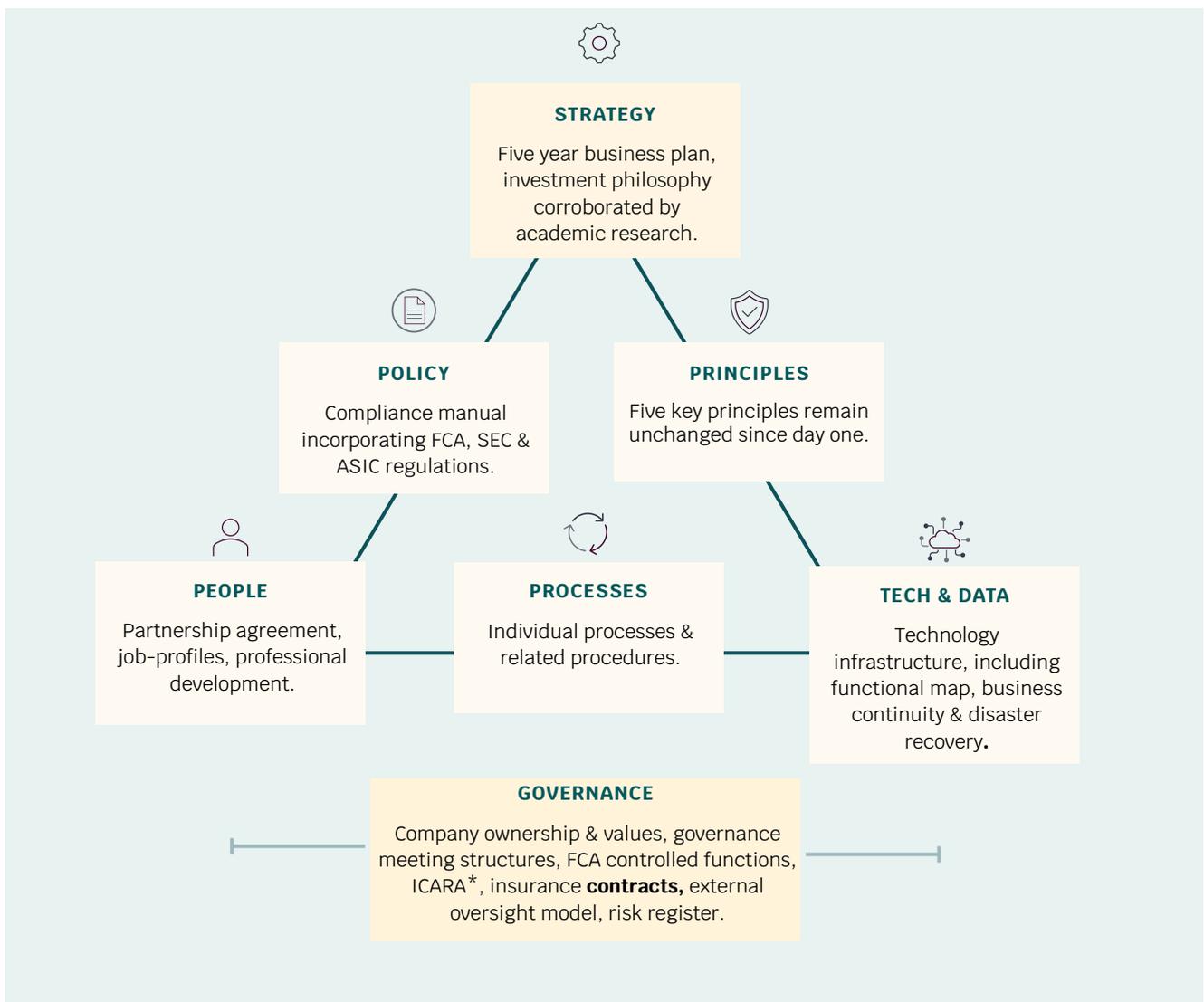
Dundas will engage with all its invested companies on the impact of the IFRS Sustainability standards throughout 2024 and beyond.

REVIEW & ASSURANCE

OPERATING MODEL

Dundas’ Operating Model is the framework for governance, business structure, and the various external assurances provided on behalf of our clients.

An exercise to refresh and revise all aspects of the model is currently underway. The overall exercise will help to provide a complete view of the business operations. Benefits of this ongoing review and assurance includes easy identification of risks and their controls, access to key documents with version control, a catalogue of all key processes and procedures, and of course all information held centrally and readily available.



*Internal Capital Adequacy Risk Assessment (ICARA).

TRADING INFRASTRUCTURE

In 2018, Bloomberg's investment management, trading, and operations solution (AIM) was installed. This decision was based on research of various solutions and evaluating three options via cost/benefit analysis.

The firm's trading processes are frequently reviewed, and we have discussed them within previous versions of this report, enhancements made from further automating our foreign exchange (FX) trading process to utilising an internal Dundas SharePoint site and the approvals system in Microsoft Teams for a unified, standardised, and easy-to-use system for all pre-trade approvals.

These developments significantly improve how we trade, making the trading cycle for equities and FX more streamlined, integrated, and timelier. Looking to 2024 and the adoption of T+1 for settlement in some markets, we continue to develop our systems to automate manual processes and minimise interventions wherever possible. Straight through processing, in as close to real time as possible will help us navigate these upcoming changes.

EXTERNAL ASSURANCE

Dundas is subject to a range of external assurance through financial, systems and controls audits, compliance with international standards, and ongoing due diligence conducted by clients and their advisors.

This Stewardship Report and PRI reporting describe the application of our policies on sustainability and stewardship, providing context for our approach, decision making, and objectives. As outlined in ESG Performance & Reporting, our portfolios and processes have been rated, scored, and assessed independently by third parties.

We use several independent organisations for external assurance of our stewardship approach. Dundas reports in accordance with requirements and recommendations of the PRI, EU SRD II, and the UK Stewardship Code. We report in line with these frameworks and share the objective assessments publicly. These ongoing reviews enable us to contemplate and improve our reporting, ensuring it is fair, balanced, and understandable.



Case Study – Operational Due Diligence

Overview

Since 2013 Dundas has undertaken an annual ISAE 3402 audit, an independently verified review of a service organisation’s control objectives and activities. Dundas’ completed Service Audit report is available to clients and prospects.

Action

In 2023 we commissioned an Operational Due Diligence (ODD) report, also subject to external audit. The ODD has a broader scope than ISAE 3402, including forward-looking elements, not merely a review of a prior period.

Developed by the Australian Institute of Superannuation Trustees (AIST), ODDs cover 11 key areas: Organisation structure, Personnel, Governance and risk management, Trading processes and operational functions, Valuations, IT systems and security, Business continuity, Service provider oversight, Reporting, Environmental, Social & Corporate Governance, Data Governance & Management.

Outcome

Dundas’ first ODD is available in Q1 2024 to all clients.

| ODD Requirement | Management's Control Description |
|---|---|
| <p>Review and assess the internal approach to corporate social responsibility and consider its implementation.</p> | <p>Dundas prepares an annual Stewardship report according to the UK Stewardship Code 2020. This report includes Dundas' contribution towards social responsibilities and risks associated with climate change. Dundas research and invest in those companies who actively contribute towards social responsibility and contribute to a sustainable environment. Dundas uses ESG risk ratings to determine its performance against funds risks associated with sustainability.</p> |
| <p>Tests Performed: We have reviewed evidence and, where appropriate, performed tests to confirm the controls are operating as per management's control description. No exceptions to the effective operation of the control were noted, and processes are well aligned to what we observe in similar organisations.</p> <p>Area of Good Practice: ESG is overtly a key priority in the approach to investing demonstrated by Dundas. The outcomes relative to peers are strong, confirming the actions taken are achieving strong outcomes in the achievement of ESG objectives.</p> | |

Case Study - Auditor Independence

Overview

Dundas is responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time its financial position.

Action

We are responsible for safeguarding the assets of the partnership and in doing so take the appropriate steps to prevent and detect fraud and other irregularities. The main way of doing this is through an annual audit of the financial statements. Financial statements are prepared annually in accordance with United Kingdom Generally Accepted Accounting Practice.

Outcome

Dundas had a change of auditors for financial year ended 2022, therefore this was the second financial year end with the new audit team. The audit was very efficient, and queries received with regards to Going Concern assessments have made Dundas consider longer term budgeting and scenario modelling.



VALUE FOR INVESTORS

Providing our services for equitable fees is one of the firm's founding principles. We believe investment management fees could be a hurdle to achieving clients' return objectives.

In the UK, the Authorised Corporate Director (ACD) of both the Heriot Global Fund and Heriot Global Smaller Companies Fund is required by the FCA to provide an annual independent assessment with the aim of strengthening the duty of care and acting in investors' best interests.

VALUE ASSESSMENT

The ACD considers seven criteria as outlined below.

- **Performance** – is the performance in line with investment objectives, policy, and strategy?
- **Cost** – are costs reasonable and fair?
- **Economies of scale** – have economies of scale been passed onto investors?
- **Comparable market rates** – are costs reasonable relative to other funds?
- **Comparable services** – are services good value relative to other services provided by the ACD?
- **Classes of units** – are shareholders with similar rights subject to higher charges?
- **Quality of service** – are a range and good quality of services provided?

ACTION

The ACD's governance committee concludes whether or not these funds have delivered value to clients during the 12-month period by analysing cost, services and performance and engaging with us as the fund's investment adviser and sponsor. The results of this assessment provide good external assurance of effective stewardship.

OUTCOMES

The ACD concluded that the funds delivered overall value to investors over the period*.

It was noted that the size of the costs charged in the Heriot Global Fund are done so at competitive rates and any savings from economies of scale are always passed on to investors. Periodic reviews of external provider costs are also carried out to ensure our services are provided on a competitive basis.

As detailed in our report last year we made the decision to cap 'Other Costs & Charges' paid by investors in the Heriot Global Smaller Companies Fund at 10 basis points. This brought the all-in cost of the A share class to 95 basis points, down from one percent, ensuring we deliver our services in line with our principles. This cap was implemented across all share classes to ensure fair treatment to all clients.

We were pleased to note that the ACD's review stated fees are charged at competitive rates and the introduction of the fee rebate has kept costs to the investor lower whilst the Fund is smaller.

*As at 31 May 2023.

CULTURE OF COMPLIANCE

Compliance is integral to the culture of Dundas, each team member has a part to play, and our policies and documents set the standard and expectations. This culture is enabled through a robust compliance monitoring programme and regular training for the team.

The team is trained collectively on compliance issues both current and those on the horizon. Compliance training is delivered through an external training provider who ensures training is bespoke and covers the expectations set out in policies.

VENDOR DUE DILIGENCE

Dundas has a Vendor Management Policy which sets out the approach we take towards vendor or third-party supplier management. This includes the steps we take to identify, assess, and manage risk associated with vendor management. We use a tiering system to categorise our vendors from one to three; Tier 1, business critical, Tier 2, important, and Tier 3, a supplier we have a service contract with but is not critical or important.

The firm's ability to provide its clients with secure and seamless service depends on the vendors we have in place and the suppliers we choose to partner with.

For each Tier 1 vendor we must carry out a full due diligence each year. A vendor champion is appointed within the team to oversee this vendor and it is their responsibility to ensure that third party risks are identified, assessed, and managed within our risk framework and key controls are in place as required.

The Compliance and Audit Committee reviews third party performance against key controls, highlighting any non-performance, and escalating to the Partners Board as appropriate. The vendors we place in Tier 1 play a key role for the firm for example, IT systems, Cloud storage, Fund management to the ACD, auditors and payroll.

Through the course of the year, one of our key vendors, a small business like us was bought by a larger firm with international presence. The acquisition saw immediate changes to their senior management team and service levels dropped. We spoke to their other clients who also had concerns and collectively increased due diligence. We started reviewing progress of the acquisition and changes formally at each month's Compliance and Audit Committee. We asked the new management team to visit us in Edinburgh which they did quickly, trying to reassure us of the changes that were taking place.

We continue to have increased oversight trying to balance our expectations given the enormous changes that have taken place in that business and allow them time to bed in.

STEWARDSHIP REPORTING & ASSESSMENT

STEWARDSHIP REPORTING

Dundas has been a PRI and UK Stewardship Code signatory since 2012 and 2021 respectively. Evolving signatory expectations have been fundamental in developing our sustainability and stewardship policies, as outlined in Evolution of Stewardship at Dundas. We are committed to transparency, and pride ourselves on effective communication and collaboration with clients.

As a signatory, we are assessed annually against these initiatives' respective principles. The PRI framework is a standardised Q&A format whereas this Stewardship Report aims to satisfy the expectations of the UK Stewardship Code alongside other requirements.

ASSESSMENT PROCESS

The annual PRI reporting cycle provides accountability for signatories, standardised reporting, and a process for signatories to develop their responsible investing approach. Over the years our involvement has ensured consistent, clear, and measurable reporting for our clients and prospects.

Assessment includes our disclosures, internal processes for ESG integration and active ownership, and the level of review and assurance given to our reporting.

The PRI has several measures in place to reduce reporting errors and enhance the credibility of data - from public disclosure of reporting to cross checking of comparable data points with prior years' reports.

In September, Dundas completed its most recent reporting cycle to end February 2023.

OUTCOMES

Transparency on our stewardship activities has been enhanced via both public disclosure and ongoing client reporting. The PRI assessment methodology provides checks on these disclosures, ensuring they are fair, balanced, and understandable, with our scorecard outlined in ESG Performance & Reporting.

Completing the recent reporting cycle led us to change our proxy voting policy, where we changed to a Climate related overlay policy. In addition, it led us to re-assess our overall responsible investment policy with regards to integration of both environmental and social factors and our exclusions policy. Both policies will be updated in 2024.

Given our intention to commit to Net Zero for our portfolios and business operations by 2050, we agreed to voluntarily publish our own TCFD report. This report will provide details on our governance around climate related risks and opportunities, disclose the actual and potential impact of climate related risks on Dundas, how we identify, assess and manage climate-related risks and disclosure of key climate metrics and targets. We aim to publish this report during 2024.

ESG RATINGS

MORNINGSTAR'S SUSTAINABILITY RATING

Measures financially material ESG risks in funds relative to a peer group. Using Sustainalytics ESG Risk Ratings, Morningstar score fund holdings on a trailing 12 month basis and assign an overall rating from Low to High (five being the highest) relative to its Morningstar Global Category.

The rating is a good indicator of how funds are managing risks associated with sustainability.



MSCI ESG RATINGS

Assesses companies' resilience to long-term, industry-specific ESG risks and opportunities. Company-level ratings range from CCC to AAA and fall into three categories, Laggard, Average and Leader.

An asset-weighted rating provides insights into ESG characteristics of portfolios.



PRI REPORTING SCORECARD

| Module Score | | (0<=25%) | (>25<=40%) | (>40<=65%) | (>65<=90%) | (>90%) |
|---|--------------|----------|------------|------------|------------|--------|
| Star Score | AUM Coverage | ★☆☆☆☆ | ★★☆☆☆ | ★★★☆☆ | ★★★★☆ | ★★★★★ |
| Policy Governance and Strategy | >50% | | | | 75 | |
| Direct - Listed equity - Active fundamental | | | | | 94 | |
| Confidence building measures | | | | | 100 | |

PRI Median
 Module Score

INVESTMENT PERFORMANCE

An ongoing measure of our stewardship is the investment performance of our composites. Performance is reviewed on a quarterly basis by the Investment Committee, forming part of our internal assurance of effective stewardship of client assets.

GLOBAL EQUITY GROWTH COMPOSITE* VS. MSCI ACWI BENCHMARK

| Period | Composite gross of fees return (%) | Composite net of fees return (%) | Benchmark return (%) |
|--------------------|------------------------------------|----------------------------------|----------------------|
| 1 year | 20.4 | 19.8 | 22.2 |
| 3-year annualised | 5.6 | 5.0 | 5.8 |
| 5-year annualised | 13.8 | 13.2 | 11.7 |
| 10-year annualised | 9.0 | 8.5 | 7.9 |

1. Dundas Global Investors claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organisation, nor does it warrant the accuracy or quality of the content contained herein.

2. The firm's GIPS compliant performance information is available by contacting performance@dundasglobal.com

3. For the purposes of GIPS the Firm is defined as an independent investment management firm authorised and regulated in the United Kingdom by the Financial Conduct Authority. Dundas Global Investors manage equity portfolios on behalf of institutional investors, with total assets under management of US\$2.2 billion as at 31 December 2023.

4. The Dundas Global Equity Growth Composite includes all fee-paying, fully discretionary accounts which invest in global equities with the goal of delivering long term capital and dividend growth. A typical portfolio will consist of approximately 60 – 100 companies with a market capitalisation greater than US\$2bn, which demonstrate sustainable cash generation that can fund both business expansion and dividend increases.

5. The benchmark for the composite is the MSCI All Country World Index. The MSCI ACWI captures large and mid-cap representation across 23 Developed Market and 24 Emerging Market countries. With around 3,000 constituents, the index covers approximately 85% of the global investable equity opportunity set. Benchmark performance is presented after the deduction of withholding taxes.

6. The composite prohibits the use of leverage, derivatives or short positions.

*Dundas Global Equity Growth Composite inception date: 1 September 2012.

All data in USD as at 31 December 2023.

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INTERNATIONAL EQUITY GROWTH COMPOSITE* VS. MSCI EAFE + CANADA BENCHMARK

| Period | Composite gross of fees return (%) | Composite net of fees return (%) | Benchmark return (%) |
|----------------------------|------------------------------------|----------------------------------|----------------------|
| 1 year | 19.7 | 19.2 | 17.9 |
| 3-year annualised | 2.2 | 1.8 | 4.4 |
| 5-year annualised | 10.7 | 10.3 | 8.5 |
| Since Inception annualised | 8.7 | 8.3 | 6.8 |

- Dundas Global Investors claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organisation, nor does it warrant the accuracy or quality of the content contained herein.
- The firm's GIPS compliant performance information is available by contacting performance@dundasglobal.com
- For the purposes of GIPS the Firm is defined as an independent investment management firm authorised and regulated in the United Kingdom by the Financial Conduct Authority. Dundas Global Investors manage equity portfolios on behalf of institutional investors, with total assets under management of US\$2.2 billion as at 31 December 2023.
- The Dundas International Equity Growth Composite includes all fee-paying, fully discretionary accounts which invest in international equities with the goal of delivering long term capital and dividend growth. A typical portfolio will consist of approximately 35 – 50 companies with a market capitalisation greater than \$2bn, which demonstrate sustainable cash generation that can fund both business expansion and dividend increases.
- The benchmark for the composite is the MSCI EAFE + Canada Index. The MSCI EAFE + Canada Index is an equity index which captures large and mid-cap representation across Developed Markets countries around the world including Canada. With around 1,000 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.
- The composite prohibits the use of leverage, derivatives or short positions.

*Composite inception date: 1 June 2016.

All data in USD as at 31 December 2023.

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INVESTMENT APPROACH

PRINCIPLES 6-8

PRINCIPLES 6 - 8

UK STEWARDSHIP CODE

DIVIDEND GROWTH INVESTING

INVESTMENT PHILOSOPHY

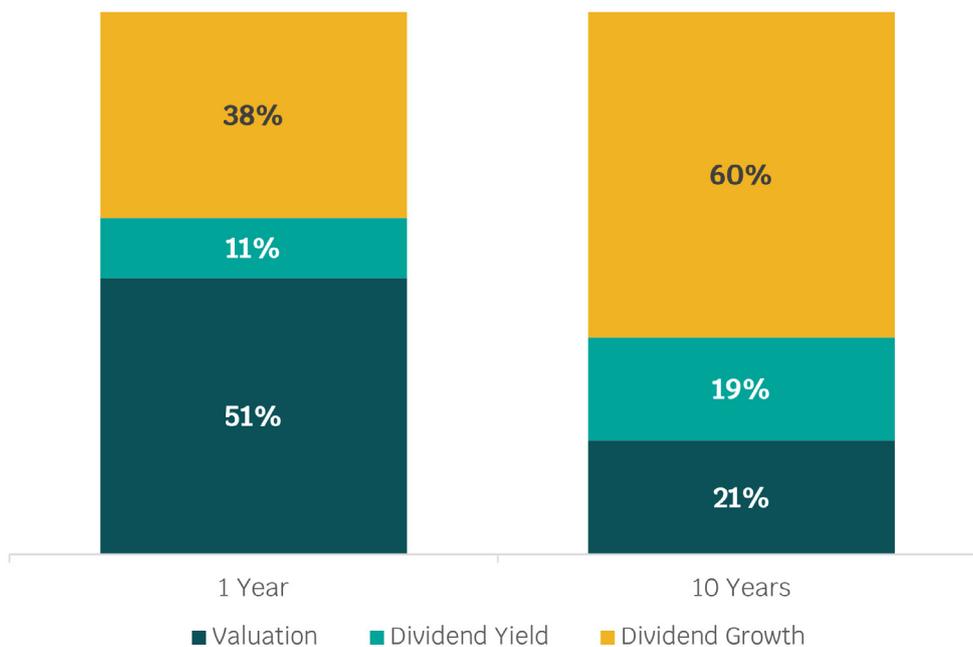
Equity investors receive two types of return, first via capital appreciation – a rising share price – and second from the dividends paid out to shareholders.

Most of the market’s attention is captured by the first of those factors, despite the latter having much more of an impact on long-term returns. In fact, dividends remain largely invisible to many investors because their impact is often concealed within pension funds and reinvested in the stock when paid. Mainstream media reports daily on stock market moves but rarely dividend changes, unless a perennial high yielding company slashes its plans, sending shockwaves through the market.

Dividend growth is often the unsung hero of the piece; a silent force driving the long-term return. Focus on fluctuating share prices is understandable in the short-term, given the volumes of stocks being traded for capital gains, propensity for daily drama, and the relatively small part played by dividends in a single year’s returns, shown in the chart below. However, for those more interested in tracking tidal changes rather than waves, dividends are a strong indicator for long-term performance.

Illustrated in the chart below, as the investment horizon increases to 10 years the dividend yield and dividend growth components of equity returns rise to more than 90 percent, with valuation expansion explaining just seven percent of total return. We pay attention to this dividend growth, recognising the benefits of companies which can commit to growing dividends sustainably.

Dividends matter more over the long term



Source: MSCI 2016 study of long-term return on behalf of the Norwegian Ministry of Finance

INVESTMENT BELIEFS

1 ALIGNED WITH THE BIGGEST FACTORS DRIVING LONG-TERM TOTAL RETURN

2 DIVIDEND GROWTH COMES FROM HIGH QUALITY COMPANIES WITH GOOD CAPITAL ALLOCATION

Sustainable businesses growing their revenues, profits, cash flows and dividends.

3 DIVIDEND GROWTH PORTFOLIOS PLAY DEFENCE WELL

High profitability, consistent re-investment, positive free cash flow, low debt levels & prudent governance are strong allies in tough times.

4 DIVIDEND DISCIPLINE = RISK CONTROL

Good capital allocation decisions require robust corporate governance.

Case Study - Dividend Engagement

Overview

We invest in some exceptional non-dividend paying businesses.

We elected to actively engage with all our companies that do not currently pay a dividend, to encourage them to do so, and proposing a sustainable level of pay-out ratio.

It is our conviction that:

- ▷ A commitment to pay and grow a dividend enhances the capital allocation strategy and improves execution of management
- ▷ Governance is improved as it aligns capital allocation towards long term growth of cash flows
- ▷ Focuses management on sustainable value creation through cash flow growth rather than the company's share price through valuation
- ▷ Reduces the proportion of profits available for reinvestment, curtailing the ability of management to erode value through poor M&A or strategic missteps

Action

In an example of this engagement, we contacted Keysight Technologies, one of our holdings in the Heriot Global Fund, who choose not to pay an annual dividend but could do so.

- ▷ Keysight Technologies has benefited from diversifying its products and services offering which has continued to provide growth for the business
- ▷ Recurring revenue now accounts for 21% of sales
- ▷ Keysight Technologies is already returning capital, but in a sub-optimal fashion, through a large share repurchase, around 55% of three-year aggregate cash flows
- ▷ We suggested Keysight Technologies adapt the capital return policy to pay a dividend equivalent to 20% - 30% of net profit, returning any surplus above this level as a share repurchase. This pay-out ratio policy would cost US\$220mn per annum using the last three years average net income. This policy would give an indicative yield of 1% based upon the current market capitalisation

Outcome

Responding on behalf of Keysight Technologies, the Chief Financial Officer outlined their current capital allocation priorities while committing to share our perspective on dividend initiation in future discussions with the board. We are hopeful that board level representation of our views will lead to change.

We have made a further five engagements across our portfolios and hope for a similar considered response.

INVESTMENT APPROACH

Dundas offers one investment strategy for global equity portfolios pursuing dividend growth.

Our investment process begins by conducting our own research, independent from external opinions. Bias removal, robust challenge and inclusive decision-making are fundamental to our process.

Engaging in independent research empowers our team to uncover valuable insights and connections for better investment opportunities. Leveraging readily available financial and ESG metrics, as well as company and industry materials, we conduct our own analysis. This fosters critical thinking, free from external bias.

All research is stored in our central library, housing over a decade's worth of insights. This serves as a valuable resource, guiding our decision-making with a wealth of collective knowledge and experience.

As generalists, we do not focus on any specific country, industry, or company. Rather, our team looks at different areas of the market together. This allows us to mitigate our personal biases, which can cloud judgment and sway decisions.

Through open dialogue and challenge, we keep things objective, balanced and minimise the risk of relying on any one individual.

In addition, as generalists we identify links between various companies and industries. Recognising and understanding the factors that affect multiple companies helps the team discover better investment prospects.

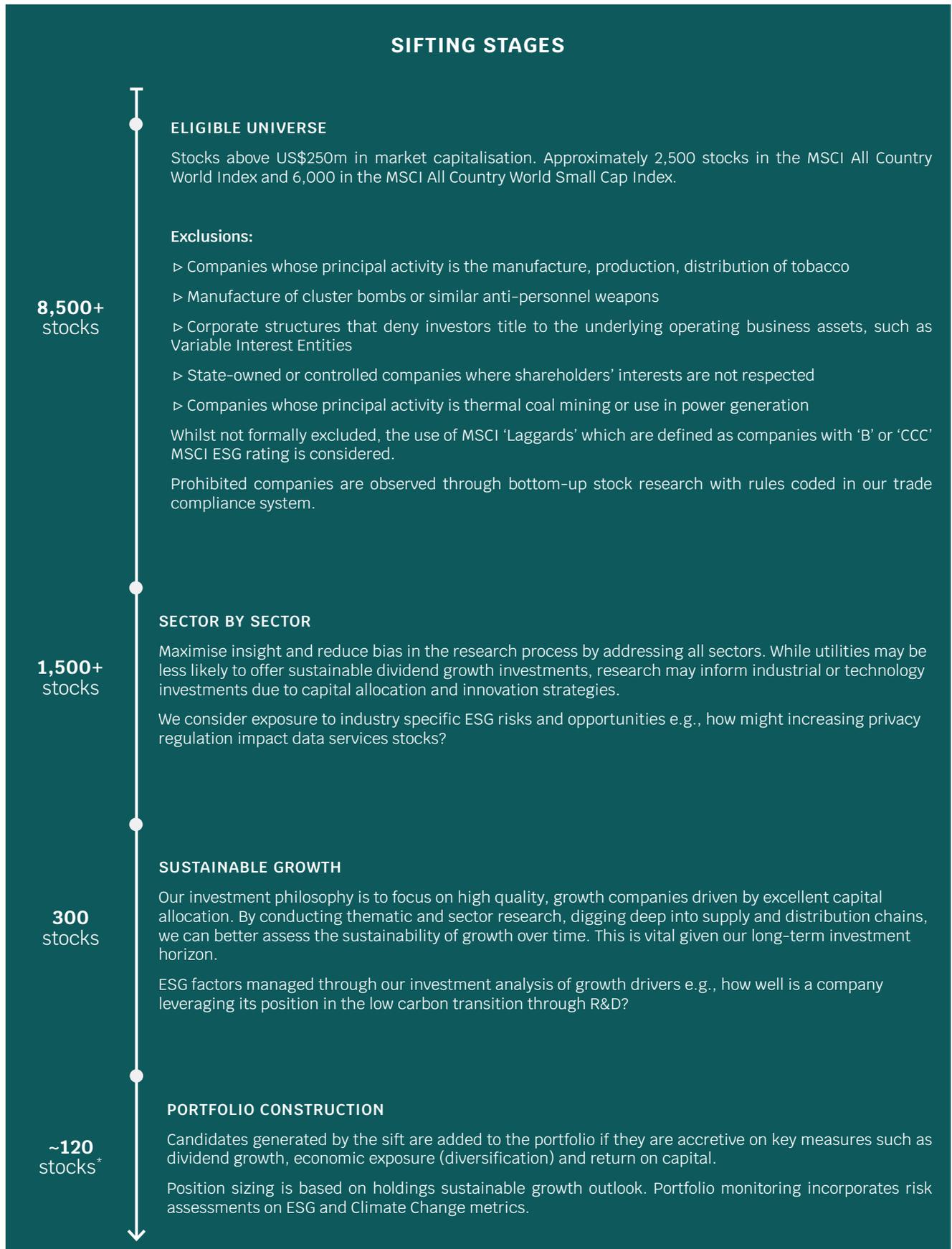
COMPANY RESEARCH

We utilise publicly available information to conduct our in-house investment research, avoiding sell-side analysis. Any additional resources are paid for by the firm through our Profit & Loss account.

In our investment research and portfolio management, we employ FactSet, Bloomberg, and our own internal proprietary financial analysis system. To support our assessments of companies' resilience to long-term, industry-specific ESG risks and opportunities, such as carbon emissions, supply chain management and board structures, we take input on company and portfolio-level ESG analysis from MSCI ESG Research & Ratings.

All portfolios are constructed from our global public equity models, one of large-cap stocks and the other focused on smaller companies. Typically, these two models consist of 120 holdings, less than two percent of the universe of around 9,000 stocks, and make up our three unitised funds, the Heriot Global Fund; Heriot Global Smaller Companies Fund; and Apostle Dundas Global Equity Fund. Various investment strategies are derived from these 120 holdings, including our global ex USA (international) equity managed accounts and portfolios of American Depository Receipts (ADRs).

SIFTING STAGES



*Firm-wide holdings across all investment strategies.

ESG INTEGRATION

Just as clients rely on us to be good stewards of their savings, we rely on our investee companies to be good stewards of their businesses, balancing the interests of their shareholders, customers, staff, suppliers, and wider stakeholders across society.

GOVERNANCE

An appreciation of good corporate governance is the key to success for any long-term investor, our firm included. This principle is applied throughout everything we do.

We value clear accountable governance structures paying close attention to the extent to which a company demonstrates alignment with the interests of long term investors analysing factors such as board leadership, diversity and independence, management remuneration and shareholder rights

Corporate governance is essential if a company is to capitalise on its opportunities, make repeated good capital allocation decisions, and pay rising dividends year after year to its investors. In our experience, companies with strong governance perform strongly under ESG analysis and scoring.

PORTFOLIO TOOLS

We utilise publicly available information to conduct our in-house investment research, avoiding sell-side analysis. Any additional resources are paid for by the firm through our Profit & Loss account.

In our investment research and portfolio management, we employ FactSet, Bloomberg, and our own internal proprietary financial analysis system. To support our assessments of companies' resilience to long-term, industry-specific ESG risks and opportunities, such as carbon emissions, supply chain management and board structures, we take input on company and portfolio-level ESG analysis from MSCI ESG Research & Ratings.

ENVIRONMENTAL

We use the MSCI ESG Ratings report to help us assess the impact of climate change on our companies with regards to physical risks (the risks resulting from climatic events, such as wildfires, storms, and floods) and transition risks (the risks presented by policy action taken to transition the economy off fossil fuels).

We also use company data from Annual Report and Accounts, Sustainability reports and MSCI carbon metric data to assess the impact our companies have on climate change via scope 1 & 2 emissions. We will include an assessment of scope 3 post adoption of IFRS S1 and S1 Sustainability standards.

We assess our companies Net Zero plans which involves analysing the plan and target year and whether the targets have been verified by the Science Based Targets Initiative (SBTi). We monitor progress against targets on an annual basis.

We engage with companies to identify the risks and opportunities presented by climate change, understand how they are working to mitigate these risks and understand the potential opportunities that may arise from the transition to a lower carbon economy.

To effectively assess and track the climate impacts of our portfolio companies as well as the climate-related physical and transition risks they face over time, we report on the following metrics at a portfolio level.

- ▷ Carbon Footprint = Normalised measure of a portfolio's contribution to climate change (t CO₂e/\$M Invested)
- ▷ Carbon Intensity = The ratio of portfolio carbon emissions normalised by sales (t CO₂e/\$M Sales)
- ▷ Weighted Average Carbon Intensity = the sum product of each company's Carbon Intensity and portfolio weight



SOCIAL

Human rights are a key consideration in our sustainability analysis.

We use MSCI ESG rating reports and MSCI data to help identify those companies, sectors, and geographies where the risks of modern slavery practices are likely to be highest.

MSCI conduct a comprehensive analysis of labour management and supply chain labour standards for companies in the investment universe exposed to these social issues, flagging poor management practices and controversies.

We integrate this analysis into the investment process. This data and reports are reviewed as part of ongoing stock monitoring in both new stock research and monitoring of portfolio holdings. We use this to inform decisions on buying / selling stocks, portfolio management, engagement, and voting.

We are working on new climate-related disclosures and regulation (including the production of a TCFD report for issue during 2024), bolstering our clients' oversight of these important metrics.

EXCLUSIONS

Prohibited companies are observed through bottom-up stock research with rules coded in our trade compliance system.

As of 31 December 2023, our exclusions policy is as follows:

- ▷ Companies whose principal activity is the manufacture, production, distribution of tobacco
- ▷ Manufacture of cluster bombs or similar anti-personnel weapons
- ▷ Corporate structures that deny investors title to the underlying operating business assets, such as Variable Interest Entities
- ▷ State-owned or controlled companies where shareholders' interests are not respected
- ▷ Companies whose principal activity is thermal coal mining or use in power generation

Whilst not formally excluded, the use of MSCI 'Laggards' which are defined as companies with 'B' or 'CCC' MSCI ESG rating is considered.

GOVERNANCE

Case Study – Lonza – CEO Turnover**Overview**

Lonza is a Contract Development and Manufacturing Organisation (CDMO) for the global pharmaceutical industry and biotechnology companies.

Large pharmaceutical companies may use Lonza as a second source of key products as part of their own risk management framework or by biotechs that are funded to create Intellectual Property (IP), but have insufficient funding to develop the highly sophisticated and capital intensive manufacturing facilities.

We were very positive on the fact Lonza were able to hire Roche's head of manufacturing operations as CEO in 2020. Roche is the world's largest manufacturer of complex biologic drugs.

During 2023, Lonza announced the CEO was leaving as well as announcing that Lonza had been hired to manufacture Moderna's mRNA based covid vaccines that have suffered from waning demand.

Action

We began engaging with Lonza through 2023 on their CEO search and to better understand why the most recent CEO was chosen and ultimately let go.

Outcome

We now have a deeper understanding of reasons of departure of the previous CEO and have been impressed by new disclosures during Lonza's 2023 capital markets day that demonstrated embedded governance of capital allocation and project planning.

This engagement is ongoing as a new CEO is yet to be appointed.

The succession process is one of the core responsibilities of the board and must be executed well to protect company's reputation, commercial execution, and capital allocation.

Case Study – Animal Testing

SOCIAL

Overview

In the last year, two of our UK private wealth clients have raised queries regarding animal testing for two of our portfolio holdings.

Both were flagged by Sustainalytics, the ESG-focused research and ratings firm.

Nordson, a US industrial precision dispensing solutions manufacturer generating over half its revenue from consumables across electronics, packaging, medical, and industrial sectors. It joined our global portfolio in 2021.

A separate inquiry concerned Air Liquide's healthcare division and its practices in animal testing. Air Liquide has been in our global portfolio since 2012.

Action

In both cases our investment team contacted the relevant Investor Relations team seeking clarification.

Nordson's Vice President of Investor Relations affirmed that Nordson MEDICAL does not engage in animal testing, refuting Sustainalytics' inaccurate statement.

Nordson made the following statement:

"We have been in touch with Sustainalytics since earlier this year with requests to correct that statement. Unfortunately, Sustainalytics has not made an adjustment. Nordson MEDICAL manufactures medical devices and medical device components, primarily for large medical device and pharmaceutical customers. Nordson MEDICAL does not conduct any animal testing – neither directly or indirectly on our behalf through a third-party.

The statement cited by Sustainalytics refers to activities that may be conducted by customers of Nordson MEDICAL within their own operations, but Nordson MEDICAL has no involvement or control in any animal testing.

Sustainalytics' statement that 'The company conducts animal testing for pharmaceutical products, medical devices and biotechnology' is incorrect".

Nordson is continuing to work with Sustainalytics to get this corrected.

Air Liquide's response identified its Healthcare business, Seppic, which represents 9% of the Healthcare division's revenues by supplying specialty ingredients to the cosmetics, pharmacy, nutrition, vaccine adjuvant and injectable markets.

It further clarified that Seppic adheres to international chemical regulations, conducting animal testing solely for veterinary and human vaccine adjuvants, nutraceutical active ingredients, and certain toxicological tests required by regulations such as REACH and Chinese chemical rules. The REACH regulation facilitates information exchange, minimising necessary studies. Seppic aligns with the Cosmetics Regulation, banning animal testing for cosmetic ingredients since March 11, 2013, and follows OECD protocols, emphasising the ethical rule of 3R.

Air Liquide Healthcare, guided by international ethical rules and national health regulations, mandates animal testing in drug development when no alternative therapy exists. Ensuring efficacy and safety in relevant animal models before human trials, Air Liquide relies on literature data but conducts external studies, prioritising ethical treatment. Notable recent tests include research on brain diseases and cardiac-arrest treatment.

Outcomes

Both stocks have retained their place in our global portfolio, and in both cases our queries were swiftly addressed. Each one exemplifies efficient communication between our investment team, clients, and the investee company.

In the Nordson case, we acknowledge the limitations of ESG-focused research and ratings, and remain cautious about data accuracy, urging the investment industry not to heavily rely on materials from such firms. This experience highlights the necessity for improved reporting and emphasises the time lag in updating information. We will continue to foster good relationships with investee companies so that, when these issues arise, we can continue to have direct lines of communication.

With regards Air Liquide we are now more informed about the role of animal testing in its business and are confident that this only occurs where demanded by regulation and when no other alternatives are available.

Dundas maintains a pragmatic approach to investing recognising the realities of developing drugs for human use by the pharmaceutical industry and its suppliers. We will continue to demand that our investee companies operate to the highest regulatory standards.

SOCIAL

Case Study – Nike Supply Chain**Overview**

Nike is one of the leading athletic footwear and apparel manufacturers with an exceptionally strong brand and loyal customer base. The company has paid a dividend since 1985 and has grown its dividend at 12.6% p/a for the last decade – thus, as dividend growth investors, we were naturally interested in Nike as a potential holding for our portfolios.

Action

Our analysis involves looking into the supply chain of our companies, and in this case, we spent time looking at the company's code of conduct – which all suppliers must adhere to. This is particularly important for companies such as Nike, which must protect brand integrity for their products.

Any sense that the company is not a good corporate citizen may impact consumer sentiment towards their products, and impact future sales and growth.

During this analysis we uncovered concerns around the use of forced labour in parts of Nike's supply of cotton from China, and when we reached out to the company for clarification, we were unable to attain a satisfactory response to our concerns.

Outcome

As a result of this we chose not to invest in the company.

STOCK MONITORING

Our perspective of the parts of the world’s economy which are growing and shrinking is built piece by piece from our company analyses. We use this context to set our upcoming research agenda and create scenarios on the demand patterns for various industries. We avoid biases for or against a particular industrial group, paying particular attention to the underlying economic growth drivers which link individual stocks together.

Put simply, our monitoring programme assesses each stock’s ability to deliver dividend growth investments over the long term. We focus on company financials, such as accounting policies, key sensitivities, and risks; products, customers, and competitive position; the long-term growth drivers and demand trends for the industry; management’s strategy and governance, comparing it to past policy and outcomes; environmental and social practice; ESG risks and opportunities.

RESEARCH & MONITORING METRICS

Key outcomes and activities from our research and monitoring programme over the past year.



143

Portfolio holdings reviewed



11

Research sifts completed



3,800+

Stocks sifted through



120

New companies discussed



75

Company interactions



8

Stocks bought



18

Stocks sold



118

Total firm holdings*

As bottom-up stock pickers, allocations to industries are the result of gradual changes, influenced by key growth drivers like cloud computing, industrial automation, and artificial intelligence in technology; demography, access to healthcare and chronic ailments in health care; and Asian life insurance and banking in financials.

Our global large-cap portfolio’s highest sector weightings are Information Technology, Health Care, and Financials, with no direct exposure to Energy, Real Estate or Utilities. In our global smaller companies’ portfolio, Information Technology, Industrials and Health Care hold the highest sector exposures and similarly the portfolio has no direct exposure to Energy, Real Estate or Utilities.

*Data as at 31 December 2023.

GOVERNANCE

Case Study – Tomra – Understanding Cyber Attacks**Overview**

Tomra is an industrial automation business with a dominant position in reverse vending machines (RVMs) as well as control systems for fresh food processing, recycling, and commodity materials handling. Their systems are essential for the circular economy, reducing the amount of materials arriving at landfill, making our supply chains more efficient and reducing carbon emissions.

Industrial automation equipment is increasingly connected and as a result exposed to all the risk that entails such as cyberattacks. Tomra's installed base of RVMs is large, numbering in the tens of thousands of units and are connected to both customers and Tomra's remote monitoring systems.

Tomra was the victim of a cyberattack where hackers were able to gain access to RVMs and started reconfiguring them to expand their access to Tomra's systems.

Tomra's cybersecurity was able to rapidly detect the breach and limit hackers' access through taking all their RVMs offline. Tomra was able to provide manual workflows for customers until RVMs could be updated and brought online in a safe manner.

Action

We have been engaging with Tomra through this multi-month process to better understand their cyber-risk management framework and what remedial action they are taking to improve their systems. Furthermore, we have been engaging with Tomra on how this cyberattack also negatively impact cash flow management processes, essential for capital allocation and paying a progressive dividend.

Outcome

Following our engagement, we have gained confidence that Tomra have implemented additional actions to improve the security of their systems.

However, Cyberattacks, whether to ransom system access, access customer information or for theft of intellectual property is increasingly on the rise. Focusing on intellectual property cyber-risk and governance will continue to be a key part of our monitoring programme.

GOVERNANCE

Case Study - Mergers and Acquisitions**Overview**

Our portfolio holdings constantly reinvest in their businesses for new innovative products and solutions, and for additional capacity to facilitate future growth. Many are active in acquiring businesses that bring a broader suite of products and services, give geographic expansion, and enhance distribution capabilities. While M&A is a component of our holding's capital allocation, unfortunately not all deals add value.

The following examples show some of the complications that deals can bring. We highlight these to show that good governance is essential in understanding what is being bought, the vulnerabilities of any deal, and the impact of how much is paid and funded.

The Danish audiology business, GN Store Nord A/S, specialises in hearing aids and headsets. It had been added to the Heriot Global Smaller Companies Fund in September 2021.

However, a significant move into consumer audio via the SteelSeries acquisition led to financial challenges. Despite a history of sound financial performance, its position in the portfolio came under scrutiny with an anticipated 25% sales decline due to SteelSeries' pandemic-driven boost.

The addition of Nasdaq to our global fund in May 2023 brought a leading global platform into our investment fold. Nasdaq's core offerings include market data, trading services, and workflow & insights. However, the subsequent acquisition of Adenza raised eyebrows, resulting in a market cap dip from US\$35bn to US\$25bn.

Action

We changed the rating for GN Store Nord A/S in our internal monitoring system to "Amber" – indicating concern over the company's fundamentals and contacted the Investor Relations team to find out more information.

The company responded with financial adjustments, halting dividends and committing to debt reduction. The investment team, deliberating throughout 2023 and having had a call with the company, eventually decided to remove GN Store Nord A/S from the portfolio.

Nasdaq: Post-Adenza acquisition, the investment team engaged Nasdaq's Investor Relations to understand the rationale behind its largest-ever deal. The size of the deal, which closed in November 2023, prompted a closer examination. Our ongoing monitoring strategy centres on evaluating the acquisition's effects on Group dynamics, including growth, margins, cash flow, deleveraging, and the ability to sustain dividend growth.

Outcome

With careful consideration, we decided to remove GN Store Nord A/S from our portfolio, reflecting concerns about the acquisition's excessive valuation, impact on resilience, and uncertain dividend growth. These factors have been significantly weakened by this acquisition.

Despite initial market turbulence, Nasdaq remains in the Heriot Global Fund. Ongoing monitoring underscores our commitment to assessing the long-term impact of the Adenza acquisition on Nasdaq's growth, financial health, and ability to deliver sustained dividend growth to shareholders.

Ultimately, mergers and acquisitions are a piece of our portfolio holdings investment jigsaw. We consider each on a case-by-case basis and will use the experience from each of these examples to enhance our understanding of the opportunities and challenges that deals create.

SOCIAL AND ENVIRONMENTAL

Case Study – Ross Stores Supply Chain/Net Zero Plans

Overview

As a retailer of surplus apparel and homewares, Ross Stores sources products from other retailers, but which ultimately rely on production in Asia and primarily use cotton, which leave it open to the risks of poor labour standards and the potential for both water and pesticides mis-use.

As part of our annual review process, we engaged with Ross Stores to better understand the company's sustainable sourcing policies.

Action

In our discussion with representatives of Ross Stores, we found that the company carries out its own audits to ensure suppliers adhere to their labour standards, as well as having policies in place for products sourced indirectly.

However, during these discussions we have become aware that the company has not disclosed a detailed plan for how it will reach Net Zero or how it can prevent water / pesticide mis-use. This is a cause of concern for us.

Outcome

We will continue to monitor and engage with the company on these issues to encourage better disclosure as well as to further understand their labour standards and audit procedures.

This example demonstrates the benefits of engagement with our investee companies – giving us insight into different issues, and the opportunity to work with these companies on improved disclosures around Net Zero and Climate and Social risk factors.

CLIENTS & COMMUNICATION

CLIENT BASE

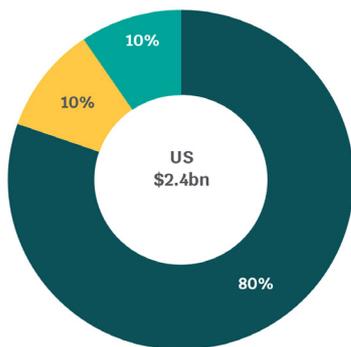
An investment strategy designed to deliver dividend growth is in the realm of patient investors who understand that to buy and hold stocks has benefits beyond the minimisation of trading costs. Our clients are all long-term investors with an investment horizon of five years and more.

This single strategy is applied to all portfolios, meaning one client will be invested in some or all the stocks held in our global equity models. While portfolio implementation can vary by client-mandated restrictions or exclusions, every portfolio still derives investments from these models.

Our client base varies across the different geographies where we do business. In the UK we manage assets in the Heriot Global Fund and Heriot Global Smaller Companies Fund on behalf of professional investors – wealth managers, Independent Financial Advisers (IFAs), high net worth individuals, Discretionary Fund Managers (DFMs), family offices, and charities.

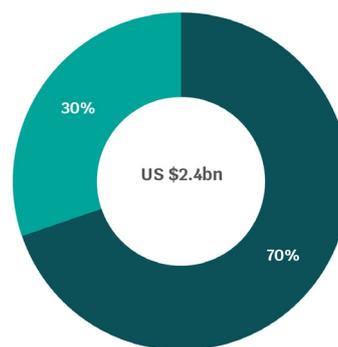
In the USA we manage assets for public pension plans via Separately Managed Accounts (SMAs) and provide advisory services to wealth management platforms. In Australia and New Zealand, most of our clients are institutional and wholesale (like professional investors in the UK), including superannuation funds, charities, and family offices, all invested in the Apostle Dundas Global Equity Fund.

ASSET BY PRODUCT TYPE



- Unitised Fund
- Separately Managed Account
- Model Portfolio

ASSET BY CLIENT TYPE



- Institutional
- Wealth Advisers

INVESTMENT MANDATES

Client requirements are formally expressed via the Investment Management Agreement (IMA) setting out objectives and specific needs, typically through guidelines and exclusions. These rules are then coded within our portfolio and order management system.

Compliance monitoring and adjustments are required as client restrictions change, such as following government sanctions.

Clients carry out investment and operational due diligence on the firm's staff, processes, and infrastructure. We augment these assessments with annual reporting, external assurances, and disclosures to standard setting bodies.



CLIENT ENGAGEMENT – OUR APPROACH

Effective client communication is a core tenet of our firm and allows us to respond to client needs and their evolving expectations. Our Customer Relationship Management (CRM) system centralises client data, monitors interactions and captures feedback.

The Client & Marketing Team are responsible for ongoing materials enhancements and the efficiency of our reporting process. The team is structured and resourced to facilitate on-going engagement with our clients, sharing information, views and soliciting feedback.

Interest in our stewardship activities continues to increase, and we are devoting more time to stewardship topics. During 2023 we responded to specific client ESG questionnaires, as well as sharing our research and views across a range of stewardship subjects.

In addition, engagement case studies and carbon metrics are important components of our quarterly reports.

CLIENT MATERIALS

- ▷ **Factsheets** – Monthly fund update with performance data, portfolio breakdown, dividend and stock commentary
- ▷ **Quarterly reports** – A summary of the quarter, including firm updates, performance analysis, portfolio updates, and ESG and carbon metrics
- ▷ **Dividend reports** – Update on dividend announcements with stock commentary and numeric statistics
- ▷ **Strategy updates** – Quarterly updates for each strategy, including performance analysis and portfolio information
- ▷ **Scheduled questionnaires** – Client mandated requests for portfolio/performance metrics/ analytics; along with client-specific commentary
- ▷ **Ad hoc questionnaires** – We frequently provide information to clients via questionnaires covering topics such as sustainability, diversity, equity and inclusion, and modern slavery
- ▷ **Website** – Our policies related to Stewardship and the latest Proxy Voting Disclosure are published on our website
- ▷ **Webinars** – Regular webinars on various topics followed by Q&A sessions
- ▷ **Documents** – We produce various papers relating to stewardship including our PRI report, Stewardship Report, IR Treasure articles and white papers
- ▷ **Databases** – Strategy performance, data, metrics, and commentary

PRODUCT DEVELOPMENT

Dundas invests in around one in every 60 companies from an opportunity set of global equities. Product development has typically been driven by client demand.

In the UK, we made several visits to the Channel Islands and Isle of Man as part of our Business Development work. Given the special tax status of these places, we investigated the option of creating Offshore versions of our main UK funds. This would have expanded our fund offerings to new jurisdictions. The investigative work and the plans were prepared, and we agreed that it was not something we wanted to pursue in 2023 but that we may do at some stage in the future.

In the USA we have offered an ADR model portfolio service for some time. This allows wealth managers to access non USA companies through securities which are listed on US exchanges, this improves diversification for clients plus allows them to participate in International dividend growth companies which provides opportunities not open within the US market itself. We were approached by an existing client to blend this strategy with a number of US companies which Dundas invests in to create a Global model for those wealth managers and their clients who prefer not to make the allocation decisions across stock markets and would like one Global portfolio to meet the equity their equity investment needs.

ASSESSING THE EFFECTIVENESS OF OUR INVESTMENT APPROACH.

In August, we questioned whether we could consistently achieve a higher alpha from the stocks added to the current portfolio. This involved evaluating both the number of stocks in the portfolio and selecting those that would ensure greater returns from our existing stocks.

The research highlighted several key points for long-term investing:

- ▶ Opting for sustainable dividend growth stocks proves to be a highly effective method for outperforming the market
- ▶ Allowing winning stocks to continue their positive trajectory is crucial for delivering robust returns
- ▶ It has been observed that the fund has remained at the lower end of our target stock range for a considerable period

The review process involved defining potential options and conducting a series of back-tests to identify any statistical outliers and potential courses of action. This evaluation is applicable to all portfolios managed by Dundas, commencing with the Global Equity strategy manifested in two unitised funds: the Heriot Global Fund in the UK and the Apostle Dundas Global Equity Fund in Australia.

While the majority of the analysis concluded in late December, we are currently finalising the impact on the fund prospectus.

INSIGHTS

Our objective for 2023 was to further develop our communication channels to reach more prospects whilst continuing to support our clients through relevant and informative content creation.

We successfully provided an aggregation of insights from our company-specific research, including presentations on clinical diagnostics, the magnificent seven and tomorrow's world. These interactions were facilitated by business trips across the UK, USA, Australia, and New Zealand, along with webinars, and virtual meetings.

Global macro issues including high inflation and rising interest rates were the focus of our clients' queries. Dividend declarations were highlighted in our communication; their continued progression reassured clients.

DIGITAL MARKETING

Over the last year we used LinkedIn to communicate with clients and prospects. We posted regularly, sharing short videos, interviews, webinars, and other marketing materials. Our initial efforts have proven to be effective with our followers growing and posts reaching thousands. Positive feedback and engagement metrics suggest that the videos and interviews were well received among clients and prospects.

Bitesize videos were launched as a new form of media with topics ranging from research insights to investment philosophy to markets. In addition to our usual webinars, we covered share buybacks, our investment philosophy, and our reflections on the year.

In the UK, we published a 'Burning Questions' video series to respond to hot topics like inflation. We followed a similar approach in Australia and New Zealand through interviews on an Australian news platform.

WEBINAR CONTENT

Many of our webinars in the UK and Australia are accredited to provide CPD for advisers. The webinars aim to be educational on buy and hold strategies versus seeking short-term gains from repricing returns. Often these webinars encompass market environments rather than simply marketing, covering three categories:

1. Quarterly updates on our UK-domiciled funds and a review of the overall market and economy
2. Educational presentations on insights gleaned from our investment research, including AI and Healthcare
3. Topical discussions such as the outperformance of the so called magnificent seven

WEBINAR DEVELOPMENT AND RE-BRANDING

Work has been on-going throughout the year to create a new brand identity and an engaging, content-filled website. These will be launched in early 2024.

SERVICE PROVIDERS

MONITORING INFRASTRUCTURE

Our ability to provide clients with secure and seamless service depends on the processes we have in place and the suppliers we choose to partner with. We specify Vendor Champions for each supplier to ensure that appropriate due diligence is carried out.

Third-party suppliers are categorised into three tiers:

TIER 1

Business critical vendor requiring high due diligence and governance.

TIER 2

An important supplier to the firm requiring moderate due diligence and governance.

TIER 3

Supplier does not provide services critical or key to the firm's operations but where we have signed a service contract.

Due diligence is completed prior to contracting to assess the capabilities of the supplier, strategic alignment, and risks. For Tier 1 vendors, risks are registered and regularly reviewed, with due diligence conducted annually. For Tier 2 and 3 suppliers, due diligence is generally carried out at contract renewal.

Key areas for monitoring include operational risks, business risks, and project management for implementation and enhancements.

Over the last two years we have observed significant change to the operations and ownership at a Tier 1 Vendor. A management refresh and loss of key contacts led us to conduct enhanced monitoring and due diligence checks. We have reached a level of clarity and are vigilant but assured in our relationship with this vendor.

STEWARDSHIP SERVICE PROVIDERS

We invest around 12 percent of revenue per annum in IT to provide the systems architecture necessary to manage client assets and business expansion. Stewardship service providers are monitored through the Investment Committee with respect to proxy voting, financial data, and ESG research.

PROXY VOTING

In 2014 we employed Institutional Shareholder Services (ISS) to support our proxy voting. ISS receive proxy ballots on our behalf, execute votes in line with our policy, and maintain voting records. ProxyExchange is a system providing comprehensive reports on all votes cast, including metrics on unvoted meetings, votes against policy, and votes against management.

ISS carry out daily audits, detailed vote reconciliation and automated, end-of-day production checks to ensure all votes are executed accurately. Discrepancies are reported to us and highlighted by regular internal reviews and discussed by the Investment Committee.

FINANCIAL DATA

We undertake all our own research on company financials, industry context and management strategy primarily using public company materials and interactions. We use external data providers to corroborate, scrutinise and triangulate research.

Our collegial approach demands that all eyes have assessed the financials of a company prior to investing. Anomalies and inaccuracies across our information sources are examined and queried. Where questions remain, we revert to the company's financial reports to clarify.

Our stewardship approach continues to benefit from improvements to our technology usage, vendor relationships and data monitoring and integration.

ESG RESEARCH AND RATINGS

Since 2019 we have used MSCI ESG data to measure companies' resilience to material ESG risks. MSCI use a rules-based methodology to identify leaders and laggards through exposure to industry-specific ESG risks and opportunities, and how well these exposures are managed relative to peers.

We produce ESG and carbon metrics on a quarterly basis for portfolio monitoring and client reporting.

During 2023 we conducted a review of ESG data suppliers comparing MSCI and Clarity AI data and functionality. For 2024 we will remain with MSCI.

ACTIVE OWNERSHIP

PRINCIPLES 9 - 12

PRINCIPLES 9 - 12

UK STEWARDSHIP CODE

ACTIVE OWNERSHIP

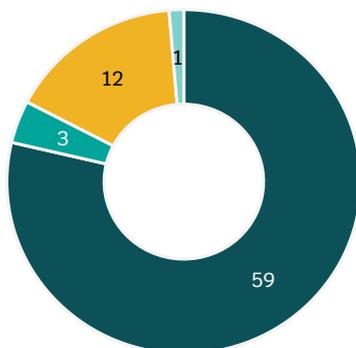
ENGAGEMENT & ESCALATION

We are stewards of our clients’ assets. This means monitoring portfolio holdings, engaging on ESG issues, and voting proxies to guide companies towards better practices. We invest in global equities only and follow the same process for engagement and escalation across geographies.

Dialogue with companies in which we invest is a key component of the investment process. We are long term investors, investing for more than five years, typically much longer. Further, we sift out over 98% of the investable universe, investing in around 120 companies across our strategies. For the companies that make up our portfolios, we maintain contact over the term of the investment.

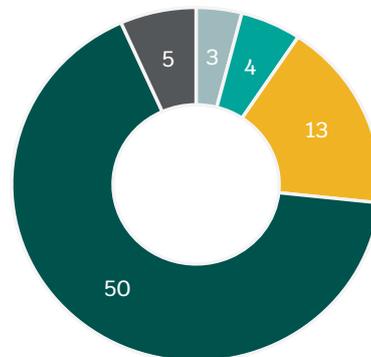
In 2023 our research and monitoring programme comprised of 75 company interactions through calls, meetings, and email. Over two thirds of interactions were with holdings in our global portfolios, with the remainder of candidates for investment or our research library.

HOW WE ENGAGED



- Call
- Email
- Meeting
- Visit

WHO WE ENGAGED



- CEO
- CFO
- Director of IR
- Investor Relations
- Vice President, IR

ENGAGEMENT & ESCALATION

PRIORITISING ENGAGEMENTS

In our experience, the strong governance exhibited by the companies in which we invest mitigates many ESG risks. When issues do occur, we conduct targeted engagements and prioritise issues deemed as a potential risk to the company's long-term outlook. Given the infrequency and uncommonness of ESG issues in our investments, we decided thematic approaches were not the most appropriate and effective way to engage with companies.

Rather than seeking out trending ESG issues, we prefer to embed engagement into our stock monitoring programme. Integrating ESG analysis this way allows our analysts and portfolio managers to flag ESG issues as they arise, confirm an engagement approach through the Investment Committee, and engage with the company effectively.

Typically, issues will be flagged during the stock or AGM review, discussed by the team, and brought to the Investment Committee for a decision. Similarly, updates on ongoing engagements and potential escalations are provided in this setting. Engagements may be driven by controversies arising outside of this monitoring programme, in which case we follow the same process of team decision making.

ESCALATIONS

We aim to engage with portfolio companies first before deciding to escalate our stewardship. Escalation can be triggered by a lack of responsiveness or transparency by a company, or if more time-sensitive issues become apparent. Methods of escalation come down to the materiality of the ESG risk and our experience communicating with the company. We use voting such as dissenting director elections or compensation; collaboration through support of shareholder proposals; and divestment or a reduction in our shareholding.

COMMUNICATION CHANNELS

Our dialogue with companies varies from email communication to conference calls to in-person meetings. Lines of communication vary too, with investor relations being our first port of call for general monitoring queries. For an engagement, defined as trying to instigate a change at one of our companies, concerns relating to ESG issues are typically raised with the Chair of the Board and/ or chairs of relevant sub-committees. Issues on company strategy or financials are typically raised with the executive team.

COLLABORATION

Collaboration with like-minded investors can amplify the impact of engagement and voting for smaller investment managers like Dundas. Collaboration is especially useful where we lack sufficient shareholding to be heard or initiate change, following multiple unsuccessful engagement attempts, or to raise awareness of ESG issues affecting whole industries or the global economy.

As bottom-up investors our preference has always been for individual company engagements on ESG issues. Our involvement in collaborative engagements boils down to actions that can ultimately benefit our clients. We will initiate or support collaborations that we believe to be relevant to our investment strategy.

Over the years we have engaged with governments, regulators, and public policy makers on ESG issues.

We regularly attend industry conferences, speak at investor days and produce webinars to advocate for and inform on such issues.

Collaborations

- ▷ Adoption of the Paris Agreements by governments
- ▷ Standardised ESG disclosures in US Public Company reporting
- ▷ Issues surrounding different definitions, priorities and methods relating to ESG analysis
- ▷ Support for the Just Transition
- ▷ Climate-related financial reporting
- ▷ The risks surrounding share buybacks and the implications for institutional investors
- ▷ The risks of relying on ESG ratings to inform investment decisions
- ▷ The importance of prudent governance

THE INVESTOR AGENDA

The Investor Agenda formed by seven major investor groups* — AIGCC, CDP, Ceres, IGCC, IIGCC, PRI and UNEP FI — is a proactive collaboration to elevate the best investor guidance on tackling climate change. The Investor Agenda¹ advocates for public policy to accelerate the Net Zero transition and highlights four areas of importance in its investor climate action plan:

1. Corporate Engagement to align to the 1.5 degrees scenario
2. Investment to manage systemic climate risks
3. Policy Advocacy for Net Zero economy by 2050
4. Investor Disclosure to ensure clients and beneficiaries understand climate change risk management

As part of our own disclosure to help clients understand how we manage climate change risk, we include portfolio carbon metrics in our reporting to clients, as well as public disclosures in our annual Stewardship and PRI reports. We believe that the Investor Agenda is having a material, far-reaching influence on how investors manage climate change risks and advocate for better commitment from governments to the Net Zero transition.

GLOBAL ETHICAL FINANCE INITIATIVE

Dundas has been involved with Global Ethical Finance Initiative (GEFI) for several years. GEFI brings together financial services stakeholders managing over £2 trillion in assets. As pledged on the path to COP28, GEFI is committed to a swift, just, and equitable transition, underpinned by deep emissions cuts and scaled-up finance which are turned into real-economy outcomes.

LOCAL COLLABORATIONS

- ▶ The Edinburgh Chamber of Commerce who have provided us with contacts, information, and training courses on getting our own business operations to Net Zero by 2050. Amongst other topics, we covered greenwashing and innovation in business
- ▶ We have worked with the University of Strathclyde to produce our Greenhouse gas emissions baseline report (Funded by the Scottish government to assist SMEs with GHG baselines) covering scope 1,2 and 3 emissions for business operations – these have been shared publicly on our website
- ▶ We have also received training, facilitated by the Edinburgh Climate Change Institute (ECCI) to formulate a Carbon reduction plan / Climate strategy for operational scope 1, 2 and 3 GHG emissions
- ▶ An updated travel policy has been drafted as an initial outcome of this, with further work in this area planned throughout the year
- ▶ Working with the University of Edinburgh Centre for Business, Climate Change and Sustainability team, we have designed an all-staff training programme covering sustainability/Net Zero topics across our investment and business operations – this will be implemented over 3 sessions in Q1 2024
- ▶ We monitor the PRI collaboration platform for opportunities to join with the PRI and other organisations that we can work with collectively for engagement activities

*Asia Investor Group on Climate Change (AIGCC), Investor Group on Climate Change (IGCC), Institutional Investors Group on Climate Change (IIGCC) and

United Nations Environment Programme Finance Initiative (UNEP FI).

¹Source: [The Investor Agenda](#).

RIGHTS & RESPONSIBILITIES

GLOBAL VOTING POLICY

When voting on behalf of our clients, the ultimate goal is to maximise the value of our clients’ investments in compliance with our sustainability and stewardship policies. Should a conflict of interest exist, we work to uphold our clients’ best interests. We endeavour to vote all proxies with our proxy adviser, ISS, supporting us in voting management, processing, and execution.

Where Dundas has full voting discretion, we apply a Global Voting Policy. All voting decisions are underpinned by the ISS Global Voting Principles¹. These principles promote long-term value creation through four tenets of accountability, stewardship, independence, and transparency.

Shareholder proposals will generally be supported where the proposal would improve the company’s corporate governance or business profile without limiting business activity, capability or incurring significant costs with little or no benefit. The overall principle guiding vote recommendations on ESG-related shareholder proposals focuses on shareholder value in either the short or long term.

PROXY VOTING STRATEGY



¹Institutional Shareholder Services – Global Voting Principles.

Case Study - Voting Policy Review

Overview

Dundas' general approach to proxy voting historically, has been to vote in line with ISS' Guidelines and Benchmark Policy recommendations alongside our Customised Global Voting Policy.

Action

In light of our intention to commit to Net Zero by 2050 for our portfolios, Dundas took the decision to review the Proxy Voting and Engagement policy.

Our review highlighted the ISS benchmark policy was no longer aligning with our evolving ESG and climate priorities.

We assessed another ISS offering, in the form of the ISS Climate policy – noting some key areas that would enhance our current agreement:

- ▷ Risk oversight failure: Recommends voting against directors due to failure to manage environmental, social and governance (ESG) risks, including climate change
- ▷ Climate Accountability: Recommends voting against or withhold all votes for all companies not taking the following minimum steps; detailed disclosure of climate-related risks, a declared target of Net Zero by 2050 or sooner that includes scope 1, 2, and relevant scope 3 emissions, A set medium-term target, whether the company has a decarbonisation strategy
- ▷ Board Representation: Recommends voting against if the board lacks at least one director of an underrepresented gender identity or where the board has no racially or ethnically diverse members

Outcome

Dundas' Investment Committee approved a move from using ISS's Benchmark policy to the ISS Climate policy.

In addition to the ISS benchmark and climate policies, Dundas applies our customised voting policy to apply relatively stricter thresholds as follows.

- ▷ Board independence and average tenure should be above 70% and below seven years, respectively
- ▷ Director over-boarding should be limited to three board seats total for non-executives and two board seats total for executives, except for Japanese corporates where outside board commitments are not monitored
- ▷ Audit firm tenure should be 10 years or less, except for small cap stocks where tenure is undisclosed

A full copy of our Proxy Voting and Engagement Policy is available on our [website](#) and linked in the Appendix.

DIFFERENCES IN OUR APPROACH

Dundas manages global equities only. When developing our voting policy, we sought to apply it globally, across different sizes of companies and geographic markets. Our team meet with ISS regularly to review and discuss progress in our voting policies.

At these meetings, we take the opportunity to highlight areas of interest as identified by our monitoring process.

Considering the impact of a global policy on our portfolio of smaller companies, we worked with ISS to ensure this approach would not result in voting relatively harshly on these companies' proposals. From this research, the only caveat to our policy was to default to the benchmark policy on any auditor votes where some small-cap companies do not disclose the tenure of the auditor.

Looking across the markets in which we invest, our threshold for director board positions was adjusted for one market – Japan – where outside board seats are not tracked and therefore could not be assessed.

We expected our thresholds for board independence and tenure to have the greatest impact on votes against management in the US and Japan where market standards differ to Europe and the UK. From our research and understanding of global voting trends, we were comfortable that the standard we were setting was justified and in line with corporate governance best practice.

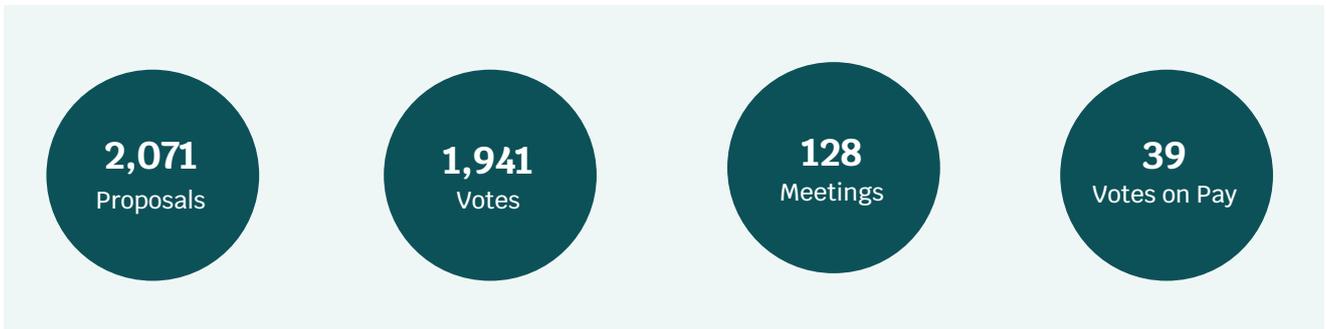
CLIENTS VOTING DISCRETION

Currently we vote shares held in our funds domiciled in the UK and Australia, where we hold full voting discretion and investors cannot direct voting. We also vote proxies for a US-domiciled SMA where we have voting responsibility, but the client applies a custom policy, requiring regular monitoring and reporting to confirm votes are executed correctly.

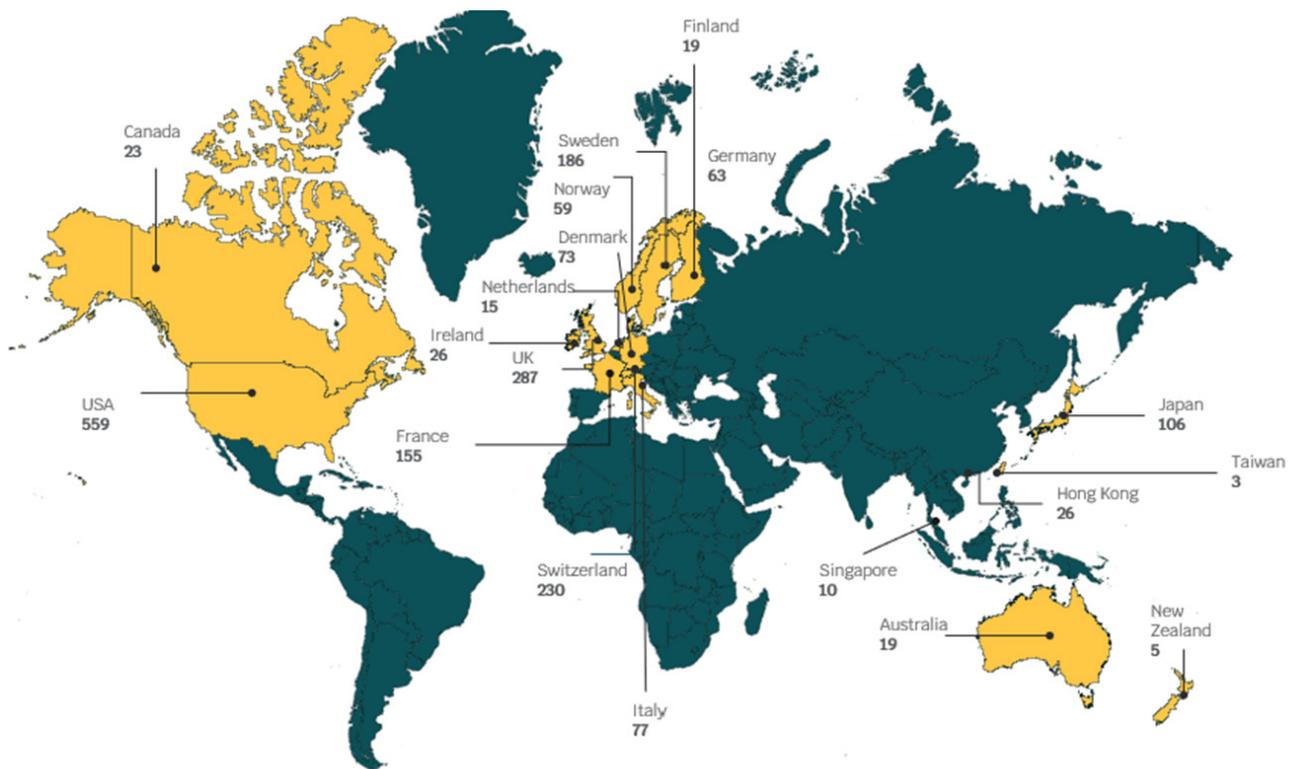
While we endeavour to vote all proxies there are circumstances currently outside our control which prevent voting, including split or partial voting preventions and share-blocking restrictions in certain markets. Any unvoted meetings are reviewed; procedures to improve access to voting in these markets will be considered.

Dundas does not partake in securities lending. We focus our attention on investment research, portfolio construction, and stock monitoring, which we believe delivers the most value to our clients. Where a client manages their own securities lending programme, any recall of shares for voting is to be managed by the client and their custodian.

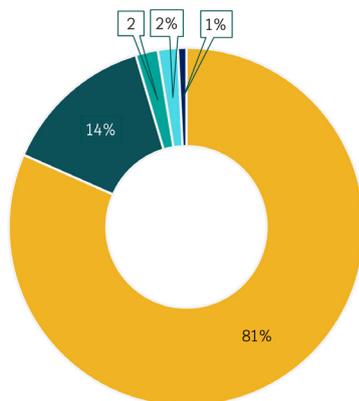
VOTING SUMMARY



VOTED RESOLUTIONS BY REGION



VOTING DECISIONS



- For
- Do not vote
- Refer*
- Against
- Withhold
- Abstain*
- *Values <1
- Say on pay

SIGNIFICANT VOTES

| Company | Meeting date 2023 | Proposal(s) | Votes instructions | Rationale |
|---|-------------------|--|----------------------------------|--|
| Applied Materials | 3 September 2023 | Reduce Ownership Threshold for Shareholders to call special meeting. | For proposal/Against Management | To enhance shareholder rights |
| LVMH Moët Hennisey Louis Vuitton SE | 20 April 2023 | Approve compensation of Bernard Arnault, Chairman and CEO | Against Management | Seeking greater disclosure of performance criteria |
| LVMH Moët Hennisey Louis Vuitton SE | 20 April 2023 | Approve remuneration policy Chairman and CEO | Against Management | Seeking greater disclosure of performance criteria |
| Microsoft Corp | 12 July 2023 | Report on Risks of Operating in Countries with significant human rights concerns | For proposal/ against Management | Transparency on supply chain |

*Values <1

Shareholder Meetings relates to proxy voting activity carried out across the firm's total portfolio holdings for which it has full voting discretion.

Voting Decisions and Votes by Market relate to proxy voting activity carried out in a fund representative of our Global Equity Growth.

Strategy during the calendar year 2023.

GOVERNANCE

Case Study – Steico Engagement**Overview**

STEICO is a European leader in sustainable building products such as building insulation derived from wood fibre. Their products act to reduce energy consumption through effective insulation which also acts as a carbon sequestration tool as mature trees are harvested, processed into joists or insulation and new trees are grown.

Due to the sustainable sourcing practice as well as government regulations driving growing demand STEICO was well placed to benefit, especially given their large market share of more than 40% in core markets.

Rising interest rates and higher energy prices have weighted on demand and profitability in the short-term. Furthermore, STEICO has been reinvesting a relatively high proportion of earnings to meet long term demand.

Through 2023, STEICO's controlling shareholder holding 60.2% of the business, announced the intention to explore a sale of the business. Details regarding the nature of the process were light. The controlling shareholder relinquishes control to Kingspan Group plc in exchange for €250mn, with a further contingent equal payment if undisclosed profitability targets are met.

Action

We reviewed the deal and took the view that minority investors had been poorly treated.

Outcome

Given the poor corporate governance evidence through treatment of minority investors through deal structure and communications we decided to sell our investment.

GOVERNANCE

Case Study - Hexagon Engagement**Overview**

We have owned Hexagon since Q1 2021. We had several conversations and engaged in email correspondence with Investor Relations post publication of a short-seller report on the company.

The report highlighted potential corporate governance failings, overstatement of organic growth rates and accounting issues such as the change in useful life of R&D from 2-6 years to 2-10 years and change of auditor in 2021.

Our conversations with the company highlighted that whilst they believe they have complied with all laws and regulations, they acknowledge that “optics are poor and probably not in spirit of rules”. The company stated that changes had already been made and more changes will follow. The business has made major changes to governance with a new CEO, new FD in 2023 and new NED’s will be appointed.

Action

Dundas asked for more information regarding the decision not to disclose the related party transaction and for specific details on new policies to ensure these issues do not reoccur.

Outcome

Dundas believes that for long-term investors governance is crucial. Corporate governance is essential if a company is to capitalise on its opportunities, make repeated good capital allocation decisions, and pay rising dividends year after year to its investors. Dundas believes that Hexagon have fallen short of our standards on this occasion, and we will register our disapproval at the forthcoming AGM.

CLOSING STATEMENT

Through this report we intended to enhance the understanding and transparency around our ongoing stewardship activities and demonstrate how we preserve and improve the value of our clients' assets through long-term engagement.

Our key area of focus for the year was to set our intention to commit to Net Zero for our portfolios and business operations by 2050.

Next year will bring an additional set of challenges around reporting, communication and data. Accurate data is crucial in setting interim and long-term Net Zero targets and giving us leverage to target our engagements. The widespread adoption of the new IFRS Sustainability Standards incorporating the work of the Task Force on Climate-related Financial Disclosures (TCFD) will provide a great improvement in global disclosure on companies' Net Zero plans. We will be creating and publishing our own TCFD reports during 2024.

We hope this report has given you a sense of how we go about investing responsibly at Dundas and the actions we have taken on behalf of our clients during 2023. We look forward to updating you on our progress during 2024.

Should you wish to learn more in the meantime, please feel free to contact our Stewardship team, comprising of David Keir (dkeir@dundasglobal.com) and Natasha Hayward (nhayward@dundasglobal.com).

STEWARDSHIP TEAM



Natasha Hayward



David Keir

APPENDIX: Our Stewardship Documents

The links to our Stewardship related documents/policies (referred to throughout this document) can be found on our [website](#).

We have also listed them separately below:

- ▷ [Stewardship Code 2022](#)
- ▷ [PRI – Public Transparency Report](#)
- ▷ [Proxy Voting Summary](#)
- ▷ [Net Zero and Scope 1, 2 and 3 emissions \(2023\)](#)
- ▷ [Conflict of Interest Policy](#)
- ▷ [Responsible Investment Policy](#)
- ▷ [Proxy Voting and Engagement Policy](#)
- ▷ [Modern Slavery Statement](#)

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Dundas Global Investors

41 Northumberland Street
Edinburgh
EH3 6JA
00 44 131 556 2627
Info@dundasglobal.com

