

Matthews

2022 Stewardship Report



Matthews Asia



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Robert Horrocks, PhD
Chief Investment Officer



Kathlyn Collins, CAIA
Vice President, Head of
Responsible Investment &
Stewardship

Welcome to Our 2022 Stewardship Report

We are engaged shareholders and bondholders in our portfolio companies and issuers. Investing in profitable and sustainable business models is key to what we do. We strive to foster these qualities and to be good global neighbors and citizens. We believe that a healthy environment where people can live and work supports economic growth and the development of a broad middle class. That middle class in turn demands and thereby creates not only greater material wealth but also a better quality of life and greater social inclusion. In addition, transparent corporate governance structures help attract domestic and international capital and support economic progress and investment returns. Working diligently to help our clients reach their financial goals, at Matthews, we are mindful of the role of capital in shaping the world we want to live in.

With US\$13 billion in assets under management across over 600 companies (as of December 31, 2022), we are cognizant of our responsibility to meet and engage with corporate management to improve the environment, society and corporate governance. Trust, transparency and accountability from companies and entities is important in all markets in which we invest, and especially so in emerging and frontier markets. In our 2022 Stewardship Report, we highlight the broader embrace of stewardship by regulators globally, recap a year of voting and engagement with the companies in the Matthews portfolios and take a look under the hood with some in-depth thematic case studies.

About Us

A Client-Centric Culture

As a fiduciary, we have a legal and ethical obligation to act in our clients' best interest. Fostering a client-centric culture begins with understanding clients' goals and creating investment solutions designed to support those goals over the long term. At Matthews, we are committed to incorporating environmental, social and governance (ESG) considerations that we believe could impact the fundamental value of our investments.

People and Implementation

In 2022, we strengthened the firm's governance structure by creating an overarching Corporate Citizenship and Sustainability Committee (formerly known as the ESG Committee)—comprised of senior leadership from departments across the firm's organization—and the three sub-committees described below:

The Corporate Citizenship and Sustainability Committee

Sets the firm's general strategy relating to ESG Matters; develops, implements and monitors initiatives and policies based on the firm's general strategy; oversees communications with employees, investors and stakeholders with respect to ESG matters; monitors and assesses developments relating to, and seeks improve Matthews' understanding of, ESG matters; and promotes ESG matters to internal and external stakeholders.

Responsible Investment and Stewardship Sub-Committee

Oversees matters related to corporate engagement—in particular stewardship and active ownership—that pertain to the firm and its direct and indirect subsidiaries. Responsible for overseeing the implementation of the firm's Responsible Investment activities, active ownership principles, stewardship and ESG integration, as well as monitoring and reviewing engagement outcomes. Also helps oversees the proxy voting process with the firm's Proxy Working Group.

Diversity and Inclusion Sub-Committee

Responsible for raising awareness of and promoting the firm's diversity and inclusion efforts, including promoting measurement and accountability of diversity and inclusion goals and progress of the firm.

Sustainability Sub-Committee

Champions sustainable business, health and environmental practices throughout the firm.

ESG Team

The Matthews ESG team is comprised of Kathlyn Collins, VP, Head of Responsible Investment and Stewardship, and ESG Research Analysts Wenlin Zhao and Kary Cheng who assist the broader investment team in making informed investment decisions by conducting ESG research and using ESG information and data to identify risk and opportunity of current and potential portfolio companies. The ESG team also monitors the sustainable investment landscape and ESG-related regulations pertinent to our investment universe and product offerings working cross-departmentally at Matthews to develop scalable and compliant investment solutions.



Kathlyn Collins, CAIA
VP, Head of Responsible
Investment and
Stewardship



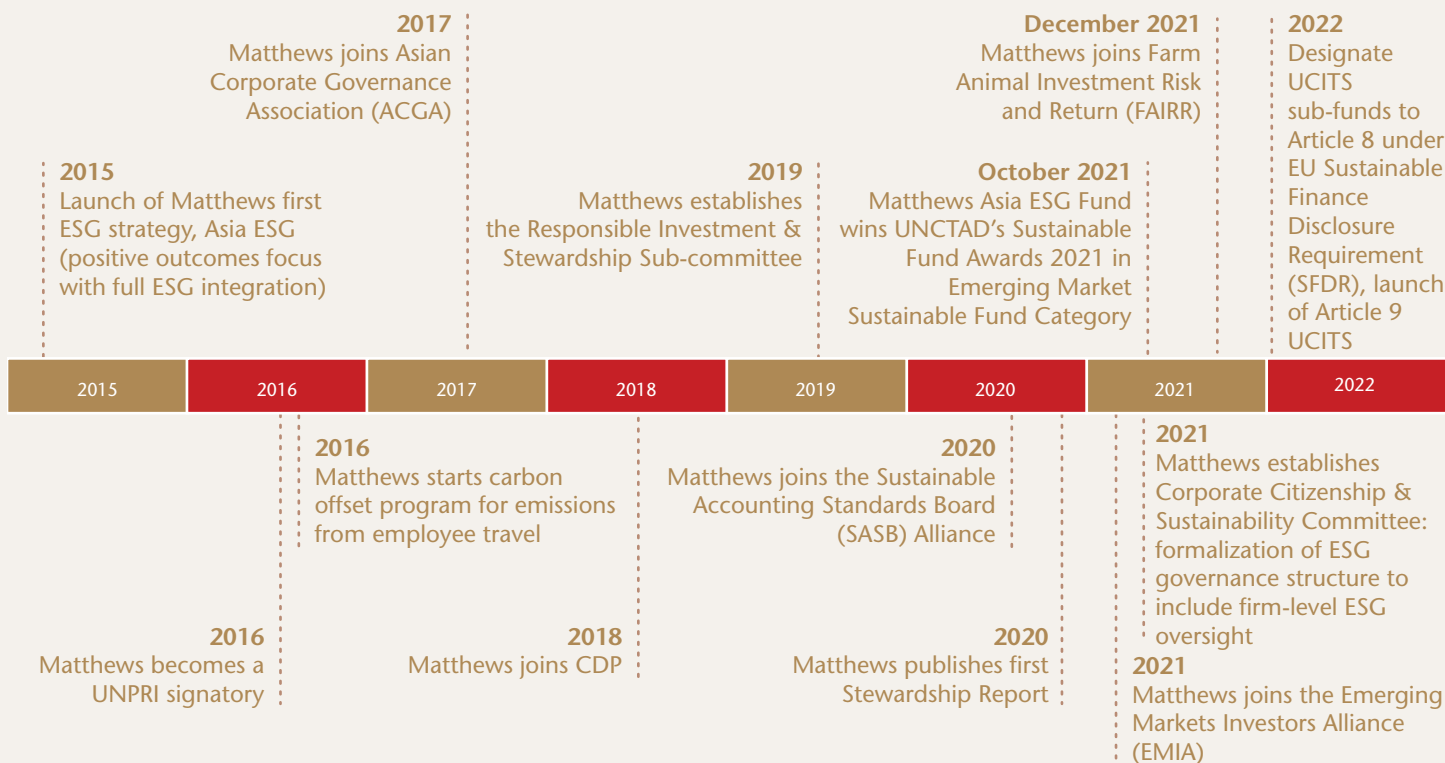
Wenlin Zhao
ESG Research Analyst



Kary Cheng
ESG Research Analyst

MATTHEWS HISTORY OF ESG INITIATIVES

Committed to incorporating ESG considerations with intention within the very fabric of our investment process



2022 in Review

Stewardship refers to investors acting as responsible capital providers by monitoring and influencing corporate behaviors for the better—through both voting and engagement. Stewardship requires a long-term view and treats ESG issues as important considerations in the traditional operational and financial metrics of a company’s performance. The premise, supported by a growing body of research, is that responsible voting and active engagement will drive better corporate behaviors and more sustainable financial returns. This in turn contributes to the healthy long-term development of capital markets globally.

In 2022, we saw an uptick in global inflation brought on by geopolitical events that were thought to, at one point, up-end ESG investing. The need for stewardship and protecting shareholder value could not have been clearer, with investors seeking trusted partners in uncertain times. The Russia – Ukraine war demonstrates why a balance between the energy transition needed globally and energy security needs in one’s backyard is necessary. Policymakers and capital markets alike are grappling with trade-offs between security, affordability and sustainability.

In our 2021 Stewardship Report, we noted that it came as no surprise that many market participants cited regulatory scrutiny on “greenwashing” as one of their biggest concerns about ESG investing in 2022. This could not have been truer. We continued to see an increased scrutiny of products with “ESG” or “sustainable” labels including a debate on whether ESG factors at a country level may or may not factor into investors’ decision-making. We believe such debates are healthy as, today, sustainability is subjective. It’s not a metric, like volatility or profitability, that can be easily measured. Corporate governance varies even within countries and regions. There is no one size fits all.

Across the globe, we saw a continued discussion around these issues, with a key focus on a stable and just transition, especially as it relates to the transition to a low carbon economy in emerging economies. Many developing nations called out the need for more climate aid to poorer countries at the 2022 United Nations Climate Change Conference (COP27). Without such help, leaders have to deal with the reality that the global transition may be much slower. Also announced at COP27 was some of the progress made by the International Sustainability Standards Board (ISSB). The ISSB launched a new global “Partnership Framework” for implementation of climate-related disclosure standards—a framework that aims to build capacity in developing and emerging economies. As a former Sustainable Accounting Standards Board (SASB) Alliance member, and now an International Financial Reporting Standards (IFRS) Sustainability Alliance member, we welcome the work the group is doing to develop a truly global baseline of sustainability-related disclosures that meet the information needs of investors. Emerging Markets must be along for the ride or they could be left out of capital allocation decisions. We are proud to see that today, 79 portfolio holdings in 2022 have partially or fully reported against the SASB Standards, accounting for about 20% of our portfolio’s AUM.

Despite some of the headwinds in 2022, we have continued to adhere to our process of fundamental equity research and a focus on the long term. We continued to develop tools on the analytics front but still believe that deep, local knowledge on the most important ESG issues that are important in specific market contexts is critical.

We are often asked about our use of third-party data. While the data used to come to an arrival at a rating or score is useful, the scores themselves are less useful in our view, and we try to go deeper. However, we believe that some variability among companies scores or assessments is healthy and that this is an opportunity for value creation through an active approach.

We recognize the growing investor demand for more explicit sustainable investment solutions, and we strive to ensure our clients can access Asia and the Emerging Markets through a wide breadth of sustainable strategies.

REGULATORY FRAMEWORKS WORK KEY TO MITIGATING GREENWASHING GLOBALLY



TCFD: Task Force on Climate-Related Financial Disclosures ; SASB: Sustainable Accounting Standards Board; GRI: Global Reporting Initiative; IIRC: International Integrated Reporting Framework

In 2022, we designated some of our products as Article 8 under the European Union (EU) Sustainable Finance Disclosure Regulation (SFDR). We also enhanced our resources and capabilities with the addition of new sustainability investing specialists located in Asia. An Article 8 product under SFDR is defined as one which promotes environmental and/or social characteristics, but does not have sustainability as an investment objective. These strategies apply activities-based and norm-based exclusionary screening.

We also launched a strategy designated as Article 9, which under SFDR has a sustainable investment objective, and one which also applies activities-based and norm-based exclusionary screening, with a focus on identifying companies that contribute (or have the potential to contribute) to a sustainable future. For our Article 9 product, we use fundamental bottom-up analysis that focuses on a company’s contribution or potential future contribution to positive ESG outcomes.






ESG factors have been an input into our investment process at Matthews that pre-dates the SFDR regulations. We consider the formal classification of some of our products as Article 8 or Article 9 as the next step in the evolution of our investment process.

Overall, we anticipate that these products may have less exposure to carbon intensive industries going forward, in line with the shift to a low carbon economy. They continue to focus on growth opportunities, many of which are contributing to the energy transition.

Our in-depth knowledge of local markets helps us to evaluate and prioritize ESG-related risks according to their potential impact on portfolios. Designating some of our products to Article 8 and 9 resulted in a formalization of our processes as seen below:

FRAMEWORK FOR ARTICLE 8 PRODUCTS

Promotion of environmental and social characteristics

Broad Matthews Resources	PAI & EU Taxonomy	Proprietary ESG Analysis	Active and Ongoing Engagement	Rigorous Policy Compliance & Governance Oversight
 <ul style="list-style-type: none"> ✿ World class dedicated Asia and Emerging Markets investment team ✿ 35+ individuals primarily from the regions we invest in, together with Knowledge Platform specialists in critical countries like China and India and sector specialists in areas like technology, innovation and health care 	 <ul style="list-style-type: none"> ✿ Quarterly Review of Principal Adverse Impacts, including GHG intensity, company commitment to reducing environmental footprint, and involvement in fossil fuels ✿ Additionally, the products intend to invest in companies that are EU taxonomy eligible and on their way to potential alignment 	 <ul style="list-style-type: none"> ✿ Third-party ESG data is insufficient and inconsistent, especially in our markets ✿ We rely on a combination of local sources, proprietary data and research to populate our ESG analytics, while using third party data to supplement our research 	 <ul style="list-style-type: none"> ✿ We believe active ownership is the key to generating positive outcomes ✿ We engage with companies in areas like climate change and environmental management, board diversity, GHG intensity, and ESG disclosure ✿ Engagement is both individual and collaborative, and in alignment with proxy voting practices 	 <ul style="list-style-type: none"> ✿ Matthews Responsible Investment and Stewardship Sub-Committee is responsible for overseeing matters related to corporate engagement, in particular stewardship and active ownership, as well as the integration of ESG factors into the firm’s investment process

Research

The ESG and investment team’s due-diligence process is based on proprietary research and third-party ESG research.

We believe proprietary research improves the quality of the ESG inputs used in the investment process and broadens the opportunity set by including companies that may not be rated by third-party providers, especially among small- and mid-cap companies in Asia’s emerging and frontier markets.

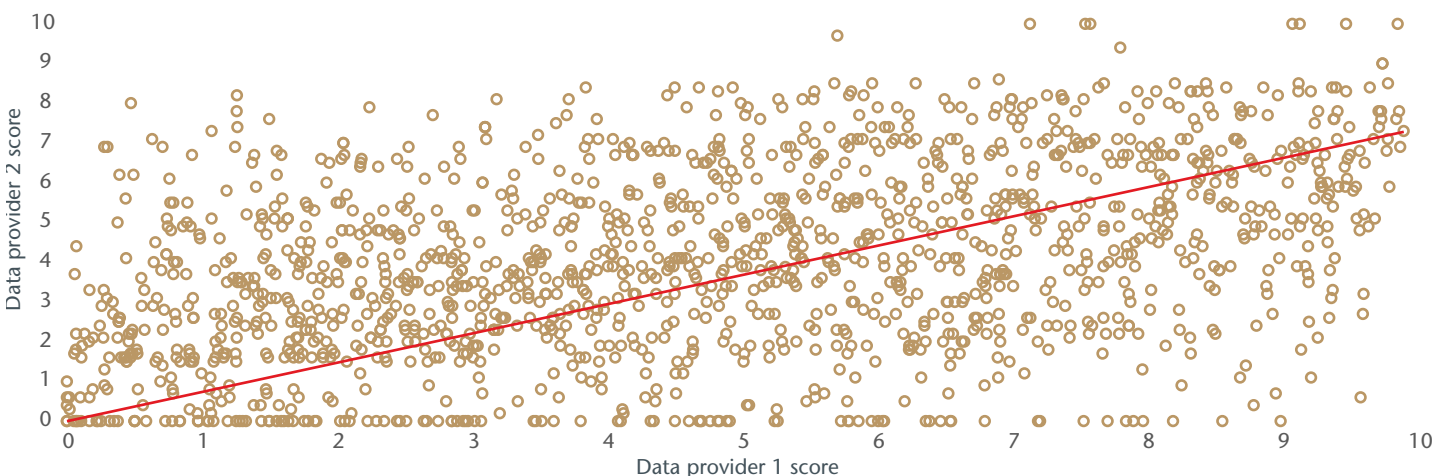
We have also developed in-house tools to supplement some of the gaps in the current third-party ESG research.

Sustainability issues are rarely black and white. It is extremely difficult to implement a sustainability-focused strategy through common mechanical and rules-based approaches based solely on third-party inputs. We would argue that while the availability and consistency of sustainability data in Emerging Markets and Asia needs to be improved—it is critical for asset managers to be engaged in their own research. Even if the third-party data was more available and reliable, there are open questions about the value of an overly rules-based approach which can naturally lead investors to overlook nascent opportunities.

When we are assessing a company, we also often contextualize our assessment depending on the market and its form of corporate governance. For example, in Brazil, a state-owned enterprise may have a low employee turnover ratio which could be seen as an indicator of happy, productive employees when in reality, state-owned companies in Brazil, for example, have strict labor laws that make it hard to fire workers. Similarly, a dual structure board of directors in Indonesia may look different than other markets. So these nuances are important.

WHY THIRD- PARTY RATINGS DON'T ALWAYS WORK IN EM

ESG scoring by the two largest ratings providers for emerging markets companies in our investable universe¹



Note: Data as of December 2022. Scoring converted to a common 10-point scale where 10 means a company got the best ESG scoring and 0 means a company got the worst ESG scoring. Company universe based on minimum market cap of \$300 million and average daily trading volume (ADTV) of \$500k.

1. ESG ratings firm 1 - Sustainalytics; ESG ratings firm 2 - MSCI

2022 Highlights

942

Votable Meetings

938

Meetings Voted

436

Meetings with Against Management Votes

- ✿ Almost 8,000 agenda items voted on at over 900 meetings
- ✿ Over 5,000 company meetings
- ✿ ESG engagements with 15% of portfolio companies, accounting for 22% of portfolio AUM

At Matthews, active ownership and stewardship form the cornerstone of our commitment to foster strong corporate governance. With a long history of investing in Asia and Emerging Markets, we are often a significant shareholder in company registries. Meetings with company management are a common part of our investment process, preferably through a visit to the company's offices and facilities.

Across the investment team, Matthews conducted more than 5,000 meetings, virtual and in person, on-the-ground in 2022, including meetings with companies, suppliers, customers and other stakeholders. In 2021, the investment team conducted more than 4,100 virtual meeting. During the pandemic, we continued to conduct extensive meetings with companies in our investment universe via video, audio, and—when possible—in-person in Asia.

We aim to build a very comprehensive and broad understanding of a company, the environment in which it operates, and its long-term business prospects. This may entail visiting a company multiple times over a period of years before making an investment. We probe management's thinking on business models, capital allocation, future growth initiatives, competition, corporate governance, and other issues.

We seek to develop a view on the integrity of management, their corporate governance oversight and alignment with minority shareholders, how they intend to take the company forward, their approach to capital budgeting, and their ability to effectively manage the company through market and economic cycles.

Our deep and diverse 36-person* investment team has a strong background in Asia and Emerging Markets with a range of perspectives and expertise. Almost 70% of our investment professionals have lived, studied or traveled extensively throughout Asia Pacific, and over 65% are fluent in the region's languages. Respectful of diverse cultural landscapes, where feasible we take an in-person approach to company engagement, which we find more productive than filing shareholder resolutions. We also take a thoughtful and conscientious approach to voting proxies on behalf of our clients.

In calendar year 2022 (reporting period), 938 of 942 available meetings were voted on, equating to nearly 100% of the votable meetings.

ALIGNMENT WITH MANAGEMENT



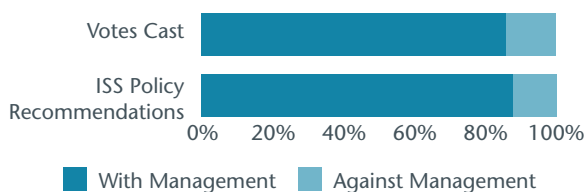
Votable Meetings: 942; Meetings Voted: 938

Source: ISS

By the Numbers—2022 Voting Trends

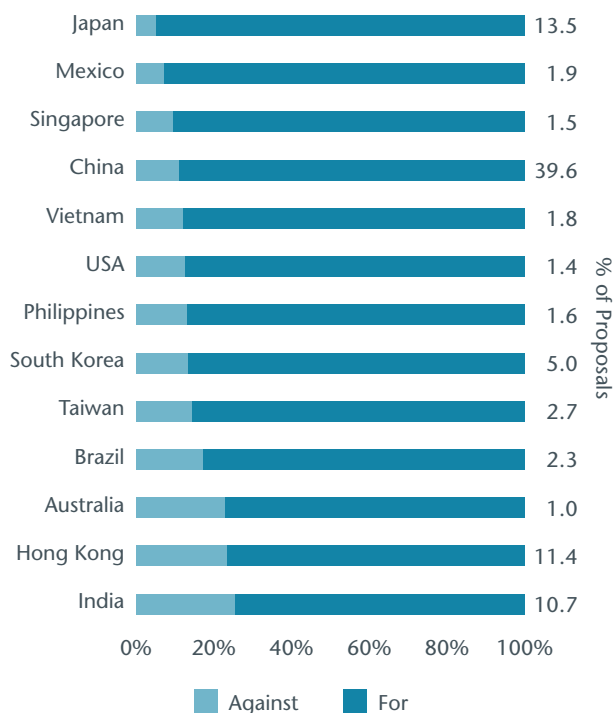
Proxy voting is a very important activity for portfolio managers and is a key tenet of shareholder rights. Voting is often one of the only ways that shareholders can express dissatisfaction with company management and hold them to account.

MATTHEWS—VOTES CAST VS ISS POLICY RECOMMENDATION



Source: ISS

MATTHEWS—VOTES CAST PER COUNTRY/REGION



Source: ISS; Other countries where the percent of proposals was less than 1% are: Australia, Bangladesh, Canada, Argentina, Russia, Romania, Thailand, Indonesia, New Zealand, UK, Kazakhstan, Malaysia, Chile, Turkey, Netherlands, Israel, Qatar, Saudi Arabia.

Votes Cast vs. ISS Recommendation

The votes cast during the reporting period were aligned with management recommendations in 84.5% of cases, while the ISS Benchmark Policy recommendations were at 86.5% alignment with management recommendations.

This percentage of voting in alignment with management has not changed very much over the past three years; however, the degree of scrutiny of agenda items up for vote has changed over the last few years.

In 2018, Matthews voted against the ISS Benchmark voting guidelines at less than 1% of meetings. In 2022, we voted against ISS Benchmark voting guidelines at 11% of meetings (104 of 938 voted meetings). This increasing number of overrides (voting against the ISS Benchmark recommendations) signals greater scrutiny of agenda items being voted upon by our investment professionals—the majority of the 257 individual item overrides at these 104 meetings was due to a more nuanced view.

Votes Cast per Country/Region and Number of Proposals Voted

The bulk of our overrides were for companies in mainland China and India, 55% and 27%, respectively. In some cases, we took into consideration the recommendations of specialized, domestic proxy advisors in each country. Historically, these two markets have corporate governance characteristics such that considering domestic proxy advisors' recommendations are appealing. The breadth and depth of listed companies in these two markets are also enormous and using domestic proxy advisors with specialized teams and local context allows us to supplement our benchmark research in line with our responsibility to vote in the best interest of our clients.

Some of the reasons we overrode the benchmark recommendations were to vote in line with local best practice. For example, in line with the Securities and Exchange Board of India guidelines, we voted against the election of cost auditors in India in many instances. Lower fees to cost auditors seem largely because of the perception about the role and responsibility of the cost auditors. The scope of work of cost auditors is much

	2020	2021	2022
Number of meetings voted	853	907	938
Number of items voted	7116	7673	7819
Meetings voted with at least one vote Against, Abstain, or Withhold	401	412	436
Against Management	13%	16%	15.5%
% Overrides	6%	10%	11%

Source: ISS and Matthews

Voting is a key tenet of shareholder rights and holds management to account.

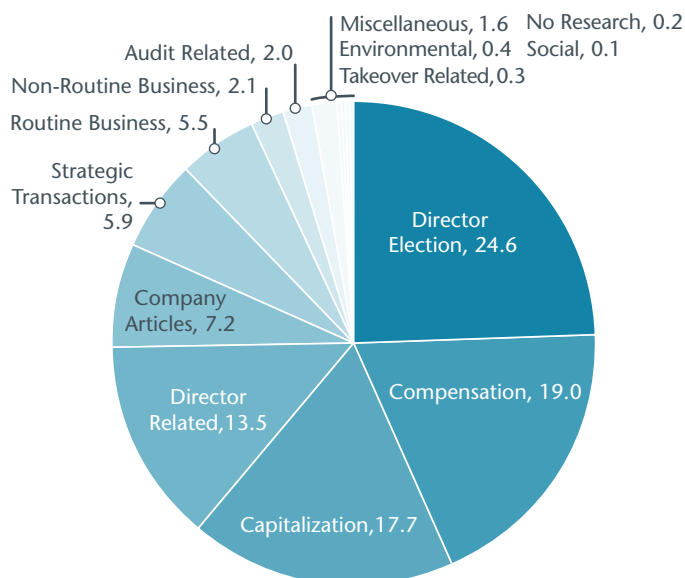
lower than the scope of work of the financial (or statutory auditors), so while not an immediate red flag, we voted against the election of cost auditors. We voted against this more routine matter when the suggested fee was lower than 80% of what is recommended in 2019 by the Institute of Cost Accountants in India (ICAI)—the quasi-regulatory body of cost accountants, which has provided minimum fees payable to such auditors based on size of the company. This seems to be an industry-wide practice and our vote is meant to signal a need for better disclosure around the scope of the audit and a feed commensurate with that.

In China, we overrode votes most often around restricted stock plans. Restricted stock plans are a good way to incentivize and reward key employees. Within the framework of the existing equity incentive system, many companies are trying out a 10-year-long appraisal and the choice of the company’s share price as the performance assessment target. These practices have enriched the incentive tools of domestic A-share companies to some extent. When it came to restricted stock incentive schemes in 2022, we often voted for these proposals after evaluating the scope, pricing, vesting criteria and performance targets. In some cases, our decision to vote in line with or against ISS recommendations was due to company interaction and in other cases it was due to supplemental research.

Votes Cast on Management Proposal Categories
Comparing votes cast to management recommendations across the major proposal categories provides insight into the positioning of votes on proposals submitted by management against these benchmarks. Votes cast during the 2022 reporting period were least in line with management on Director Election matters.

Shareholder proposals—proxy ballot questions submitted by shareholders rather than corporate management—are very uncommon in the markets where we invest; however, they are an important right and a tool for shareholders looking to improve corporate value. With increasing acknowledgement that environmental and social issues are material to stock performance, shareholders have been increasing the number of proposals filed, whether it be around disclosure of diversity and inclusion metrics or setting science-based targets (SBTs). Prior to 2021, there were only two Matthews holdings which had ever held votes on climate-related proposals—a company listed in the U.S. and a company listed in Australia. In 2021, we saw two more, both of which asked the company to report on climate change. In 2022, we saw three more proposals related to a report on climate change, two of which were at Australian companies and one at a Japanese company.

MATTHEWS—VOTES AGAINST (%)



Source: ISS



“At Matthews, we have a responsibility to encourage more sustainable business practices in the markets that we invest in, the Emerging Markets and Asia. By taking a long-term view, we can engage with companies that are shaping the world of tomorrow.”

Kathlyn Collins, CAIA
VP, Head of Responsible Investing and
Stewardship

Active Ownership

As a global investor, we understand that regulations play an important part in setting corporate governance standards for each country. In addition to our engagement with individual portfolio companies, we also engage with other key stakeholders who have significant roles in shaping public policy and corporate behavior. We believe that a good regulatory framework complements market forces, while looking after the interests of a variety of stakeholders. As such, we take an active role in key organizations that advance and protect the interests of our clients. Our objective is to raise the standards of the companies and markets in which we invest on behalf of our clients.

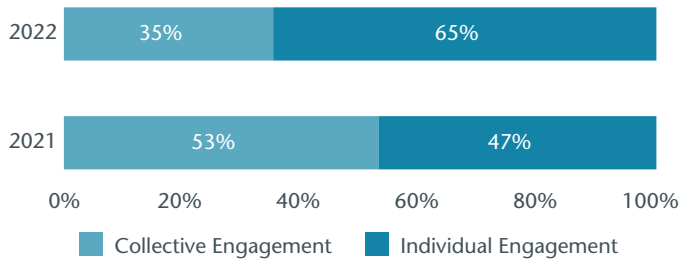
We strive to maintain active relationships with relevant market institutions, governmental and public bodies that may be helpful for keeping up to date with local legislation and market practice for improving the institutional framework. We also support different forums for promotion of good market practice, corporate governance, other responsible practices and relevant topics that may be in the joint interest of our investors. Some of these organizations with which we engage include the United Nations Principles for Responsible Investing (UN PRI), the Asian Corporate Governance Association (ACGA), the International Corporate Governance Network (ICGN), the IFRS Sustainability Alliance, CDP, the Emerging Markets Investors Alliance (EMIA) and the Farm Animal Investment Risk and Return (FAIRR).

By understanding the nuanced ownership and governance structures in such markets and being an active advocate of stewardship, institutional asset managers such as Matthews can make a significant contribution to improving corporate governance practices regionally. We can do this by combining our fundamental knowledge of Asian and Emerging Markets companies with constructive engagement with key stakeholders, including policymakers and our portfolio companies.

Company Engagement

Our 2022 engagement efforts reflect our commitment to active ownership. During 2022, we conducted engagements with 88 portfolio companies, focusing on more individual engagements and prioritizing some portfolio companies for collective engagements. We engaged on ESG issues with 15% of our portfolio holdings across strategies, accounting for 22% of our portfolio AUM at the end of 2022.

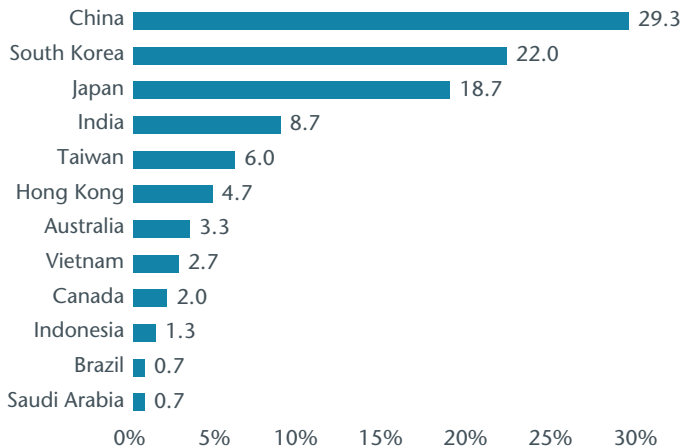
MATTHEWS—ENGAGEMENTS BY ENGAGEMENT TYPE



Source: Matthews

During 2022, our research team members held nearly 100 direct ESG engagement discussions with corporate management. Additionally, we also partnered with other investors via industry groups and conducted over 50 engagements with our portfolio companies by means of campaign letters, emails, and group meetings to expand our reach and influence. We engaged both individually and through collective investor initiatives, including on broad market topics with regulators and exchanges.

MATTHEWS—ENGAGEMENTS BY COUNTRY/REGION



Source: Matthews

In terms of country/region breakdown of our engagements, we engaged the most with companies in China which made up 29.3% of our total engagement, followed by South Korea (22%), Japan (18.7%), India (8.7%), Taiwan (6%) and Hong Kong (4.7%).

Engagements with companies in China account for 10.4% of our portfolio AUM, followed by South Korea (3.5%), India (3.5%), Japan (1.6%), Hong Kong (1.3%), Vietnam (0.7%), Taiwan (0.6%), and others (0.6%).

ENGAGEMENTS TOPICS



The areas of our engagement have centered on a variety of financially material ESG topics including energy transition, water management, labor rights, data security and privacy, occupational health and safety, board effectiveness, board composition and diversity, remuneration, shareholder rights and communication, supply chain management, product quality and safety, disclosure, as well as impacts on environment and society.



Case Studies

The Matthews investment team collaborates when we engage as a company and through collective investor initiatives including on broad market topics with industry participants and exchanges. In the following pages, we highlight some of the engagements on various topics we undertook during 2022.



SOUTH KOREA

ESG has been gaining momentum in South Korea over the last few years, with companies focusing on improving their disclosures to meet regulatory requirements and investor expectations. Retail investors are increasingly becoming more involved in the proxy voting process, holding companies to account.

We participated at the International Corporate Governance Network’s annual conference in Seoul in October 2022 to discuss corporate governance with companies, regulators and the stock exchange. We continued to push the importance of improving the timeliness of annual general meeting (AGM)/ extraordinary general meeting (EGM) materials as well as English translations, the key role that companies are playing in the government’s climate agenda, and minority shareholder protections to mitigate the “Korea discount”—the tendency for companies listed in South Korea to have lower valuations than global peers. In 2022, we also saw the impact of the Capital Market Act amendment whereby large, listed companies that don’t have women on their board need to appoint a female director. We spoke about our experience engaging with companies on diversity at the conference and expect to see progress on board composition as it relates to diversity in 2023.

In 2022, Matthews engaged with 18 South Korean companies. Many of these engagements and conversations with management centered on corporate governance issues prevalent in this market, including ownership structures, board composition, independent oversight, capital management, disclosure and diversity. We regularly engage with companies in South Korea on key ESG issues and risks.

Samsung Electronics Co., Ltd.

Engagement Topics: Board Composition, Board Committees, Environmental Strategy

Outcome and Observation: We have engaged with Samsung Electronics, the largest company in the South Korean market, over the past few years in conjunction with the Korean Working Group of Asian Corporate Governance Association (ACGA). We have engaged with the company on shareholder return policies, governance, board changes and its environmental strategy. In August 2020, we had a call with the independent chairman of Samsung Electronics to discuss investor expectations of corporate governance as well as learn about changing board dynamics at the company. Positive changes include enhanced sustainability governance systems, improved reporting and policies related to labor association relations. Throughout 2020, we continued to push for increased independence and international experience at the board level. Samsung has delivered on international experience with one of its recent board appointments. We continued our annual discussion with the independent chair in 2021 and 2022. We came away with a positive view as the company reorganized its corporate governance approach with a new Sustainability Committee that sets the direction of ESG management policies and established an independent Compliance Committee. Samsung Electronics now has one independent director with ESG expertise. The independent chair also confirmed that enhancing board diversity will be a continued effort.

We have tracked Samsung Electronics’ ESG performance and met the company on the ground in Seoul in October 2022. The company joined RE100, a global corporate renewable energy group, in 2022 and much of the discussion was around Samsung’s new environmental strategy launched in September 2022, which is quite a commitment. We are impressed with the company’s efforts on the environmental front. Most recently we have engaged with Samsung Electronics on its degree of alignment with the EU taxonomy, its progress on renewable energy adoption, and succession planning.

The above-mentioned securities are for illustrative purpose only, they are not intended for solicitation of the purchase of such securities, and do not constitute any investment advice or recommendation.



Kathlyn Collins, VP, Head of Stewardship and Responsible Investing at Matthews speaking at the ICGN Seoul Conference on October 6, 2022 on Best Practice Approaches to Diversity, Equity and Inclusion panel session.

Samsung SDI Co., Ltd.

Engagement Topics: Water Disclosure, Board Composition, Product Quality and Safety, Health and Safety Metrics, Corporate Culture

Outcome and Observation: Samsung SDI produces rechargeable batteries and is working on the next generation displays. We have been engaging with the company since 2019. Our past engagement focused on board composition, product quality and safety and business plans for improving energy intensity. In 2022, we sent an engagement email to the company's IR team after being alerted about an accident at a subsidiary. Samsung SDI confirmed that the accident happened in 2018. We also followed up on accusations that the company was failing to take necessary measures to address harassment in the workplace. The company responded and affirmed it holds committee meetings for managing harassment issues and implements appropriate measures for the employees. It also confirmed that the case was closed after a thorough investigation in several committee meetings. We will continue to monitor any developments at the company that may affect its performance.

On environmental matters, in June 2022, as the lead investor, we signed a letter on behalf of the investor members of CDP, a global disclosure charity, to request the company disclose more information related to its environmental risk management and respond to CDP Water questionnaire. This was the third year we engaged with Samsung SDI through the CDP's Non-Disclosure Campaign but the first time we acted as the lead investor. We are encouraged to see that the company, for the first time, responded to the CDP Water questionnaire.

Shinhan Financial Group Co., Ltd.

Engagement Topics: Board Diversity, Board Composition, Disclosure, Shareholder Return

Outcome and Observation: Shinhan Financial Group provides a full range of consumer and commercial banking-related financial services. We had an initial engagement with the company as a member of Asian Corporate Governance Association (ACGA) Korean Working Group in 2019 when the company had no women on its board while peers did. In a follow up call in October 2022, the CEO Professor Jo Seol Kim became the second female director on its board. We also asked for information disclosure improvement (for example, mortgage portfolio breakdown by loan-to-value ratio bands, instead of a simple average loan-

to-value ratio), and we will continue to check in on any progress in 2023.

We have discussed the historically low dividend payouts from South Korean banks which have contributed to the "Korean discount," to both companies and to regulators over the last few years. This was a topic the ACGA Korean Working Group spoke to regulators about during a 2019 delegation to Seoul. Shinhan Financial has taken note of this and made significant progress and it was the first bank to pay out quarterly dividends and do simultaneous buyback and cancellation. There is more room on the dividend payout ratio enhancement across the banking sector, but we are encouraged by Shinhan Financial's recent improvements.

Kakao Corp.

Engagement Topics: CDP Climate Change Disclosure

Outcome and Observation: Kakao provides Internet portal services such as news, free e-mail and leisure information, and also offers cross-platform mobile messaging. In June 2022, as the lead investor, we signed a letter on behalf of CDP investor members to request the company disclose more information related to its environmental risk management and respond to the CDP Climate Change questionnaire. Increased disclosure will provide investors additional, critical insight into how Kakao is managing its environmental impact, especially given the energy usage at data centers in South Korea is still very much tied to fossil fuels. This was the third year we engaged with Kakao through the CDP's Non-Disclosure Campaign. The company responded to the CDP Climate Change questionnaire for the first time in 2022.

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During our visit to Seoul in October 2022, we met with **LG Chem Ltd. and SK Innovation Co., Ltd.** management teams to discuss minority shareholders' rights for split offs, transparency at top group level for decision-making, and environmental strategy. Our visit to Seoul was a good opportunity to state our concerns and expectations to these companies. We also followed up on our concerns regarding **Hyundai Motor Co.** news related to labor issues with subcontractors in the U.S. We will keep tracking the company's performance in labor management concerns and expectations to these companies.

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2022 saw continued ESG momentum in Japan by regulators, companies and investors. In April 2022, the Financial Services Agency (FSA) published a "Draft Code of Conduct for ESG Assessment and Data Providers." In November 2022, the FSA published and began soliciting opinions on proposed partial amendments to the Cabinet Office Ordinance on matters to be included in securities reports and securities registration statements, based on the report of the Disclosure Working Group of the Financial System Council released in June. The proposed amendments relate to disclosure of corporate initiatives regarding sustainability and corporate governance.

In 2022, we also saw the number of women on Tokyo Stock Exchange (TSE) Prime Market company boards increasing, with 79% of companies holding AGMs between January 2022 and June 2022, having at least one female director on its board. We also noted Prime Minister Fumio Kishida's government's broader focus on gender issues and plans to require disclosure of the gender pay gap, the percentage of women in management positions and the percentage of male employees taking parental leave. However, the ratio of women on boards in Japan is considerably lower than other markets. Based on our own analysis, Tokyo Stock Price Index (TOPIX) companies' percentage of women directors was 11.8% in 2022. In September 2022, together with the ACGA and other asset management companies, we sent a letter to the FSA and Japan Exchange Group to recommend a series of targets for achieving faster and higher levels of board gender diversity by amending the TSE listing rules and the Corporate Governance Code.

As a firm-wide activity, Matthews sent out board diversity letters in December 2022 to all the Japanese holdings in our consolidated portfolio to introduce our new voting policy which became effective on February 1, 2023. If our Japanese holdings have no women on the board of directors on or after the above-mentioned effective date, Matthews will vote against the Nomination Committee chair or Corporate Governance Committee chair and other members of equivalent committees. In the case that there is no Nomination or Corporate Governance Committee (or equivalent), Matthews will vote against both the re-election of existing board directors and election of new board members.

In 2022, Matthews engaged with 17 Japanese companies on issues related to ESG disclosure, sustainability strategies, effective board structure, and composition as well as capital allocation topics such as dividends and buybacks. Environmental-related disclosure and supply chain management were other areas of focus during the engagement year.

Japan Steel Works Ltd.

Engagement Topics: Board Diversity, Compensation Structure, Environmental Disclosure, Supply Chain Management, CDP Disclosure

Outcome and Observation: Japan Steel Works (JSW) is a machinery and steel engineering company headquartered in Tokyo. In April 2022, we had an engagement call with a JSW top executive. Overall, JSW seemed very appreciative of the work we conducted on understanding the company's ESG shortcomings and identifying areas for improvement. The main points that we highlighted were the lack of capital efficiency metrics tied to management compensation, the need for improvement in capital allocation policies/shareholder returns, board composition including independence and diversity, and some areas for improved environmental and social disclosure.

In June 2022, we signed a letter as the lead investor on behalf of 33 other institutions to encourage JSW to respond to the CDP Water questionnaire. Additionally, we signed as a supporting investor to the CDP Climate Change questionnaire request. JSW has responded to the Water and Climate Change questionnaires for the first time following our engagement in 2022.

Also in June 2022, the company expressed its endorsement for Task Force on Climate-related Financial Disclosures (TCFD) and its detailed report can be found on the company's website. TSW has set short-term and mid-term targets for greenhouse gas (GHG) emissions reduction and energy transition. Regarding JSW's board composition, its board independence has slightly improved to 37.5% due to board-size change post our engagement call while the company still has a single-gender board. To push the company to consider adding

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CHINA

at least one female director to the board, we sent a letter with our expectations regarding board diversity and voting policy in December 2022.

The company's ESG rating was upgraded in November 2022. JSW has disclosed a policy that provides whistleblowers with protection from retaliation, which contributed to the upgrade. We will continue engaging with the company on board composition, especially diversity and sustainable performance-linked director compensation.



China saw a great deal of regulatory changes in 2022. China's Ministry of Ecology and Environment (MEE) is actively implementing policies to strengthen corporate environmental disclosure, with management measures released at the end of 2021 and format guidelines released in January 2022. According to the requirements, listed companies and bond issuers that have committed environmental violations are required to disclose environmental information on a mandatory basis.

In January 2022, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, respectively, updated the "Listing Rules." The new Listing Rules clearly state that listed companies should prepare and disclose non-financial reports such as social responsibility reports in accordance with regulations.

In April 2022, the China Securities Regulatory Commission (CSRC) issued the "Guidelines for Investor Relations Management of Listed Companies," which include ESG information as one of the contents of communication between listed companies and investors in investor relationship management.

In May 2022, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) issued its Work Plan for Improving the Quality of Listed Companies Held by Central State-Owned Enterprises, which aims to promote all central state-owned listed companies to disclose ESG reports by 2023.

In September 2022, the Insurance Asset Management Association of China (IAMAC) released the first written proposal in the field of ESG and Stewardship, encouraging asset managers to incorporate ESG factors into their investment processes, and actively engage with invested companies, among others.

In December 2022, the CSRC issued its Three Years Action Plan for Improving the Quality of Listed Companies, aiming to build a better capital market with multiple measures.

Improvements have also been achieved in terms of ESG data disclosure. According to ZD Proxy, in 2022, the number of China's domestic A-share companies releasing ESG reports accounted for 30.8% of the

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total, with the CSI 300 Index constituent companies—consisting of the top 300 stocks traded on the Shanghai and Shenzhen Stock Exchanges—reaching 90.3%.

As the largest developing market, China has a lot of room for improvement at the ESG level. We regularly engage with our Chinese portfolio companies on key ESG issues and risks. In 2022, Matthews engaged with nine portfolio companies listed in the A-share market and two mainland-based companies listed in the U.S. on issues mostly related to ESG Data Disclosure, GHG Emissions disclosure, GHG Reduction targets setting, Board Diversity and Data Privacy related issues. Other engagements and conversations were with small and mid-size companies that have only been recently rated by ESG research agencies—for example, we discussed how to avoid being, in some cases, unnecessarily punished for a lack of disclosure.

Weichai Power Co., Ltd.

Engagement Topics: ESG Data Disclosure, Clean Tech Strategy, Group-wide Environmental Targets Setting, Executive Compensation Metrics, CDP Climate Change Questionnaire

Outcome and Observation: Weichai Power (Weichai) is the largest heavy-duty truck engine manufacturer in China. In June 2021, we engaged with Weichai about its low ESG performances in its anti-corruption policies disclosure, opportunities in clean tech, toxic emissions and waste reduction targets and GHG emission reduction targets. We recommended the company consider disclosing more detailed anti-corruption policies that cover all suppliers on its website or in the annual filings and conduct regular auditing of all suppliers. We also encouraged Weichai to disclose targets to increase its investment in clean technologies and set group-wide GHG emissions and toxic emission reduction targets. Weichai's disclosures in the areas we directly identified have improved as disclosed in its 2021 ESG report released at the end of April 2022. In the ESG report, Weichai noted it has established a national-level fuel cell technology innovation center in China.

The company also disclosed a detailed Anti-corruption and Business Ethics section which covered the supply chain in the 2021 ESG report following our suggestions. Although Weichai still does not have group-wide GHG emissions reduction targets, it does disclose group-wide energy intensity and water consumption intensity reduction targets in the 2021 report, which could be considered as a good start. The improving disclosure helped Weichai's third-party rating upgrade in 2022.

In June 2022, we co-signed a letter on behalf of CDP investor members requesting Weichai to disclose more information related to its environmental risk management. This was the second year we engaged with Weichai through the CDP's Non-Disclosure Campaign. Weichai started to disclose to the CDP's Climate Change questionnaire in 2022.

Zhejiang Hangke Technology Inc. Co.

Engagement Topics: ESG Data Disclosure, Auditor, Board Composition

Outcome and Observation: Hangke is a China-based company principally engaged in the design, research and development, production and sales of post-processing systems for lithium-ion battery production lines. According to the company's own disclosure, with the onset of Net Zero, improving energy utilization efficiency and re-feeding the post-testing electric energy to the grid has become one of the important development directions of the back-end battery manufacturing system.

Hangke is a beneficiary of the electric vehicle (EV) development in China. Hangke is exposed to the new energy vehicle (NEV) theme, but based on third-party ratings, we believe the company did not receive its deserved credit for its involvement in clean tech activities. Third-party ESG methodologies include the actual products themselves and key components, but not the machines used to manufacture EV-related products given that these are considered secondary. Further, for lithium batteries, third-party rating agencies only include the batteries, anodes and cathodes that have explicitly disclosed sustainable applications such as powering EVs and generating power for the grid. So, many of the companies we invest in are either not assessed accurately by market players or their coverage is immature and their businesses not well-understood. We sent the company an email on the need for better disclosure and will continue to engage with the company.

We had our first dedicated call with Hangke on ESG disclosure topics in June 2022. We urged the company to consider changing its auditor as we noticed that the proposed signing Certified Public Accountant has been subject to regulatory enforcement action in 2021 due to the person's misconduct in auditing the account

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receivables for the company's IPO. There is some work to do for Hangke, but there are positive signs on two items: the company responded to one of the third-party rating agencies' requests to point out enhanced disclosure in its most recent annual report, and the company would like to make improvements to its board composition such as adding more independent directors. Regarding the signing auditor, Hangke has yet to replace the signing auditor and we will follow up with the company to raise our concerns again.

We will keep tracking the company's latest disclosure and following up with the company in 2023 on ESG data disclosure, investments in environmental protection and GHG emissions reduction target setting.

HONG KONG

In 2022, we saw the ESG regulatory landscape in Hong Kong continue to develop and we anticipate the rising expectations from regulators and investors will influence companies to make improvements with respect to key ESG issues.

In April 2022, the Hong Kong Exchanges and Clearing (HKEX) launched a new repository "Board Diversity & Inclusion in Focus" to aid access to information on and transparency around board diversity as a new rule was set in 2021 to end single-gender boards by end of 2024. According to the statistics provided by HKEX, 25.5% of issuers had no women directors in 2022, a segment that has been shrinking over the past three years.

In November 2022, HKEX published its 2022 Analysis of ESG Practice Disclosure, which set out the findings of 400 sample issuers' compliance with its 2020 enhancements in the ESG Reporting Guide. These findings show that gradual progress has been made. For example, most issuers disclosed their boards' oversight and management approach on ESG issues, and over 85% disclosed all new climate-related disclosures. Yet, only around a third of issuers have gone further to start reporting on Scope 3 GHG emissions, and only 5% adopted climate-related scenario analysis for climate resilience assessment. HKEX also reinforced its direction towards further enhancing climate-related disclosures in line with the TCFD framework and new ISSB climate standards.

In addition, the Securities and Futures Commission (SFC)'s amendments to the Fund Manager Code of Conduct in respect of the management and disclosure of climate-related risks by fund managers, as well as the Hong Kong Monetary Authority (HKMA)'s Supervisory Policy Manual on climate risk management for authorized institutions, also came into effect in 2022, driving the companies to better manage and disclose climate-related risks and opportunities.

We regularly engage with our portfolio companies in Hong Kong on key ESG issues and risks. In 2022, Matthews engaged with 20 companies listed on the Hong Kong Stock Exchange on issues related to board composition and diversity, shareholder rights, GHG emissions and carbon reduction targets, worker safety, ESG and climate disclosure.

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Alibaba Group Holding Ltd.

Engagement Topics: ESG and Climate Disclosure, GHG Emission Reduction Targets and Roadmap, Data Governance and Security, Board Composition, Executive Remuneration, Business Ethics

Outcome and Observation: Alibaba is the largest Chinese e-commerce company, which is subject to specific risks relating to climate change, including climate change physical risk, regulatory risk and changing consumer preference. We started engaging Alibaba collaboratively on climate disclosure in 2019 as we believe more should be done by Alibaba in cutting its emissions in its own operations and across its supply chain. Taking action is also one of the areas where the company could lead. From 2019 to 2022, in conjunction with investor members of the CDP, we co-signed letters to the company to encourage disclosing more information related to its environmental risk management and requested the company to respond to CDP Climate Change and Forests questionnaires. We were pleased to know that Alibaba submitted the CDP Climate Change questionnaire in July 2022 for the first time and scored a B rating.

ESG reporting has been one of the engagement topics that we focused on since 2021 as Alibaba hadn't disclosed regular ESG information to date. We suggested the company adopt international standards in reporting its material ESG issues, including data privacy, consumer rights and interests and human capital management. We also encouraged the company to disclose its carbon emissions and develop a climate change management and disclosure framework aligned with TCFD Recommendations. In August 2021, Alibaba responded that the company would release an annual ESG report in alignment with international reporting frameworks, form a board-level ESG committee for ESG goals, and potentially appoint a Chief Sustainability Officer soon.

In August 2022, Alibaba published its first ESG Report in accordance with HKEX ESG Reporting Guide and made reference to UN Sustainable Development Goals (SDGs), GRI Standards, SASB Standards and TCFD framework. It also set up a three-layer sustainability governance structure with a board sustainability committee to lead ESG efforts across Alibaba. We had a follow-up call with the company through ACGA to further discuss Alibaba's ESG strategy, targets and performances disclosed in its latest ESG Report. In November 2022, we engaged Alibaba through ACGA to inquire about the company's board composition, partnership nominating rights,

executive remuneration disclosure, data governance and security, and ethical artificial intelligence (AI).

In terms of GHG emission reduction targets and roadmap, we are encouraged to see that Alibaba announced its commitment to achieve carbon neutrality across its operations by 2030, and released the Alibaba Group Carbon Neutrality Report 2021. The company has also committed to the Science Based Targets initiative (SBTi) and aligned its decarbonization measures and strategy with the "Business Ambition for 1.5°C" pledge in 2021. Our engagement with Alibaba shows that it has made considerable progress in terms of GHG emission reduction roadmap, ESG and climate disclosure. We are encouraged by the company's progress so far and expect further improvements.

Meituan

Engagement Topics: Board Composition and Diversity, Labor Management, Data Privacy and Security, ESG and Climate Disclosure

Outcome and Observation: Meituan is one of China's largest one-stop online platforms for food, transportation, travel, shopping and entertainment. We had our first dedicated ESG call with the management in 2021 to discuss the material ESG issues and controversies the company had been facing. We asked Meituan to clarify its timeline, scope and details of introducing a social security insurance program to its delivery workers, known as riders by the company. The company discussed algorithm improvements and how it incorporated feedback from stakeholders to introduce transparency and fairness for riders. Meituan also clarified controversies on data privacy issues and noted that ensuring data privacy is its top priority. In addition, the company also disclosed the percentage of EVs in its fleets and introduced the initiatives of building battery swap stations.

In 2022, we engaged Meituan both individually and collaboratively, and became a co-lead in the collaborative engagement efforts with the China Working Group of the ACGA. In September 2022, we had the first collaborative meeting and we discussed topics including labor management, data privacy and cybersecurity control, as well as board structure and governance. Meituan stated it has various measures to reduce the riders' safety risk and protect their rights.

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For example, fatigue reminders are on the app to remind riders to take a 20-minute break every four hours. This is a mandatory requirement and Meituan collected positive feedback from riders. Meituan also shared details of living wage of the riders and its monitoring system for data privacy and cybersecurity. After the meeting, we followed up with examples of best practices and disclosure that would help investors better understand Meituan's management of rider safety. Recommendations were provided to Meituan to enhance the level of data transparency on accidents. In December 2022, we engaged the company again to continue the dialogue on these issues and further suggested Meituan consider climate reporting with TCFD recommendations.

On diversity, we have engaged with the company on the topic since 2020 as Meituan still does not have any women on its board. In April 2022, we sent our third board diversity letter to Meituan to re-emphasize the importance of board diversity and our intention to vote against non-diverse directors. Meituan responded that it is still searching for suitable female candidates as it takes time to find the right person, and the company's plan is to onboard a female director in 2023. We appreciate the constructive dialogues with Meituan and will continue to engage with the company on furthering improvements on ESG issues.

China State Construction International Holdings Ltd.

Engagement Topics: Board Independence, ESG Targets, Clean Technology, Worker Safety, ESG Disclosure, Green Building

Outcome and Observation: China State Construction International (CSCI) provides building construction and civil engineering works services in Hong Kong and Macau. We started engaging CSCI in April 2022 and provided suggestions to enhance board independence and effectiveness, increase research and development (R&D) investment in low carbon and set targets on reducing work-related injury rate at our first meeting. CSCI acknowledged our suggestions, and we were pleased to hear that the company has noticed the concerns regarding long tenures of several independent non-executive directors (INEDs) and has set up plans to replace them in the coming years. The company also indicated that targets of carbon neutrality and work-related injury rate were set and one female INED was added in 2022. We followed up with disclosure recommendations in areas such as year-on-year ESG

metrics reporting and percentage of green and low carbon construction projects. We will continue to engage with the company and make recommendations to strengthen its ESG practices and disclosure. We look forward to seeing more gender diversity and independent directors on the Board.

Hangzhou Tigermed Consulting Co., Ltd.

Engagement Topics: ESG disclosure, Animal Testing, Business Ethics, Employee Incentive Plan, External Auditor

Outcome and Observation: Hangzhou Tigermed is a full-service global Contract Research Organization (CRO) for the biopharmaceutical and medical device industries. We have been actively engaging Hangzhou Tigermed since 2020. We engaged the company about clinical trial quality management, anti-bribery policies, animal testing policies and ESG disclosure in 2020.

In January 2021, we engaged the company again regarding its proposed Employee Stock Option plan. We expressed our concerns that the plan had a short lock-up period and lacked performance targets. The company responded that there would be a mandatory lock-up for 12 months and that the company would post further lock-ups. In November 2021, we engaged the company on animal welfare issue and shared best practices to encourage the company to have a transparent disclosure on animal testing policy and programs.

In April 2022, we raised our concern regarding the reappointment of the external auditor. The proposed auditor had served the company for five consecutive years and has accumulated tenure of service totaling 10 years, which would have violated the regulatory limit. Hangzhou Tigermed responded that the signing CPA was replaced starting from its 2021 fiscal year to comply with the CSRC rules. The company also adopted some of our suggestions on animal testing policy and programs over the past years and enhanced its disclosure for both Hangzhou Tigermed and its subsidiary Frontage Holdings by referring to the Principles of the 3Rs (Replacement, Reduction and Refinement) in the 2021 ESG Report.

We highly appreciated the company's efforts and continue to encourage Hangzhou Tigermed to disclose the accreditation and scope of the Association for Assessment and Accreditation of Laboratory Animal Care

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International (AAALAC) for better disclosure. We are pleased to see that Hangzhou Tigermed's ESG rating was upgraded in 2022.



CSPC Pharmaceutical Group Ltd.

Engagement Topics: Board Composition and Diversity

Outcome and Observation: CSPC Pharmaceutical Group manufactures and sells pharmaceutical products. Since 2020, we have engaged with the company regarding board diversity and female board representation as the company had no women on board over the past few years. We believe bringing diverse perspectives and experiences to the board is a key to an organization's success.

In February 2022, we engaged with the chairman of the company to ask about the progress and plans regarding board composition and the CSPC Pharmaceutical responded that it was planning to add women and young directors on the board and provide more voice to the independent directors. In April 2022, we sent our third letter to CSPC Pharmaceutical requesting the company to cease single-gender board. CSPC Pharmaceutical responded that board members including the chairman had recently discussed this issue and agreed that one of the key initiatives in 2022 would be to identify and appoint a female board member. We are delighted to see one female INED with over 10 years of experience in investment management in the health care sector was appointed in November 2022, signaling its willingness to improve its board composition.

Stewardship is a relatively new concept in the Indian capital market, with the Securities and Exchange Board of India (SEBI) issuing a code in 2019 and the Insurance Regulatory and Development Authority of India (IRDAI) issuing one in 2017 and 2018. The Indian mutual fund and insurance sectors are the two largest domestic institutional investors, with US\$488 billion and US\$131 billion in AUM, respectively, as of 2022. These investors are expected to contribute 40%-45% of the US\$18 billion in equities purchased by local institutions since 2020. However, most fund-house websites provide vague, irrelevant and formulaic information regarding stewardship codes and report activity, rarely adding anything substantive to the guidance provided by the SEBI or the IRDAI. Reports on investors' stewardship activity are far worse. Insurance companies provided sparse public reports prior to the revised guidelines in 2020. Institutional investors are making progress with voting reports, but largely because of regulations. It is imperative that the mutual fund and insurance sectors take the lead in providing granular details on how investors should formulate strategies and report stewardship activity. Amid heightened regulatory and reputational risk, institutional investors and their advisors should take it to the next level and explain how they are meeting their obligations.

In 2022, Matthews engaged with 10 Indian companies on topics including board composition and effectiveness, executive remuneration, product quality, ESG and climate disclosure, and supply-chain management.

UNO Minda Ltd,

Engagement topics: Auditors, Board Independence, Board Effectiveness, ESG disclosure, Product Quality, Succession Planning

Outcome and observations: UNO Minda provides automotive solutions to original equipment manufacturers. Our engagement with the company in 2020 and 2021 focused on management's execution of business strategies and mergers and acquisition (M&A) integration. We are encouraged by management's ability to execute business strategies and integrate acquisitions successfully.

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We opposed the appointment of statutory auditors in 2021 and 2022 because of a perceived conflict of interest with one of the independent directors. The company clarified to us in September 2022 that the independent director never worked in the audit division, since he was part of the advisory team, and that he joined the board after the cooling-off period. We also inquired about the company's other corporate governance practices; we suggested that different independent directors head the Audit Committee and the Nominations and Remuneration Committee. The company considered our suggestions and indicated that the director concerned would not be re-elected when her term ends, and another independent director would be considered. We also engaged with the company on succession planning.

On ESG disclosure, the company introduced references to GRI, SASB and SDG in its latest annual report. UNO Minda provide few details about its environmental footprint, but this is not in line with the standardized Business Responsibility and Sustainability Report (BRSR) format. As the company develops its roadmap for the next few years, it has indicated that it will improve year over year, particularly on carbon neutrality. We advised the company to disclose the coverage of external certifications for all the sites, such as ISO 9001:2015 (Quality management systems), ISO 14001:2004 (Environmental management systems), and ISO45001:2018 (Occupational health and safety management systems). If all the sites are not certified, the company should state the goals and outline a timeline to get them certified. UNO Minda was open to our suggestions to improve disclosure of external certifications of facilities.

We followed up with the company, asking for information on the measures taken to address product quality control and the recall process, because lapses in quality could hurt the company's reputation. We also advised the company to consider the SBTi as part of its carbon-neutrality plan, as at March 1, 2023, 114 Indian companies are committed to the SBTi and 45 companies have been approved by the SBTi, making India a leader in this space among developing nations.

We are encouraged to see that UNO Minda has made good progress on corporate governance practices, and we will continue to engage with the company on ESG disclosure, the separation of chairman/managing director roles, external certifications, and a system for handling product quality and recall issues, and disclosure of the share of EV revenue.

Shriram Finance Ltd.

Engagement topics: M&A, Remuneration

Outcome and observations: Shriram Finance is a financial services company engaged in providing retail finance. In December 2021, the Shriram Group announced that Shriram Capital (SCL) and Shriram City Union Finance (SCUF) would merge with Shriram Transport Finance Company (STFC) as part of the group's corporate restructuring. Following the merger, in June 2022, we engaged with the company to understand the status of the post-merger integration and the new entity's remuneration structure. The company indicated that it does not foresee challenges to the integration, as the organisation structures of the merged entities are mostly aligned and leadership seems to be focused on the success of the merger, especially as it relates to human capital management.

Our engagement was also focused on understanding the potential changes in remuneration structure for the merged entity. The company indicated that there would be no changes in the executive compensation that comes from the Shriram ownership trust, which receives pay-outs from all Shriram-related entities, and that it has set a formula for pay-outs to executives as it is based on proportion of their ownership in the trust. We think the compensation is more aligned given that the combined entity will account for most of the business payouts contributing to the trust. The company also indicated that it plans to introduce Employee Stock Option Plan (ESOP) across the merged entity, because SCUF had an ESOP that was expiring. We will continue to engage with the company and monitor the merger progress, and have requested it to publicly disclose compensation metrics and consider contractors/suppliers in its human rights policy.

OTHER EXAMPLES

Breville Group Ltd

Engagement topics: Compensation, Board Effectiveness, ESG disclosures

Outcome and observation: Breville Group designs and develops small electrical kitchen appliances. Our engagement with the company began in 2020 around director skillset in relation to overall board composition

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and refreshment. In October 2021, we spoke with the company's management and head of the Remuneration and Nominations Committee, expressing our concerns about CEO compensation, board composition and ESG disclosure. The company clarified that the CEO's total package was benchmarked against domestic and international growth companies of similar size and Breville considers it appropriate and competitive for a high-performing global CEO who delivers shareholder value and sustainable growth.

We encouraged the company to disclose details of the long-term incentive (LTI) awarded based on three-year and five-year growth. However, the company categorically stated it would not disclose targets and internal metrics, as this could influence and control LTI recipients' performance. In the long run, though, the company intends to drive LTI based on market-driven total shareholder return (TSR) instead of the temporary internal metrics used amid the pandemic. We also inquired about the long-tenured independent director sitting on the board, but the company clarified it would decide when the director is up for re-election.

We applauded management on its decision to publish TCFD reporting, as it included details on product design, repairability, R&D and innovation related to sustainability, which was helpful for us to evaluate the company's sustainability practice. Breville also indicated it liked the SASB framework but is not sure if it should be adopted in its entirety; it will consider this in the next reporting year. We pointed out areas of low-hanging fruit where the company could improve its ESG ratings as well.

In November 2022, ahead of the AGM, the company wanted to discuss the compensation structure and potential board changes with us. The company emphasised it would retain sales and earnings before interest and taxes (EBIT) growth as a metric to reward the CEO. The proxy advisors also highlighted concerns around deferred rights given to the CEO. The company clarified that it is using deferred rights as a retention tool, driven by movement in share price over a five-year period, and that this is not part of the variable component, as it is included in the fixed package. We agreed with the company's compensation structure and retention package for key management. We will continue our engagement with the company, monitor board changes and encourage it to disclose performance metrics and seek an update on SASB reporting.

First Quantum Minerals Ltd.

Engagement Topics: Health and Safety Executive Key Performance Indicators in Remuneration, Renewables, Deforestation

Outcome and Observations: We started engaging with First Quantum, a key player in copper, which is critical for the transition to EVs, in 2020. Given the long-term life of assets, we sought to better understand the company's royalty payments to governments across its asset base to identify potential areas of establishing trust with local leadership and governments in host countries. As a mining company, maintaining a social license to operate is key and we discussed how the company measures success and evaluates effectiveness of the programs in each country, especially with an eye to local employment. In addition to this, we spoke to the company about its emissions reduction targets for power sources at key assets in Panama and Zambia. On engagement, we spoke with the company about linking ESG metrics to executive compensation. This was an area that First Quantum enhanced post our initial conversations and engagement, coming out with a weight specifically tied to safety which would impact both Short-Term and Long-Term Incentive Assessments for executives.

Despite the progress, we wanted to see more details around the criteria used and post the 2022 proxy statement, we followed up with a best practice example from a leading peer. We spoke to the company about industry benchmarks such as the Responsible Mining Index, and suggested that the company focus on areas where there was the most room for improvement. Lastly, we also engaged the company in its reforestation efforts and its tailings facilities. On deforestation and negative impacts on the biologically diverse Mesoamerican Biological Corridor, we were alerted to some negative press and asked the company to respond. The company told us that it had undertaken efforts to support three protected areas to conserve species habitats and compensate for areas that could be impacted, signed an agreement with MiAmbiente (the Panamanian Ministry for the Environment), and was working with a number of independent organizations on the implementation of species-level conservation plans.

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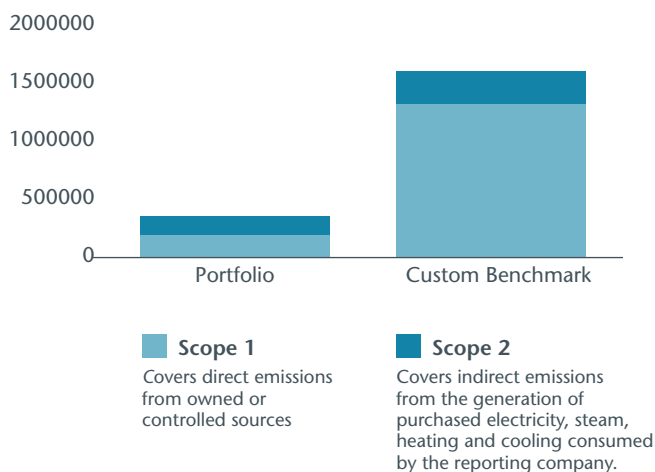
Other Themes

Climate Change

Matthews considers climate risks to be an important risk for investee companies. To date, carbon footprinting has been the industry standard for measuring investors' climate transition risk exposure to provide a baseline from which to take action.

For the past four years, we have conducted carbon footprinting for the aggregate Matthews portfolio versus a custom benchmark based on our portfolio positions and corresponding benchmarks to assess the emissions of assets held in the strategies we manage. The climate analysis showed that over the period of 2019 to 2022, the aggregate Matthews portfolio was overall much less carbon intensive versus the custom benchmark (utilizing the weighted-average benchmarks used for all portfolios managed). This reflects the nature of the aggregate Matthews portfolio, which tends to be more consumer-focused and less resource intensive than the average benchmark in Asia and Emerging Markets.

EMISSIONS EXPOSURE (tCO₂e)



Source: ISS ESG and Matthews

1. The aggregate Matthews portfolio carbon emission data is from ISS ESG. The share of reported GHG emissions in our portfolio is 64.8% and the share of estimated GHG emissions by ISS ESG's model is 35.2%.

At the end of 2022, the aggregate Matthews portfolio had a weighted average carbon intensity of 91.0 tCO₂ e/ Millions of USD Revenue verse the custom benchmark of 266.1 tCO₂e/Millions of USD Revenue. This compares to a weighted average carbon intensity of 152.5 tCO₂e/ Millions of USD Revenue verse the custom benchmark of 276.3 tCO₂e/Millions of USD Revenue at the end of 2021, 153.6 tCO₂e/Millions of USD Revenue versus the custom benchmark of 256.4 tCO₂ e/Millions of USD at the end of 2020, and 158 tCO₂e/Millions of USD Revenue verse the benchmark of 253 tCO₂e/Millions of USD Revenue at the end of 2019.

In terms of sector contributions to carbon intensity, utilities was the largest sector, contributing 25% of the aggregate portfolio's carbon intensity, followed by materials at 16%, consumer discretionary at 16% and information technology at 12%. Matthews has relatively less exposure to carbon intensive sectors such as energy, utilities and materials versus the custom benchmark which resulted in the Matthews aggregate portfolio being 66% less exposed to greenhouse gas (GHG) emissions on a sector basis versus the benchmark.

The top 10 contributors to the aggregate Matthews portfolio emissions comprise 47% of the portfolio's total emissions, but only 12% of the portfolio by weight. We encourage any relative laggards on climate to improve management and disclosure of the companies' strategies, including through the CDP's Non-Disclosure Campaign (NDC) initiative. At the end of 2022, the aggregate Matthews portfolio included 64.8% of holdings—a rise from 50.3% in 2021—which disclosed carbon metrics, such as greenhouse gases, which was more than the benchmark.

To accelerate decarbonization and transition to a low-carbon economy, we encourage portfolio companies to pursue setting science-based targets (SBT). The Science Based Targets initiative (SBTi) is a global body enabling businesses to set ambitious emissions reduction targets in line with the latest climate science. As of December 31, 2022, Matthews has 16% of the portfolio's AUM invested in companies either committed to or set SBTs.

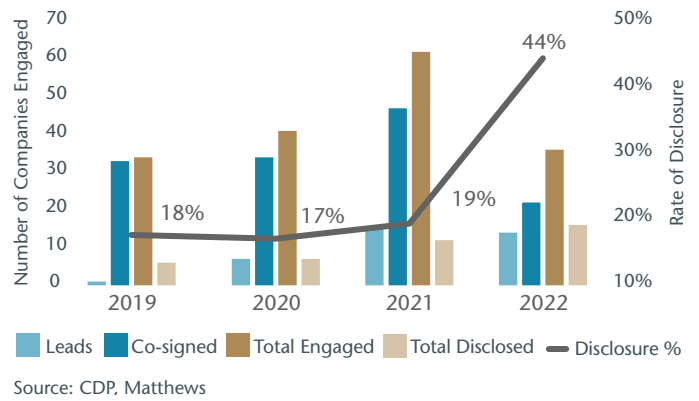
As part of our ESG integration process, Matthews' investment team members receive training on how to incorporate ESG factors, including those related to considering climate risks and opportunities in the decision-making processes. Where climate implications pose a material risk or opportunity to a portfolio holding, the expected holding period and investment analysis should reflect the timescale of climate risks and opportunities. This includes the analysis of transition risks such as policy and legal risks, technology risk, market risk and reputation risk, as well as analysis of acute and chronic physical risks. Portfolio managers and analysts have discretion to determine whether such factors can be modeled, for example, using carbon prices or adjusting discount rates for risk versus opportunity.

CDP

Every year, CDP invites investors to directly engage companies that have previously failed to respond to CDP's investor request. Since beginning this program in 2017, we saw growth in the number of companies engaged, demonstrating the growing need for comprehensive, comparable, TCFD-aligned environmental disclosure.

The results of the 2022 NDC highlighted the impact of direct engagement on companies' environmental actions, in this case, disclosure through CDP. Following this year's iteration of the campaign, companies were overall 2.3 times more likely to disclose if they were engaged by financial institutions and 2.6 times more companies in Asia disclosed after being engaged through the 2022 NDC than in the control group. CDP has seen that once companies disclose for the first time the vast majority continue to do so, making this initial engagement vital. From this stage, companies can begin to monitor their impacts and progress, set science-based targets and develop transition plans. In 2022, Matthews

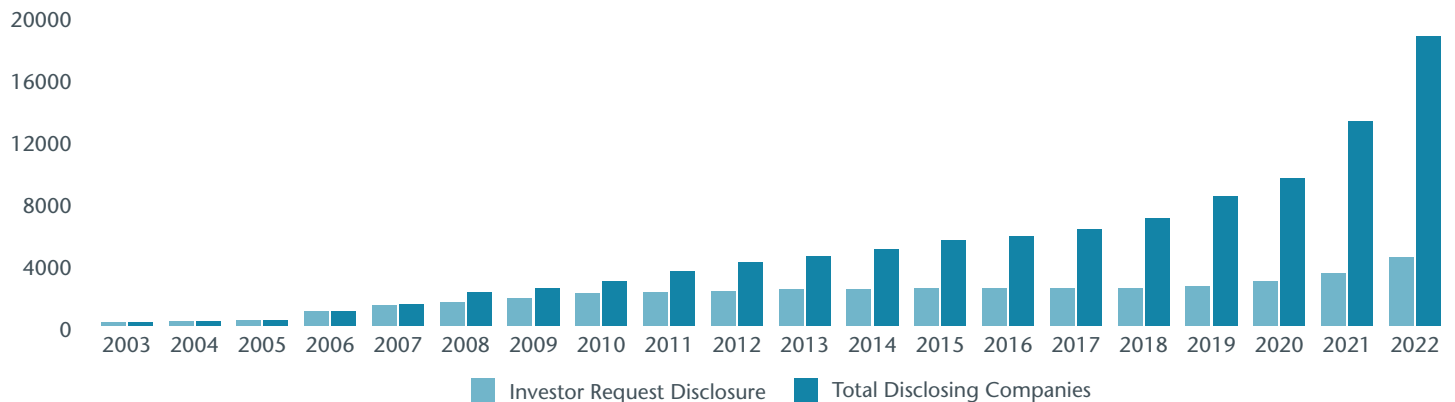
MATTHEWS—CDP NON DISCLOSURE CAMPAIGN RESULTS (2019-2022)



was one of a total of 260 investors representing US\$30 trillion in assets who participated in CDP's NDC to engage companies that have never responded to CDP or have not responded in recent years to help drive further transparency. Of the 1,466 companies, 388 disclosed data on their impact across at least one of three areas: climate change, deforestation and water security.

Matthews regularly engages with our portfolio holdings, including through collaborative investor initiatives such as those organized by CDP. Our journey to CDP's NDC could be traced to 2019. We actively selected the highly risky names we saw from our holdings. In 2022 particularly, we changed our selection target to a more focused list. We signed a total of 36 CDP's NDC letters to the companies and were a lead investor on 14 company letters. As a result, 44% of the targeted companies made disclosures to CDP after our engagement in 2022. We will continue our participation in CDP's 2023 NDC to encourage our holding companies to disclose to CDP to help them better understand their own climate position which will also enable us to do the risk tracking.

GROWTH IN DISCLOSING COMPANIES GLOBALLY



Board Diversity

We view board diversity as a key part of good governance, particularly at senior levels. Research and data indicate that companies with greater diversity and inclusion outperform their peers. Leveraging a diverse workforce to grow market share requires leadership with both inherent and acquired diversity. Boards and executives should be similar to, and match, the core customer profile of a company's goods and services. Board diversity—in gender, age, experience, nationality, and skillset—is critical to a board's effectiveness. Higher levels of diversity have also been shown to prevent group thinking and foster innovation. We have had targeted engagements with portfolio companies on diversity for the last few years. We engage with portfolio holdings without women on their boards within the broader context of the skills, expertise and competencies required for effective board functioning.

The Matthews Sustainable Future Strategies, which adopts a more expansive, sustainability lens focused on positive ESG outcomes, has adopted a stricter voting policy at companies with a lack of gender diversity on boards since 2020. We have been writing engagement letters to portfolio companies made of single gender boards to inform them of our intention to vote against the Nomination Committee chair or Corporate Governance Committee chair and other members of the equivalent committees on their boards of directors. In the case that there was no Nomination or Corporate Governance Committee (or equivalent), we voted against both the re-election of existing board directors and also election of new board members.

The Matthews Sustainable Future Strategies asked all portfolio companies with no women on their boards of directors or trustees to adopt policies to consider women for every open board seat and to commit to a gender diversity policy as part of board recruitment process. In 2022, we further demonstrated our commitment in promoting board diversity by notifying our Japanese portfolio companies of our intent to follow ISS guidelines, effective February 1, 2023, which will extend this voting policy to Japanese companies across all our portfolios. In 2022, our portfolio companies in China, India, Japan and South Korea have higher percentages of women on Board compared with their benchmarks.

We have been tracking board gender diversity across countries and regions but there is still a lot of progress to be made in Asia and Emerging Markets. In this regard, we plan to apply this policy across all Matthews strategies starting in 2024.

PERCENTAGE OF WOMEN ON BOARD, MATTHEWS CONSOLIDATED PORTFOLIO, AS OF DECEMBER 2022

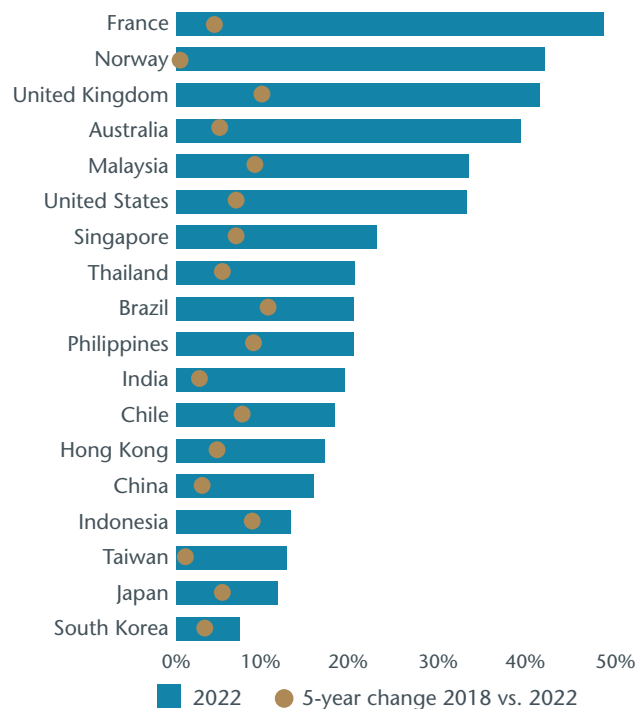


	Portfolio Companies	Benchmark
China	19.6%	14.8%
India	19.3%	18.2%
Japan	12.7%	11.0%
South Korea	9.5%	6.8%

Respective benchmarks were used for comparison. Constituents of MSCI ACWI Index with China as country of domicile, S&P BSE 100 Index, Tokyo Stock Exchange Tokyo Price Index and Korea Stock Exchange KOSPI were used for China, India, Japan and South Korea respectively.

Source: FactSet, MSCI ESG and Matthews

PERCENTAGE OF BOARD SEATS HELD BY WOMEN FOR SELECTED COUNTRIES/REGIONS



Source: MSCI ESG, FactSet, Bloomberg

2023 and Beyond

As we look to 2023 and beyond, Asia and Emerging Markets will remain at the front of issues such as energy transition, board diversity and composition, climate change, social and financial inclusion, poverty elimination and protecting global water sources and communities. We will continue to engage with companies where we have seen limited process on ESG-related items. In 2023, along with the additional new sustainability investing specialists, the entire Matthews investment team will work closely together and aim to expand our ESG research scope and conduct more focused and substantive engagements not only with existing but also potential portfolio companies. As the pandemic comes to a halt, we hope to have more on-site company visits with ESG discussions in 2023, helping us better understand our portfolio holdings and at the same time allow the companies in our portfolios to understand our expectations.



More About Matthews Corporate Citizenship and Sustainability

The purpose of the Corporate Citizenship and Sustainability Committee is to support Matthews' on-going commitment to environmental protection, occupational health and safety, corporate social responsibility and governance, sustainability, and other public policy matters deemed relevant to the firm. The Corporate Citizenship and Sustainability Committee's responsibility is oversight in nature and the day-to-day responsibilities and decision-making with respect to the Company's underlying programs and policies remains with the subject matter experts currently responsible for such matters.

MATTHEWS GOVERNANCE STRUCTURE



Responsible Investment and Stewardship Sub-Committee

Matthews' Responsible Investment and Stewardship (RI&S) Sub-Committee was established to oversee matters related to corporate engagement—in particular stewardship and active ownership—that pertain to the firm and its direct and indirect subsidiaries. The RI&S Sub-Committee is responsible for overseeing Matthews' Responsible Investment activities, active ownership principles, stewardship and ESG integration, as well as monitoring and reviewing engagement outcomes. In addition, the RI&S Sub-Committee is responsible for keeping abreast of the legal framework of minority shareholder rights in the markets where Matthews invests as it relates to both individual and collective engagements. Together with the Matthews Proxy Working Group, the RI&S Sub-Committee also oversees the proxy voting process.

Kathlyn Collins, CAIA
Chair, VP, Head of Responsible Investment and Stewardship

Cornelia Butt
VP, Head of Marketing EMEA

Elli Lee
Portfolio Manager

Noel Casale
Director, Investment Management Compliance

Lisa Nicosia
Chief Compliance Officer

Kary Cheng
ESG Research Analyst

Sharat Shroff
Portfolio Manager

Pilsun Choi
Deputy General Counsel

Vivek Tanneeru
Portfolio Manager

Susan Grivas
VP, Institutional Business Development

Hoang Thai
Senior Manager, Fund Accounting and Operations

Robert Horrocks, PhD
Chief Investment Officer

Alex Zarechnak
Portfolio Manager

Derek Jirachakittit
Distribution Data Analyst

Sherwood Zhang, CFA
Portfolio Manager

Amy Lau
Director of Compliance

Wenlin Zhao
ESG Research Analyst

Diversity and Inclusion Sub-Committee

The Diversity & Inclusion Sub-Committee is responsible for raising awareness of and promoting the firm's diversity and inclusion efforts. It was formed in 2019 to deepen our commitment to creating a diverse and inclusive organization and to help foster an environment where all employees feel able to succeed.

The group has representatives from all parts of the business and focuses on four broad areas:

- 🌟 **Awareness:** Educating and informing through a series of speakers and celebrations of diversity
- 🌟 **Education and Tools:** Providing training, practical tools and guides to build an inclusive culture and embed inclusive behavior
- 🌟 **Workplace Policies and Processes:** Reviewing, assessing, and recommending improvements to our current provision to attract, develop and retain diverse talent
- 🌟 **Measurement and Accountability:** Promoting measurement and accountability of diversity and inclusion goals and progress of the firm.

Since it was formed, the group has organized various events and resources ranging from educational talks and training to cultural celebrations. In recent years, Matthews marked, for example, Black History Month, International Women's Day, Pride, and Asian American and Pacific Islander (AAPI) Heritage Month.

Additionally, the Leadership Team is in the process of setting goals for creating more diverse and inclusive teams, which it expects to roll out within the next 12 months. In 2021, to further promote our Diversity and Inclusion efforts, Matthews instituted "blind recruitment" as part of our in-house recruiting efforts. This entails removing any and all identification details from our candidates' résumés and applications.

Blind recruitment is considered more "scientific" because it provides comparable assessments for every candidate. It helps the hiring team evaluate people on their skills and experience instead of factors that can lead to biased decisions. It is an example of our efforts to be more diverse and inclusive in our hiring practices.

The D&I Sub-Committee is working together with the leadership team on long-term goal setting around these efforts.

One of Matthews's greatest strengths is the diversity of our employee population. At the end of 2022, our employee base was as follows:

(Total number)	Male	Female	White	Black	Hispanic/Latinx	Asian	Two or more races	Not disclosed
Firm's senior management (VP and above)	62.5%	37.5%	62.5%			37.5%		
Firm's middle management (Manager, Director, AVP)	63.6%	36.4%	36.4%			57.6%	1.5%	4.5%
Firm's staff	50.6%	49.4%	35.5%	3.8%	3.8%	48.1%	2.5%	6.3%

Sustainability Sub-Committee

With representation from a broad cross-section of departments across the firm, the Sustainability Sub-Committee's objective is to champion sustainable business, health and environmental practices throughout the firm. Since inception, the Sustainability Working Group has, among others:

- ✿ Obtained Gold LEED certification for the firm headquarters in 2014
- ✿ Created a carbon emission offset program for business travel; offset over 8,000 metric tons of carbon since 2016 with more than \$100,000 purchased in offsets, linked to various projects ranging from cookstoves in Cambodia, to forest preservation efforts in Brazil and Zimbabwe and biodiversity projects in Indonesia
- ✿ Volunteered with San Francisco Baykeeper to clean up our bay, one of the local environmental organizations that Matthews supports through our Charitable Giving Program

The Sustainability Working Group continues to explore additional opportunities to contribute to sustainability.

Corporate Social Responsibility

At Matthews, our commitment to active, long-term investment extends to the communities around the globe in which we live and work. Through our corporate responsibility and philanthropic efforts, we strive to help our local communities and the reach their full potential. Our local involvement weaves sustainability and giving back to the communities we live in and through our philanthropy, we support charitable organizations with grants and a generous matching program on employees' contributions.

During 2022, Matthews proudly supported the following organizations focused on education, poverty alleviation and economic opportunity:



11 mighty Matthews volunteers fanned out across the Garretson Point at MLK Jr. Shoreline Park in Oakland, California and collected 225 pounds of trash, plastic, and styrofoam. SF Baykeeper is one of the organizations that Matthews partners with regularly through volunteer and charitable giving opportunities.

Investments involve risk. Investing in international and emerging markets may involve additional risks, such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation. Additionally, investing in emerging and frontier securities involves greater risks than investing in securities of developed markets, as issuers in these countries generally disclose less financial and other information publicly or restrict access to certain information from review by non-domestic authorities. Emerging and frontier markets tend to have less stringent and less uniform accounting, auditing and financial reporting standards, limited regulatory or governmental oversight, and limited investor protection or rights to take action against issuers, resulting in potential material risks to investors. Pandemics and other public health emergencies can result in market volatility and disruption.

ESG considerations are not a specific requirement for all portfolios at Matthews Asia. ESG factors can vary over different periods and can evolve over time. They may also be difficult to apply consistently across regions, countries or sectors. There can be no guarantee that a company deemed to meet ESG standards will actually conduct its affairs in a manner that is less destructive to the environment, or promote positive social and economic developments.

Important Information

Matthews is the brand for Matthews International Capital Management, LLC and its direct and indirect subsidiaries. The information contained herein has been derived from sources believed to be reliable and accurate at the time of compilation, but no representation or warranty (express or implied) is made as to the accuracy or completeness of any of this information. Matthews and its affiliates do not accept any liability for losses either direct or consequential caused by the use of this information. The views and information discussed herein are as of the date of publication, are subject to change and may not reflect current views. Information contained herein is sourced from Matthews Asia and as of the report date unless otherwise stated.

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