Matthews

Matthews 2024 Stewardship Report

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Welcome to Our 2024 Stewardship Report

Sean Taylor
Chief Investment Officer

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Vice President, Head of Responsible Investment and Stewardship

As an active asset manager with a long-term investment horizon, Matthews seeks to champion investment solutions designed to build wealth for our global clients over the long term. We believe that consideration of corporate governance and sustainability (i.e., environmental and social) factors in our investment decisions when we believe they are relevant and likely to have a material financial impact on a company's value, along with other factors, is important for long term value creation.

Active ownership, including direct engagement, proxy voting and stewardship, is an integral part of this responsible investment framework. We believe that responsible investing and a deep understanding of governance and sustainability factors can lead to better-informed investment decisions and more effective management of the associated risks. We believe this can help deliver better outcomes for our clients consistent with our fiduciary duty as an investment adviser.

With US$6.9 billion in assets under management across over 500 companies (as of December 31, 2024), we are cognizant of our responsibility to meet and engage with corporate management. We believe that responsible investing often requires active, direct engagement with portfolio companies throughout the investment lifecycle to achieve a more complete understanding of a company's risk and opportunities that may impact its long-term profitability and wealth creation. As a long-term investor, we seek to build trust and promote open and constructive dialogue with our portfolio companies, with a goal to share our views on issues that we believe impact financial outcomes, which could include a broad range of material governance and sustainability factors. As part of the ordinary course of conducting research, material governance and sustainability-related issues, among others, are typically discussed with company management. This is to help deepen our understanding of the issuer's practices and goals and to hopefully help enhance shareholder value by sharing our thoughts and views where we deem appropriate and applicable.

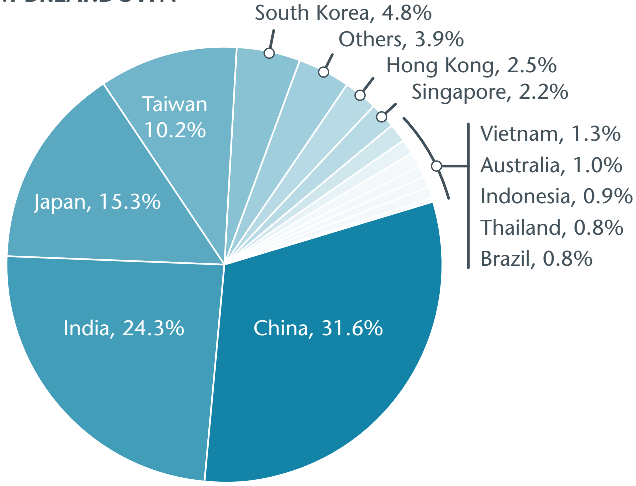
In our 2024 Stewardship Report, we recap a year of voting and engagement with the companies in the Matthews portfolios and take a look under the hood with some in-depth thematic case studies.

About Us

As an active asset manager, Matthews seeks to champion investment solutions designed to build wealth for our global clients over the long term. Active ownership, including direct engagement, proxy voting and stewardship, is an integral part of our responsible investment framework. We believe that responsible investing and a deep understanding of governance and sustainability factors can lead to better-informed investment decisions and more effective management of the associated risks. We believe this can help us deliver better outcomes for our clients over the longer term consistent with our fiduciary duty as an investment adviser.

More than 30% of our client capital is invested in companies we have owned for five years or more, and over 20% has been invested in companies held for more than seven years. Our long-term shareholder mindset is critical to establishing credibility and trust with management teams and other stakeholders. Through our stewardship practices and constructive dialogues with management teams, we seek to understand and assist the journey of companies where we have been long term investors, which, we believe, can contribute to positive long-term outcomes for shareholders.

AUM BREAKDOWN



Source: Matthews, as of December 31, 2024

Matthews invests primarily in companies located in or with substantial ties to the Asia Pacific region and Emerging Markets countries. The Asia Pacific region consists of all countries and markets in Asia plus all countries and markets in the Pacific region, including Australia and New Zealand. Emerging Market countries generally include every country in the world except the United States, Australia, Canada, Hong Kong, Israel, Japan, New Zealand, Singapore, and most of the countries in Western Europe. Portfolios that invest in the Asia Pacific region may include investments in Hong Kong, Japan, and Singapore whereas portfolios that invest in emerging markets will generally exclude those countries. The list of Emerging Market countries may change from time to time. Matthews also invests in countries and markets outside the Asia Pacific region and Emerging Markets.

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 our clients' goals and creating investment solutions designed to support those goals over the long term. At Matthews, we are committed to incorporating governance and sustainability considerations that we believe could materially impact the fundamental value of our investments.

People and Implementation

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. The Sub-Committee is also responsible for overseeing the implementation of the firm's Responsible Investment and Stewardship Policy, which includes monitoring adherence to the Policy as it relates to consideration of governance and sustainability factors in the investment process when they are a significant element of the overall thesis and/or they pose a risk that is material to the long-term value of an investment, as well as monitoring and reviewing engagement activities with our portfolio companies. It also helps oversee proxy voting alongside the firm's Investment Operations team and the Head of Responsible Investment and Stewardship.

Responsible Investment and Stewardship Team

The Matthews Responsible Investment and Stewardship team is comprised of Kathlyn Collins, VP, Head of Responsible Investment and Stewardship, and Research Analysts Wenlin Zhao and Kary Cheng. They support the broader investment team by conducting research and data analysis on governance and sustainability to help identify associated risks and opportunities of current and potential portfolio companies. The team collaborates with and sits alongside equity analysts and portfolio managers as part of the investment team and leads stewardship activities. Additionally, they stay current on sustainable investment trends and regulations, working cross-departmentally at Matthews to develop scalable and compliant investment solutions.

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

Wenlin Zhao
Research Analyst

Kary Cheng
Research Analyst

Kathlyn Collins, VP, Head of Responsible Investment & Stewardship, speaking on a panel at the Asian Corporate Governance Association's annual conference on Responsible AI in Singapore in November.

Matthews Team visiting one of China Suntien's facility in Zhangjiakou, Hebei, China, to check its wind power to hydrogen project and PV project.

Wenlin Zhao, Research Analyst, meeting investors, asset owners, companies, regulators in Beijing in June.

2024 In Review

Stewardship refers to investors acting as responsible capital providers by monitoring corporate behaviors with a focus on promoting long-term shareholder value—through both voting and engagement. Stewardship requires a long-term view and treats material governance and sustainability risks as important considerations in the traditional operational and financial metrics of a company's performance. Stewardship may also refer to the responsible allocation, management and oversight of capital to protect and enhance long-term sustainable value for clients and beneficiaries.

Effective asset management stewardship is essential, especially during periods of short-term volatility caused by geopolitical uncertainty and high inflation, to safeguard long-term value and maintain financial stability. Clear communication of capital management strategies, such as share buybacks, dividend policies, and reinvestment in core operations, helps foster investor confidence. Additionally, companies with strong financial discipline can seize growth opportunities, such as strategic acquisitions or supply chain integration, during economic downturns. We believe that incorporating governance and sustainability considerations into its decisions can further enhance a portfolio company's resilience by ensuring responsible sourcing and sustainability. In uncertain times, companies that balance risk, capital efficiency and shareholder value creation are best positioned for long-term success in our view.

In our 2023 Stewardship Report, we noted the events that seemed to be shaping the future conversations on "ESG" and "sustainability" investing, including the politicization of such terms. We saw much of the world vote on the future of green policies and some pushback against these agendas in an era of heightened nationalism and competitiveness. Countries and companies that may have swung too far one way are now facing painful realities of having to walk back on climate goals or adopt more balanced plans. Investing in Emerging markets, we are not strangers to fast-moving political winds. We continue to believe that the consideration of corporate governance and sustainability factors in our investment decisions when we believe they are relevant and material, along with other factors, is important for long-term value creation. At the same time, we recognize that standards of good corporate governance vary within countries and regions. There is no one size fits all. Active ownership, including direct engagement, proxy voting and stewardship, is an integral part of a responsible investment framework.

In 2024, we observed a surge of activity aimed at strengthening disclosure and transparency standards across jurisdictions worldwide. 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 Asia Pacific and Emerging Markets companies with constructive engagement with key stakeholders, including policymakers and our portfolio companies. In 2024, we contributed to over a dozen consultations, ranging from advocating for a reduction in cross-held shares in Japan to supporting a global baseline for sustainability reporting standards, specifically the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards across Asia.

MARKET ENGAGEMENTS IN 2024

Month	Market	Engagement
Nov	China	Stock Exchanges Consultation on Guidelines on Corporate Sustainability Reporting
Oct	China	China Securities Regulatory Commission (CSRC) Consultation on the Regulatory Guidelines for Listed Companies No. 10 – Market Value Management
May	China	Ministry of Finance Consultation on Sustainability Disclosure
Feb	China	Stock Exchanges Consultation on Guidelines on Corporate Sustainability Disclosure
Sep	HK	The Hong Kong Institute of Certified Public Accountants (HKICPA) Invitation to Comment on Exposure Draft HKFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information & S2 Climate-related Disclosures
Jun	HK	Hong Kong Exchanges and Clearing Limited (HKEX) Consultation on Review of Corporate Governance Code and Related Listing Rules (Corporate Governance Code Enhancement)
May	India	Securities and Exchange Board of India (SEBI) Consultation paper on the Recommendations of the Expert Committee for Facilitating Ease of Doing Business with respect to Business Responsibility and Sustainability Report (BRSR)
Feb	India	Reserve Bank of India (RBI) Invitation to Comment on the Draft Disclosure framework on Climate-related Financial Risks
Mar	Japan	The Sustainability Standards Board of Japan (SSBJ) Consultation on Exposure Drafts of Sustainability Disclosure Standards
Apr	Japan	The Asian Corporate Governance Association (ACGA) Open Letter (co-signed) on Strategic Shareholdings in Corporate Japan
Apr	South Korea	Korea Sustainability Standards Board (KSSB) Consultation on the Exposure Draft of the Korean Sustainability Disclosure Standards
Sep	Malaysia	Bursa Malaysia Berhad Consultation Paper on the Proposed Amendments to the Main Market Listing Requirements and ACE Market Listing Requirements in relation to Sustainability Reporting Requirements and Other Enhancements)
Apr	Malaysia	The Advisory Committee on Sustainability Reporting (ACSR) Consultation on Malaysia's National Sustainability Reporting Framework (NSRF)

Research

We are often asked about our use of third-party ESG data. The Matthews investment team's due diligence process is based on a combination of proprietary research and third-party ESG research. For many of the markets in which we invest in, third-party data is not always available or of high quality. While the data used to arrive at a third-party rating or score is useful, the scores themselves are often less useful in our view, and we seek to go deeper. We believe that there is an opportunity for value creation through an active approach.

We believe proprietary research improves the quality of governance and sustainability inputs utilized 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 the Asia Pacific and Emerging Markets. While we have developed in-house tools to supplement gaps in the current third-party ESG research, we leverage various third-party sources in our research. However, the assessment of materiality cannot be automated. Judgement is key.

Tools and Service Providers

Sustainability issues are rarely black and white. It is extremely difficult to implement a sustainability-focused strategy through uniform mechanical and rules-based approaches based solely on third-party inputs. We would argue that, because the availability and consistency of sustainability data in Emerging Markets and Asia Pacific need to be improved, it is critical for asset managers investing in these regions to be engaged in their own research. Even if third-party data were more available and reliable, there would still be open questions about the value of an overly rules-based approach which could naturally lead investors to overlook nascent opportunities. Coverage is a challenge for some small-cap companies, companies in Emerging and Frontier Markets, as well as newly listed companies. While estimates can be relied upon for certain portfolio aggregate measurements, in many cases, we collect data ourselves when available. Executing a successful stewardship program in the markets where we invest is resource intensive.

We have not identified any single provider with information on all material sustainability and governance factors we wish to consider. Therefore, we have chosen to rely on those providers which are best placed within their area of expertise. We draw on research from numerous third-party research and data providers. We also receive research support from the networks we are members of, sell-side investment analysts, non-government organizations (NGOs) and other organizations. These providers enable us to synthesize information and prioritize areas for further research and/or engagement. Such tools include independent third-party research providers that assist with our voting decisions. The reports generated by these providers often include helpful assessments of our portfolio companies' performance and governance practices. However, we do not rely solely on third-party proxy reports and occasionally deviate from their recommendations when we believe it is in the best interest of our clients.

Incorporating Material Governance and Sustainability Issues into Investment Analysis

Material governance and sustainability-related issues, among other issues, are researched when evaluating portfolio companies. Often these material issues are explored in greater depth through third-party research, combined with our investment team's assessment of financial materiality. While third-party data serves as a catalyst for further research and discussions, it does not provide a definitive view of an issuer's sustainability performance. A low ESG score or rating assigned by a third-party data provider does not necessarily exclude an issuer from a portfolio's investable universe, as third-party assessments are often backward-looking, infrequently updated and may sometimes lack issuer-specific context. On a real-time basis, the investment team is alerted to negative news that may involve portfolio holdings. On a monthly basis, the Responsible Investment and Stewardship team also reviews this news with the portfolio managers who hold the securities in their portfolios and the investment risk team, highlighting any potential concern that may impact the value of a security. highlighting any potential concern that may impact the value of a security.

THIRD-PARTY RESEARCH PROVIDERS

ESG Research & Data	MSCI ESG	Sustainanalytics	Miotech	ISS Climate
Proxy Voting Research	ISS	SES	ZD	
Business Involvement Screening	Sustainalytics	MSCI ESG		
Norms Screening	RepRisk	ISS		

WORKING WITH INDUSTRY ASSOCIATIONS

Membership organizations	Start date
United Nations Principles of Responsible Investing (UNPRI)	2016
Asian Corporate Governance Association (AGCA)	2017
CDP	2017
International Financial Reporting Standards (IFRS) Sustainability Alliance	2020
Farm Animal Investment Risk and Return (FAIRR)	2021
Investor Initiative on Hazardous Chemicals (IIHC)	2024

2024 Voting and Engagement Highlights

886

Votable Meetings

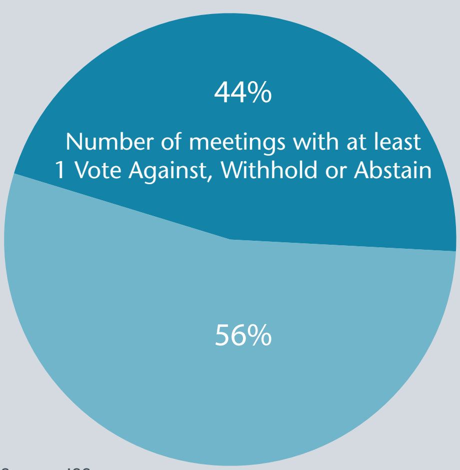
885

Meetings Voted

376

Meetings Voted with At Least one Vote Against, Abstain or Withhold

ALIGNMENT WITH MANAGEMENT



Source: ISS

- **Over 7,000** agenda items voted on at over 850 meetings
- **Over 4,300** company meetings
- **Over 280** sustainability and governance-related engagements with 174 companies

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 Pacific and Emerging Markets, we are often a familiar 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 4,300 meetings, virtual and in person, on-the-ground in 2024, including meetings with companies, suppliers, customers, analysts, and other stakeholders. 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 24-person* investment team has a strong background in Asia Pacific and Emerging Markets with a range of perspectives and expertise. More than 70% of our investment professionals have lived, studied or traveled extensively throughout Emerging Markets and Asia Pacific, and almost 60% are fluent in the regions' 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.

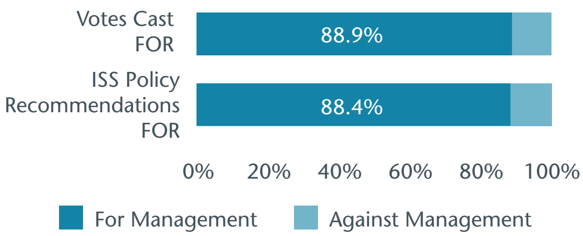
	2020	2021	2022	2023	2024
Number of meetings voted	853	907	938	873	885
Number of items voted	7116	7673	7819	7183	7109
Meetings voted with at least one vote Against, Abstain, or Withhold	401	412	436	388	376
Against Management	13%	16%	15.5%	13%	11.6%
% Overrides	6%	10%	11%	6%	7%

Sources: ISS and Matthews

*As of March 4, 2024

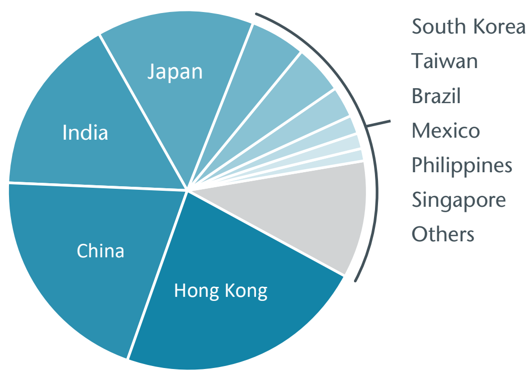
By the Numbers—2024 Voting Trends

MATTHEWS—VOTES CAST VS ISS POLICY RECOMMENDATION



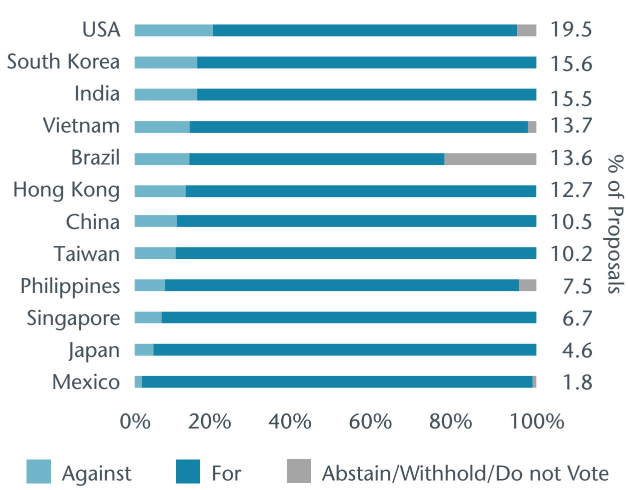
Source: ISS

GEOGRAPHICAL SPLIT OF PROPOSALS VOTED



Sources: ISS; Other countries where the percent of proposals was less than 1% are: Australia, Bangladesh, Canada, Chile, Cyprus, Estonia, France, Romania, Thailand, Netherlands, Indonesia, Luxembourg, Kazakhstan, Malaysia, Turkey, Poland, Portugal, Russia, UAE, Saudi Arabia, South Africa, Spain, United Kingdom.

MATTHEWS—VOTES CAST PER COUNTRY/REGION



Sources: ISS; Other countries where the percent of proposals was less than 1% are: Australia, Bangladesh, Canada, Chile, Cyprus, Estonia, France, Romania, Thailand, Netherlands, Indonesia, Luxembourg, Kazakhstan, Malaysia, Turkey, Poland, Portugal, Russia, UAE, Saudi Arabia, South Africa, Spain, United Kingdom.

Proxy voting is a very important activity for portfolio managers and is a key tenet of shareholder rights. It is often one of the few ways shareholders can express dissatisfaction with company management and hold them accountable.

Votes Cast vs.ISS Recommendation

The votes cast during the reporting period aligned with management recommendations in 88.9% of cases, while the ISS Benchmark Policy recommendations aligned with management recommendations 88.4% of the time.

This percentage of voting in alignment with management has remained relatively stable over the past four years, ranging between 84% and 89%. 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 2024, we voted against ISS Benchmark voting guidelines at 7% of meetings (63 of 885 voted meetings). In past years this has been as high as 11%. This increasing number of overrides (voting against the ISS Benchmark recommendations) signals greater scrutiny of agenda items being voted on by our investment professionals—the majority of the 338 individual item overrides at these 63 meetings were due to a more nuanced view.

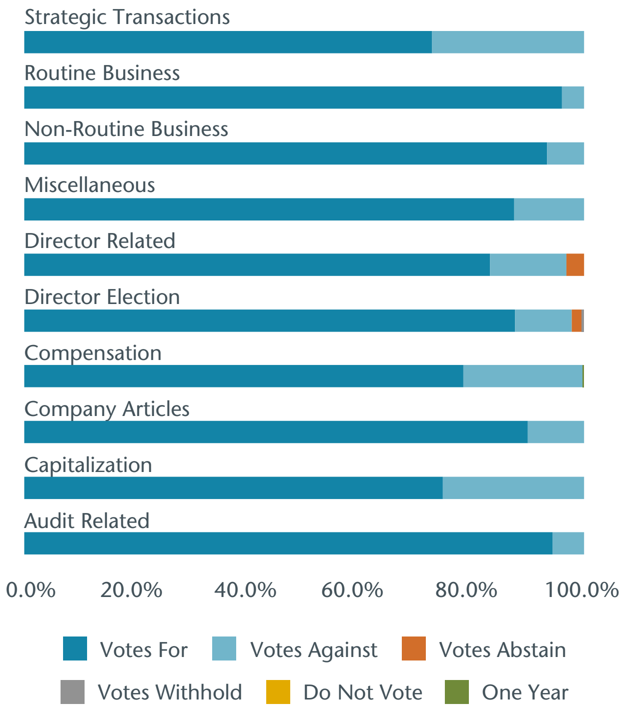
Votes Cast per Country/Region

Similar to our AUM breakdown, the bulk of our proxy votes were in Greater China and India, followed by Japan. Not surprisingly, these markets are where we most often vote against management proposals. Interestingly, despite Hong Kong accounting for about 22% of all our proxy voting activities the market represents 24% of all our "against" votes. While India made up 15.4% of all our proxy voting, it represented 20% of our "against" votes.

Votes Cast per Country/Region and Number of Proposals Voted

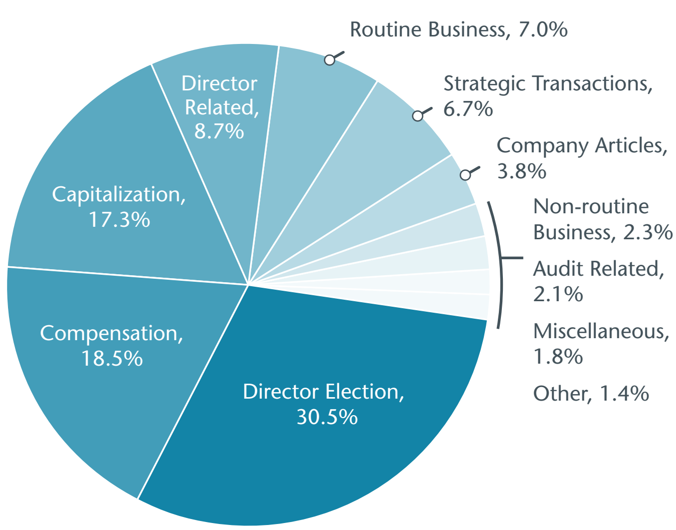
The bulk of our overrides were for companies in mainland China and India, 65% and 20%, respectively. In most of these cases, we considered the recommendations of specialized, domestic proxy advisors in each country. Historically, these two markets have corporate governance characteristics that make considering domestic proxy advisors' recommendations appealing. The breadth and depth of listed companies in these two markets are also vast, 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.

VOTES CAST ON MANAGEMENT PROPOSAL CATEGORIES



Sources: ISS and Matthews

VOTES AGAINST



Sources: ISS and Matthews

Some of the reasons we overrode the benchmark recommendations were to vote in line with local best practices. For example, in India, the bulk of these overrides were to vote against a proposal item. The majority of these cases were at meetings related to voting against director elections or the remuneration of directors. At 10 companies in India, we overrode ISS recommendations and voted against directors up for election. The rationales ranged from holding executive directorships in competitor companies to prolonged associations, to being associated with promoter group companies for an extended period. At four companies in India, we voted against the remuneration of directors due to reasons such as excessive fixed amounts, the absence of an absolute cap for variable pay, or insufficient justification and disclosure from the company. We may vote against directors for various reasons including insufficient qualifications related to the firm's industry or strategy, a low level of independence on the board or key committees, poor attendance, conflicting priorities or time commitments, or to voice general dissatisfaction with a company's corporate governance. The overrides where we voted in favor of management in India were also largely related to the election of directors and CEO compensation. In certain instances, a vote against may have been recommended due to the overall level of independence being deemed low after a director has reached a certain tenure, especially if the director up for election is a non-independent director. In these cases, we often take a case-by-case approach to assess whether the quality of the board would be compromised.

In China, we overrode a bulk of recommendations throughout 2024 and voted for proposals related to amending bylaws and articles that were in line with relevant laws and regulations. In many instances, the changes companies made to their Articles of Association and Bylaws in 2024 focused on rules of independent directors, provisions related to the business scope, or administrative measures for dividends. Another set of overrides was related to restricted stock plans, employee stock purchase plans, or omnibus stock plans. Such plans are often a good way to incentivize and reward key employees. Employee stock purchase plans can also have a binding effect on participants if they include a lock-up period of at least one year. When it came to restricted stock incentive schemes, we often voted for these proposals after evaluating the scope, pricing, vesting criteria and performance targets. However, in one instance, we voted against an incentive plan where a recently resigned President would have been a participant without information disclosed regarding their current involvement in business management. We also overrode recommendations and voted against the ratification of auditors at seven companies where the signing audit partners had received warning letters from regulators or had a long association with the company. We also took a case-by-case voting decision on certain strategic transactions, such as loans to subsidiary companies, approval of a spin-off, or issuance of a new class of common stock. In most cases, our decision to override ISS recommendations was based on supplemental research from our mainland proxy advisor and our knowledge of the company's unique situation.

ASSOCIATIONS

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 2024 reporting period were least aligned with management on Strategic Transactions, which represented only 2.9% of all proposals voted, followed by Capitalization at 8%, and finally Compensation, which represented 10% of all proposals voted. However, in aggregate, the majority of our against votes were in the areas of Director Elections, Compensation, and Capitalization.

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 tool for shareholders seeking to improve corporate value. In China, shareholder proposals are often submitted by large shareholders, but they are not necessarily management proposals. Often, once the board has sent out their proposals, no additional items can be added. However, shareholders holding 3% or more of the company can put forth proposals at the meeting, and these are categorized as shareholder proposals. Most of the time, these proposals are not contentious in nature, and they are supported by the board, along with additional proposals put forth by shareholders. In 2024, this right to put forth shareholder proposals was amended to allow proponents holding 1% or more of shares to submit proposals. This change is expected to increase the number of minority shareholder-nominated directors going forward.

While the more common form of shareholder proposals remains rare in our markets, we are seeing a rising trend. In Brazil, we saw three such proposals: appointing an alternate internal statutory auditor, appointing a minority shareholder representative, and appointing a director nominated by preferred shareholders . We voted for these proposals in all of these cases. Regarding environment and social (E&S) proposals, we voted on 18 proposals at seven companies: four in Japan, two in the US, and one in Australia. With increasing acknowledgement that E&S issues are material to stock performance, shareholders have been filing more proposals over the last few years, with investor support rising initially but declining in recent times. Prior to 2021, only two Matthews holdings had ever voted on climate-related proposals—a company listed in the U.S. and a company listed in Australia. In 2024, we voted on 18 E&S proposals, up from 16 in 2023. We voted for half and against half of these proposals.

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 markets in which we invest, on behalf of our clients.

We strive to maintain active relationships with relevant market institutions, governmental bodies and public organizations that may be helpful to stay up to date with local legislation and market practices for improving the institutional framework. We also support various forums for promotion of good market practice, corporate governance, other responsible practices and relevant topics that may be of joint interest to our investors. Some of these organizations we engage with include the United Nations supported Principles for Responsible Investing (PRI), the Asian Corporate Governance Association (ACGA), the IFRS Sustainability Alliance, CDP, the Investor Initiative on Hazardous Chemicals (IIHC) and the Farm Animal Investment Risk and Return (FAIRR). In 2024, we became a trial member of Asia Research and Engagement (ARE).

In June, the Matthews Responsible Investment and Stewardship team participated in a one-week tour in Beijing and met with domestic and international investors, asset owners, companies, researchers and regulators. We believe this was a great opportunity for all parties to strengthen relationships and build common understanding. We will continue our engagement with regulators in the upcoming year.

Matthews may decide to engage with issuers on a one-on-one basis or with other financial institutions or organizations as part of a larger collaborative group. The decision on how best to engage is made on a case-by-case basis with consideration of relevant facts. We generally engage in collective stewardship where it is difficult to engage with an issuer individually, or where we are seeking expertise from other organizations. When we consider doing collaborative engagements, we are mindful of the time and resources spent, as well as the possible outcomes that the collaborative engagements could bring to the issuers. In conducting collaborative engagements, we consider and take precautions designed to ensure that rules with respect to shareholder activism and acting in concert are not breached.

Engagement typically involves one of the following methods which may vary by region:

- One-to-one meetings with company representatives (e.g., senior executives, Investor Relations, board members, managers of specialist areas such as a sustainability or environmental manager)
- Written correspondence
- Discussions with company advisers and stakeholders
- Voting
- Collective engagement with other investors
- Events to educate companies or collaborate on new reporting frameworks

Company Engagement

Our 2024 engagement efforts reflect our commitment to active ownership. During 2024, we conducted engagements with 174 companies, focusing on more individual engagements and prioritizing some portfolio companies for collective engagements.

During 2024, our research team members held 208 direct ESG engagement discussions with corporate management. Additionally, we collaborated with other investors via industry groups and conducted 73 company engagements through campaign letters, emails, and group meetings to expand our reach. Additionally, we engaged with regulators and exchanges both individually and through collective investor initiatives.

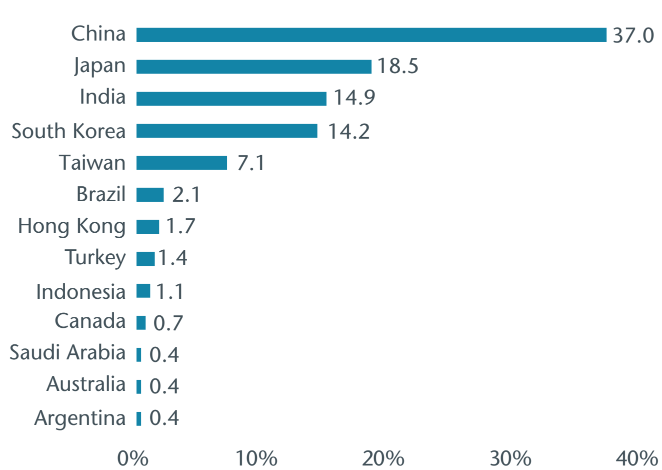
Among the 174 companies we engaged in 2024, we had the most engagement with companies in the industrials sector (19.5%), followed by consumer discretionary (19.0%), information technology (14.9%), consumer staples (13.8%) and materials (9.8%).

In terms of country/region breakdown of our engagements, we engaged the most with companies in China which accounted for 37.0% of our total engagements, followed by Japan (18.5%), India (14.9%), South Korea (14.2%) and Taiwan (7.1%).

Engagement Topics

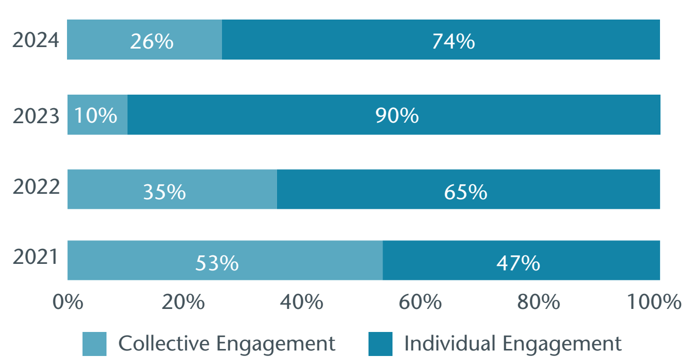
Our engagements have centered on a variety of financially material sustainability and governance-related topics, with governance-related issues covering nearly half (46%) of our engagements.

MATTHEWS—ENGAGEMENTS BY COUNTRY/REGION



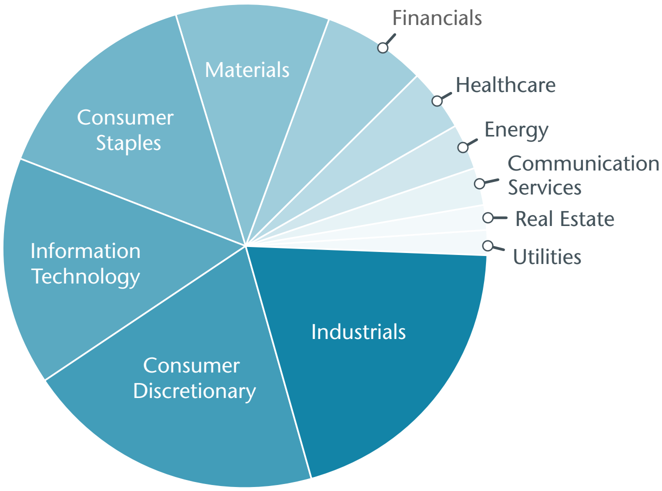
Source: Matthews

MATTHEWS—ENGAGEMENTS BY ENGAGEMENT TYPE



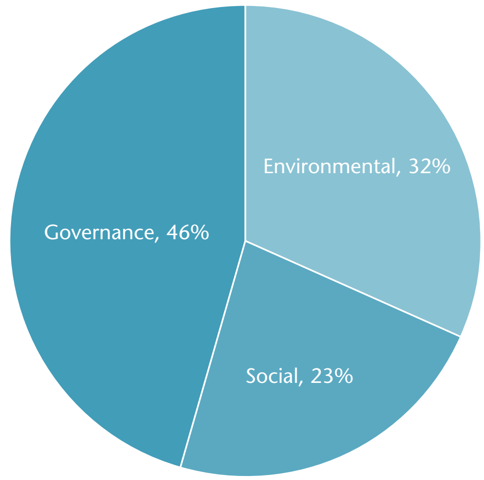
Source: Matthews

MATTHEWS—COMPANIES ENGAGED BY SECTOR



Source: Matthews

MATTHEWS—ENGAGEMENTS BY PILLAR



Note: Each engagement may relate to one or more topics.
Source: Matthews

MATTHEWS—ENGAGEMENTS BY TOPIC

	No. of Engagement	% within the Pillar
Environmental		
Climate change (e.g. energy management and transition, climate risk management)	112	27%
Natural resources (e.g. water, biodiversity, deforestation)	55	13%
Plastics, packaging and circular economy	10	2%
Pollution and waste	13	3%
Environmental target setting	102	25%
Environmental disclosure	101	25%
Others	16	4%
Social		
Human capital management (e.g. labor rights, occupational health and safety, talent retention)	70	39%
Supply chain management	48	27%
Product responsibility and quality	32	18%
Data security and privacy	6	3%
Controversial products and services (e.g. addictive products, nutrition, tobacco, animal testing & welfare)	8	4%
Others	16	9%
Governance		
Board composition and effectiveness	98	17%
Remuneration and incentives	39	7%
Shareholder return and capital management	104	18%
Shareholder rights	29	5%
Transparency and accountability	128	22%
Business ethics	33	6%
Company strategy	139	24%

Note: Total number of sustainability and governance-related topics will not add to total number of engagements as each engagement may relate to one or more topics.
Source: Matthews

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 2024.

China

Since 2024, the ESG information disclosure process for Chinese companies has accelerated. The ESG reporting guidelines for A-share listed companies, which have been discussed in the market for years, were released for public opinion in February 2024. Under the auspices of the China Securities Regulatory Commission (CSRC), the three major exchanges issued ESG reporting guidelines in April, which took effect in May. This means that companies in several major indices, as well as those listed domestically and overseas, will be required to begin disclosing their 2025 ESG data in 2026. The CSRC also encourages other companies to voluntarily publish ESG reports. To enhance the ability of listed companies to prepare these reports, the CSRC has instructed stock exchanges and China Association for Public Companies (CAPCO) to organize special training and provide guidance. On November 6, the three major stock exchanges launched detailed guidelines to help companies prepare sustainability reporting, following the new sustainability reporting guidelines introduced in April. After public consultation, the guidelines will be officially released in January 2025. We welcome the actions encouraged by the regulators, such as closely linking sustainable development to a company's core business, aligning with global standards and learning from the best practices of peers.

In May, the Ministry of Finance (MoF) issued a draft for comments on corporate sustainability disclosure standards to promote and standardize the construction of China's sustainable disclosure system. According to the MoF, following the release of the exposure draft, both domestic and international parties actively responded, resulting in a total of 544 feedback opinions submissions. The final version of the standards was released in December 2024. Unlike the Stock Exchange's guidelines, the MoF's guidelines only outline general requirements for sustainability reporting, not industry-specific disclosure requirements. The MoF aims to issue a general standard for corporate sustainability disclosure and a standard for climate-related disclosure by 2027, with the goal of establishing a national sustainability disclosure system by 2030. In June, the state-owned Assets Supervision and Administration Commission of the State Council (SASAC) formulated and issued Guiding Opinions on Central Enterprises' High-Standard Performance of Social Responsibility in the New Era. Compared with the previous 2022 voluntary guidelines, the 2024 draft is largely consistent with the requirements of the International Sustainability Standards Board (ISSB) regarding the disclosure of environmental related information (including Scope 3 emissions disclosure by 2026). However, the draft also reflects local characteristics, particularly in relation to social issues such as rural revitalization. We believe this new proposal will help enhance the reporting quality of listed companies and promote long-term, standardized reporting in domestic companies, though challenges in data accuracy and third-party audits remain.

As the government and regulatory authorities strengthen supervision of listed companies, ESG information disclosure has become an important indicator of corporate development, and the ESG information disclosure rate has increased year by year. As of December 31, 2024, a total of 2,197 A-share listed companies had released their ESG reports for the 2023 year, accounting for about 43% of A-share listed companies. Among these, 287 stocks are in the CSI 300 Index, accounting for 95.7%.

In October, the CSRC sought public opinions on the Guidelines on Market Value Management. Matthews supported, and welcomed, the release of the exposure draft and actively participated in the consultation. The market value

2024 MARKET UPDATES

January 2024	China's Ministry of Ecology and Environment (MEE) released the China Biodiversity Conservation Strategy and Action Plan (2023-2030)
January 2024	China officially relaunched the China Certified Emission Reduction (CCER) scheme
February 2024	China Stock Exchanges Consultation on Guidelines on Corporate Sustainability Disclosure
February 2024	State Council released the "Interim Regulations on Carbon Emissions Trading Management"
April 2024	China Stock exchanges officially issued the "Guidelines for Sustainable Development Reporting of Listed Companies"
May 2024	Ministry of Finance (MoF) Consultation on Sustainability Disclosure
June 2024	SASAC released the Guidelines for Central SOEs to Fulfill Social Responsibilities in High Standard in the New Era
August 2024	The Communist Party of China (CPC) Central Committee and the State Council unveiled a set of guidelines to ramp up green transition in all areas of economic and social development
September 2024	MEE released a draft work plan to expand the sectoral coverage of the national ETS (Emissions Trading Scheme)
October 2024	China Securities Regulatory Commission (CSRC) Consultation on the Guidelines on Market Value Management
November 2024	China Stock Exchanges Consultation on Guidelines on Corporate Sustainability Reporting
November 2024	Market value management guidelines launched by the CSRC came into effect
December 2024	MoF issued Corporate Sustainability Disclosure Standards – Basic Standards (Trial)
December 2024	CSRC released a series of new regulations, which include implementing the new Company Law and improving the information disclosure system, etc.
January 2025	Stock Exchanges released sustainability reporting guidance after previous consultation

Note: Highlighted in blue are the consultations in which we participated.

management guidelines launched by the CSRC came into effect on November 15, 2024.

For major index companies and companies with a Price-to-Book ratio of less than one over the past 12 months, the guidance sets out certain requirements for market capitalization management. For example, major index constituents are required to disclose their market capitalization management process and disclose the status of implementation on an annual basis. The guidance encouraged six measures: mergers and acquisitions, Employee Stock Ownership Plans (ESOPs), cash dividends, buybacks, shareholder engagement and disclosure.

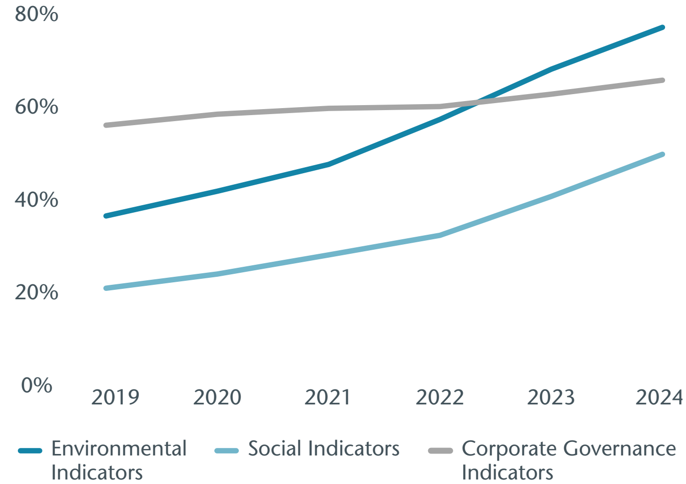
Measures requiring market capitalization management and shareholder returns (dividends and buybacks) expand on the existing focus on improving Total Shareholder Return (TSR). Increasing buybacks, dividend payout ratios and frequency of dividend payouts, as well as encouraging disclosure of dividend plans, are all measures introduced by the CSRC to improve investor returns. For example, we noted that Moutai, one of China's largest Baijiu companies, has a dividend distribution plan for 2024-26. The minimum dividend rate is set at 75% and dividends are paid twice a year. Notably, in 2022 and 2023, the company paid special dividends to shareholders. These actions are in line with the CSRC guidelines and will help support the value of the company.

We believe this move has revitalized the market and provided a topic and breakthrough for sustainability engagement, as market capitalization management can be subsumed under the umbrella of corporate governance. This is especially relevant given that an increasing number of investors are voicing their concerns about corporate shareholder returns and transparency through proxy voting. We expect the implementation of this policy will attract more shareholder engagement.

Matthews Team visiting Moutai in Moutai Town in September

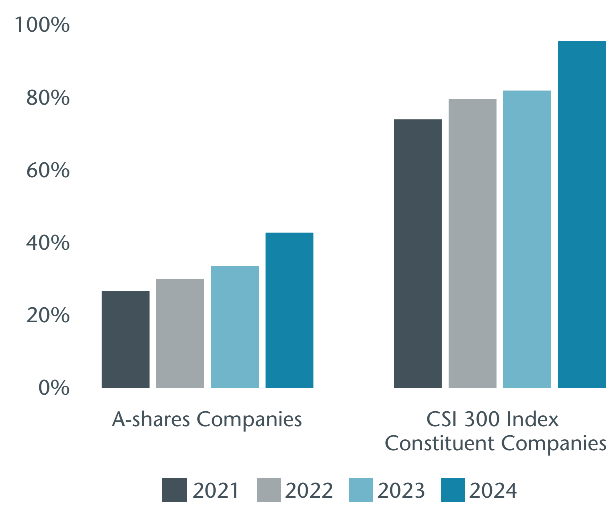
The above-mentioned securities are for illustrative purpose only, they are not intended for solicitation of the purchase of such securities, and do not constitute any investment advice or recommendation.

DISCLOSURE RATE OF ESG INDICATORS FOR CSI 800 CONSTITUENTS



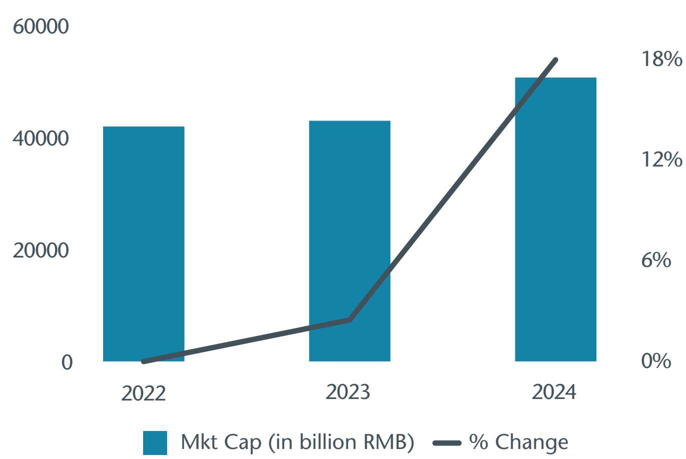
Sources: Syntao Finance, Matthews

LEVEL OF ESG REPORT DISCLOSURE (2021-2024)



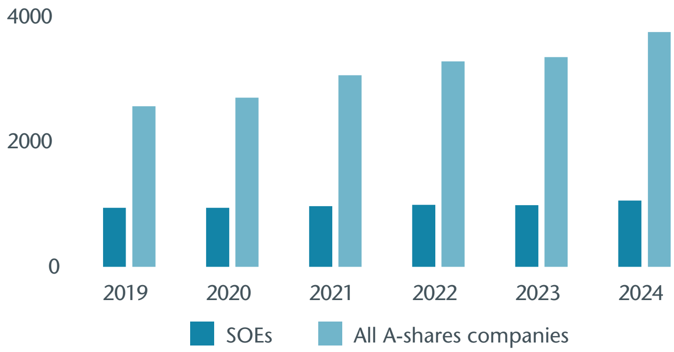
Sources: ZD Proxy, Matthews

TREND OF MARKET CAP OF SOEs



Sources: iFind, Matthews

TREND OF THE NUMBER OF COMPANIES PAYING DIVIDENDS



Sources: iFind, FactSet, Matthews

The above chart shows that the total number of companies paying dividends has increased year on year. Dividend payouts in China reach a record high of RMB 2.4 trillion in 2024. We expect dividend payments and payout ratios to remain high in 2025 given the continued recent policy focus on dividends.

As the largest emerging market, China has significant room for improvement. We regularly engage with our Chinese portfolio companies on key governance and sustainability issues and risks. In 2024, Matthews engaged with 36 companies listed in the A-share market, three mainland-based companies listed in the U.S and one mainland-based company listed in Taiwan.

Jason Furniture Hangzhou Co. Ltd

Engagement Topics: Environmental Disclosure, Supply Chain Management, Product Quality and Safety, Third-Party Communications, ESG Governance

Outcome and Observations: Jason Furniture manufactures home furniture. It produces sofas, mattresses, upholstered beds, and other products. In February 2023, we had our first engagement with the company to discuss environmental disclosure, supply chain assessment, and third-party ratings. The company showed strong interest in sustainability-related topics but seemed to be at a loss by a lack of market guidance. In February 2024, we engaged with the company again as we noted a change in controlling shareholders and wanted to understand the impact on the company. Due to the increase in the number of board members, we recommended the opportunity to integrate ESG management at the strategic operational level, e.g. by establishing an ESG Committee at the Board level. The company welcomed our comments and said it would discuss them internally.

In the February 2024 conversation, the company mentioned to us that it was aware that its third-party rating was in the lowest range and had conducted an internal assessment but the president felt that financial performance remained central and that the focus remained on management, especially in the current challenging environment. We suggested that the company focus on materiality, as we believe that material ESG issues such as supply chain management and product quality are inextricably linked to the company's business operations and that strategically deploying materiality should improve the company's underlying performance. For example, active supply chain management will enhance the company's bargaining power and eliminate risks such as product shortages or quality issues due to supply chain problems. At the same time, we believe that Jason Furniture is focused on the reasons for its low rating but the lack of data disclosure prevents rating agencies from accurately assessing them. We summarized some areas that could be improved through better disclosure and shared them with the company. The company responded by thanking us for sharing and sought to improve its sustainability report for fiscal year 2023 based on our recommendations.

Jason Furniture's IR contacted us in June to get our input on its 2023 Sustainability report, as she would be reporting to the management committee to determine the focus of the company's sustainable efforts for the year 2024. We felt that the report, while making some improvements, still needed to dig deeper into material topics and that it could improve its quantitative data collection and disclosure, which would help to better understand and monitor environmental risks. We emphasized that the CDP disclosure is a best practice tool for making standardized disclosures. We invited the company to complete the CDP Climate Change and Deforestation questionnaire. Although in September communications, the principals indicated that they would not be able to fill out this year's questionnaires due to a lack of basic data, they indicated they would consider disclosing to CDP in 2025.

Wanhua Chemical Group Co. Ltd

Engagement Topics: Climate Transition Plans, Board Composition, Chemical Safety

Outcome and Observations: Wanhua Chemical develops, manufactures, and markets pure isocyanate, polymeric isocyanate, polyurethane, and other related chemical products. We have been researching the company for the last few years and actively contacting the company for engagement opportunities, which we finally started in 2024. We visited the company in Yantai, Shandong in November and discussed hazardous chemicals management, board composition and climate transition plan. This was the initial attempt with the company, and we expressed our desire to follow up with a formal engagement.

As per ChemSec, a global ranking which evaluates chemical companies' substitution of toxic chemicals, Wanhua produces 12 known registered hazardous chemicals. It ranked 29th out of the 51 companies in 2024. We believe the company needs to disclose more information on how it is moving away from hazardous substances to producing safer alternatives. We recommended that Wanhua identify all uses of hazardous chemicals or products containing hazardous chemicals and disclose its revenue share and production volume. The company stated that their products are not direct-to-consumer and that it would list all product uses in its communications with business partners, although it would be somewhat difficult to disclose this to the public. We also recommended that if the company decides to continue to produce a hazardous substance, it should state the underlying use and demonstrate that there are no current alternatives. In this case, Wanhua should also state the share of the R&D budget spent on finding safer alternatives. From 2018 to 2023, Wanhua invested a total of RMB16.02 billion in R&D-related expenditures. As innovation is stated as the central pillar of Wanhua, we believe that conducting R&D on safe alternatives to specific substances is in line with Wanhua's business and can enhance its core competitiveness.

We communicated our expectations to the company regarding board effectiveness and composition. The company indicated that it would consider increasing gender and skillset diversity when making independent director replacements.

The company has made progress in environmental protection and announced its carbon reduction goals in 2023, promising to achieve a carbon peak by no later than 2030, striving to achieve carbon neutrality by 2048. The company plans to achieve carbon reduction by investing in green projects and upgrading technology with energy recovery devices. Since 2020, Wanhua has started to explore low-carbon and clean heating technology by recycling and processing waste heat generated from chemical production. The residual waste heat clean heating project was completed and put into operation in the 2023-2024 heating season.

As a next step, we will encourage the company to provide better disclosure on energy mix details, on an asset and generation basis, both for steam and electricity. Disclosure regarding a commitment to halt any expansion in thermal coal capacity for the steam production process, as well as a commitment to phase out coal in the production process by 2040, will be another area of focus.

Matthews Team visiting Wanhua Chemical in Yantai, Shangdong in November.

PetroChina Co. Ltd

Engagement Topics: Energy Mix, Environmental Targets, Scope 3 Emissions Disclosure

Outcome and Observations: PetroChina operates as an oil and gas company. The Company offers crude oil and oil products exploration, development, production and marketing. We conducted an in-depth study of the company before becoming shareholders and have established relevant governance metrics, such as independent director ratio, Return-on-Equity (ROE) and dividend payout, to track company performance on an ongoing basis.

We had our first one-on-one engagement meeting with PetroChina in April. The focus of this meeting was on the energy mix, environmental targets, and Scope 3 emissions disclosure. Regarding the energy mix, the company's goal is to increase the proportion of new energy output to 7% of its primary energy production mix by 2025. The figure for 2023 is 3.6%, still a relatively low overall share. Management noted that investment in sustainable energy grew by 158% in 2023 compared to 2022. However, the company acknowledges that this recent growth in is due to a low base, and investment in new energy remains limited relative to overall investment. Management mentioned that both investment in new energy and the overall percentage will increase, but the company needs to carefully consider the rate of increase due to the current low return on investment. Currently, PetroChina has established zero-carbon pilot factories in several locations, which may be replicated in the future, although none have a clear timeline.

Research shows that Scope 3 emissions account for nearly 90% of an oil and gas company's GHG emissions, making them a material data point to understand. Management mentioned that due to the lack of a unified measurement standard and model, the investment required to disclose Scope 3 emission data is substantial. Thus, the company needs to carefully consider the necessity and feasibility of such disclosure.

In July, we participated in an event organized by the Shanghai Stock Exchange focusing on sustainability disclosure and followed up with PetroChina after the event to ensure we had the most up-to-date information. We will monitor the industry move and revisit the company to share any updates or best practices. Meanwhile, with the latest development made in China on methane, such as the planned introduction of environmental impact assessment requirements and industry standards in 2025, we plan to take a closer look at PetroChina's methane reductions plan to make sure it will align with the requirements.

Inner Mongolia Yili Industrial Group Co., Ltd.

Engagement Topics: Water Risk Management, Sustainability Governance and Strategy, Sustainability-linked Compensation, Climate Change, Deforestation, Use of Antibiotics, Animal Welfare

Outcome and Observations: Inner Mongolia Yili Industrial Group (Yili) is the largest dairy enterprise in China. In May, we were invited to attend its annual ESG Conference in Inner Mongolia, which brought together various stakeholders to discuss and understand the company's latest sustainability developments. We also participated in a collective session organized by FAIRR, engaging with Yili's management and sustainability personnel. It was a constructive engagement where we covered multiple sustainability topics. We also visited its production site and a dairy farm of Youran Dairy, one of its three core raw milk suppliers.

In September, we became a co-lead of Yili collaborative engagement with CERES' Valuing Water Finance Initiative and had a call with the company. This engagement primarily focused on water management, both within direct manufacturing and throughout the supply chain, revising targets and improving disclosures. We believe water is a highly material topic since the dairy value chain is water-intensive and contributes to the cost. The first call was centered on information gathering related to supply chain responsibility, disclosures and water targets. In October, we participated in another collaborative call with ARE members, focusing mainly on deforestation, animal welfare and responsible antibiotic use. Throughout 2024, we appreciated Yili's willingness to engage with investors and will continue to advocate for better water risk management and disclosure.

Kary Cheng, Research Analyst, attending Yili's ESG Conference and visiting its production site and dairy farm of its supplier in Inner Mongolia, in May

ENGAGEMENT UPDATES: GUANGDONG HAID GROUP CO.

Company	Focus area	Next steps outlined in 2023 Stewardship report	Summary of 2024 engagement and outcomes
Guangdong Haid Group Co. (Haid)	Sustainability Disclosure, GHG Emissions, CDP Disclosure, Board Diversity	In 2023, we introduced Haid to FAIRR and sought information on its environmental management systems. We intended to follow up with Haid to monitor its changes to board composition and progress on environmental data disclosure. We expressed to Haid that the top priority was GHG emissions among all disclosure suggestions.	**New Engagement and follow ups:** We were the lead investor asking Haid to respond to the CDP questionnaire in June 2024 to continue our push for environmental data disclosure. In August 2024, we engaged Haid individually to follow up on the GHG emissions disclosure, and the management of its environmental violations. Although the company still had not disclosed its GHG emissions or respond to CDP questionnaire in 2024, Haid shared some progress updates with us. The company started a GHG emissions project in 2023—it developed a tool and started to calculate the GHG emissions in the feed production process. Haid also shared the difficulties it faces including its large scale of plants. We reminded them of the urgency and importance of the disclosure. Haid is a constituent of the Shenzhen 100 Index and the Stock Exchange's new Sustainability Reporting Guidelines require constituents to disclose indicators, including GHG emissions, by 2026. Although we observed a decrease in environmental controversies or fines over the past three years, we raised this issue with Haid to ensure the company is aware of its subsidiaries' violations in 2024. Haid explained that monitoring and reporting mechanisms are in place for its subsidiaries, ensuring they report to departments such as Environmental, Health and Safety (EHS) at the group level. During the engagement, we also suggested that Haid continue the conversation with FAIRR to seek support and consultancy advice for first-year reporting and data disclosure, if necessary. **Outcomes:** We are encouraged by the improvement in board composition with the addition of female independent director in 2025. She is an industry expert in aquaculture. We would like to see the company take further steps to enhance environmental data disclosure, as we have been advocating, by disclosing the GHG emissions in 2025.

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Hong Kong

In 2024, we saw the continued focus of the Stock Exchange of Hong Kong (the Exchange) on corporate governance enhancements. The governance and sustainability regulatory landscape in Hong Kong continues to evolve, and we anticipate that the rising expectations of regulators and investors will drive companies to make improvements accordingly.

In June 2024, the Exchange published the Consultation Paper on Review of Corporate Governance Code and Related Listing Rules and we responded to the consultation. As a member of ACGA, we, along with other members, met with Hong Kong Investment Fund Association and listed company representatives to gather their views. We also met separately with representatives from the Exchange listing department to exchange our perspectives. In December 2024, the Exchange published the Conclusions on Corporate Governance Code Enhancements, noting that while most proposals received majority support, there were mixed views on the tenure of Independent non-executive director (INED) and the role of the Lead INED. The new requirements will take effect on 1 July 2025, with some transition arrangements. We believe there are several important new requirements the companies in Hong Kong should be aware of:

- Board Independence: A hard cap on long-serving INED tenure of nine years, with phased implementation over an extended six-year transition period, due to concerns raised by opposing respondents. In our opinion, the six-year transition period is relatively long, and we will continue to highlight the value of, and need for, regular board review and refreshment with our portfolio companies.
- Board Effectiveness: The designation of a lead INED, where the board chair is not independent, is now voluntary. Companies must also provide detailed disclosures on shareholder engagement, including the representatives involved and any follow-up actions taken.
- Board Effectiveness: A hard cap on INED overboarding limits to no more than six directorships in Hong Kong-listed companies. As of December 2023, there were 23 overboarding INEDs. It is disappointing that the Exchange has allowed a three-year transition period.
- Capital Management: Enhanced disclosures of dividend policy and board decisions on dividends. This includes reasons for not having a dividend policy, measures to enhance investor returns if no dividend is declared, and reasons for any material variation in the dividend rate.
- Board Diversity: The nomination committee must consist of directors of different genders, conduct annual reviews of the board diversity policy (which should include targets and timelines), and disclose the workforce diversity policy. With the requirement introduced in 2022 to end single-gender boards by 2024, the percentage of women on boards in Hong Kong-listed companies has improved from 17.4% in 2023 to 20.1% in 2024.

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Regarding climate disclosure, the Exchange published the Consultation on Climate Disclosure Requirements in April 2024, which aligns more closely with IFRS S2, to be effective from 2025 reporting year in phases. Yet, the Exchange introduced implementation reliefs, including proportionality and scaling-in measures, to address concerns over the reporting challenges companies may face. The Exchange also published Implementation Guidance, with references to IFRS S1.

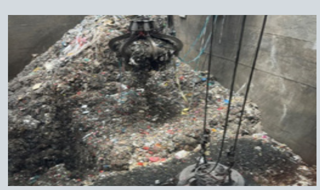
To assist company compliance, the Exchange will continue to publish updated guidance. We believe that the Exchange should continue its focus on, and commitment to, promoting good corporate governance practices and climate management in the market to remain competitive.

We regularly engage with our portfolio companies in Hong Kong on key governance and sustainability issues and risks. In 2024, Matthews engaged with 26 companies listed on the Hong Kong Stock Exchange.

China Everbright Environment Group Ltd.

Engagement Topics: Capital Management and Allocation, Pollution and Waste, Wastewater Treatment

Outcome and Observations: China Everbright Environment Group Ltd. (Everbright Environment) focuses on three major areas of solid waste, water and energy; it is the largest environmental enterprise in China. In July 2024, we joined the site visit to Everbright Environment's waste-to-energy project in Boluo, Guangdong, with an objective to understand its project design, pollution and waste management in particular. The management assured us that Everbright Environment's emission level requirements for its waste-to-energy incinerators are more stringent than national and European standards, with centralized real-time monitoring to ease community concerns about toxic emissions. Its environmental data are also connected to the environment bureau. We also engaged on topics including CapEx plans, free cash flow, dividend payout, national renewable tariff subsidy and wastewater treatment.



Everbright Environment showcased its innovation project – a smart automated waste storage pit equipped with an overhead crane for moving waste in a sealed environment.

Matthews Team visiting China Everbright Environment in Boluo, Guangdong, in July.

India

India continues to make notable progress in strengthening its corporate governance and sustainability landscape, driven by regulatory reforms and an increasing emphasis on responsible investing. The country has seen further advancements in sustainability disclosures and governance standards, underscoring the country's commitment to align its economic growth with environmental and social objectives.

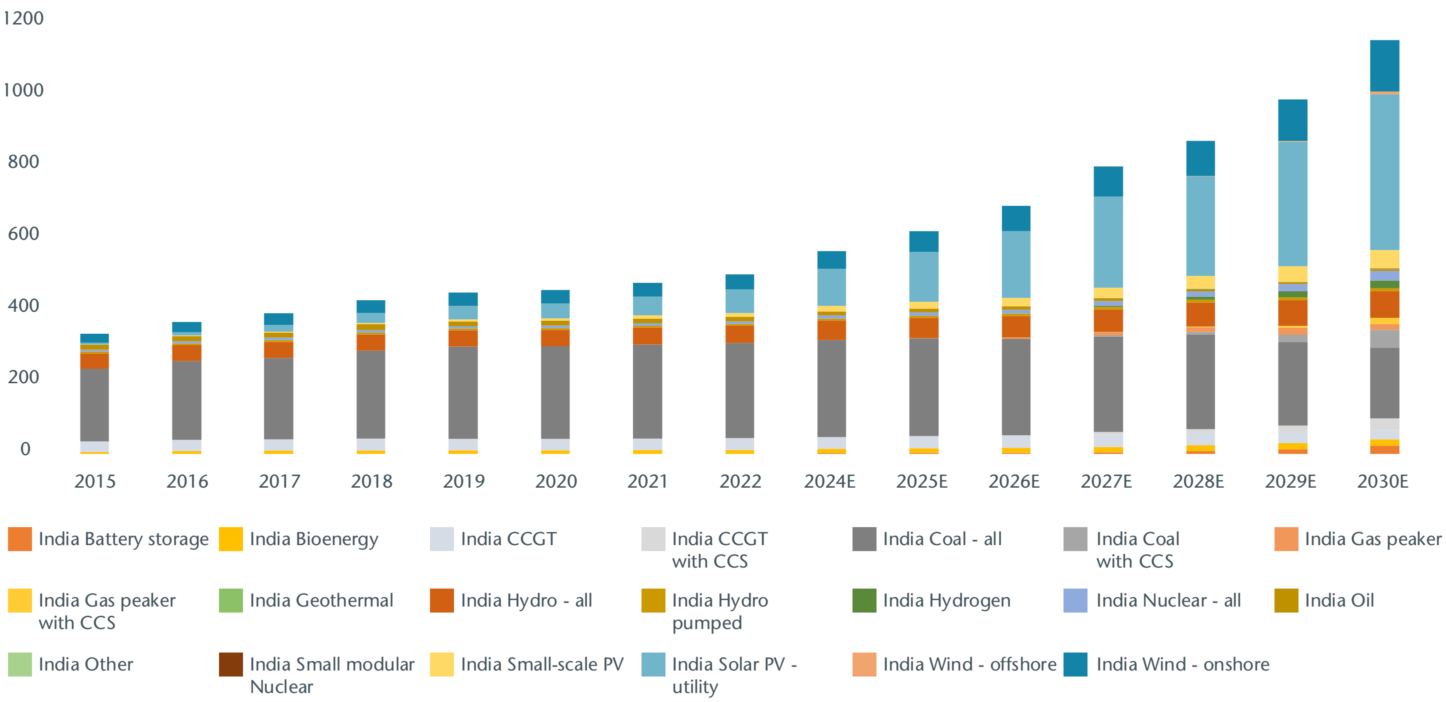
One of the key developments has been the refinement of the Business Responsibility and Sustainability Report (BRSR) requirements, which apply to the top 1,000 listed companies by market capitalization, starting in 2023. Additionally, the Securities and Exchange Board of India (SEBI) introduced the BRSR Core framework, a subset of key ESG performance indicators applicable across value chains. This initiative is designed to enhance consistency and comparability in sustainability reporting, offering investors with clearer insights into ESG performance. The introduction of assurance for BRSR Core disclosures further strengthens investor confidence in the quality and accuracy of sustainability data.

India has also seen continued regulatory action to refine ESG fund guidelines. Building on its 2023 ESG fund framework aimed at countering greenwashing, the SEBI continued to oversee the implementation of stricter requirements in 2024, including clearer labeling standards and a mandate that at least 80% of ESG funds' assets align with their stated ESG objectives. The framework also requires third-party assurance and enhanced disclosures. This has bolstered investor confidence while also placing greater compliance demands on asset managers. The emphasis on a "transition" ESG strategy remains particularly relevant, reflecting India's reliance on coal and the pragmatic need for a phased approach to decarbonization.

The Reserve Bank of India (RBI) released a draft framework on climate-related financial risks in early 2024, encouraging financial institutions to integrate climate risk considerations into their business strategies and risk management frameworks. Notably, the RBI has emphasized climate stress testing and scenario analysis as tools to assess potential vulnerabilities arising from climate-related financial risks. Sovereign green bonds and green deposit frameworks were also introduced to mobilize capital for sustainable projects. Sustainability and climate action have become central themes. Together with other investor members of the India Working Group of the Asian Corporate Governance Association, we contributed to a consultation to the draft disclosure framework in April 2024 sent to the RBI.

On climate, India reaffirmed its commitment to net-zero emissions by 2070 and aims to achieve 500 GW of non-fossil fuel capacity by 2030. India's progress in renewable energy is remarkable. The country surpassed 190 GW of renewable capacity as of early 2024, moving closer to its ambitious 2030 target. Solar installations led the growth, alongside increased investment in wind power and green hydrogen under the National Green Hydrogen Mission. India's renewable capacity now accounts for approximately 46% of its total installed power capacity, up from 30% in 2023.

CUMULATIVE INSTALLED CAPACITY (GW) BY TECHNOLOGY UNDER NET ZERO SCENARIO



Source: Bloomberg New Energy Finance

Corporate governance reforms remain uneven. The National Financial Reporting Authority (NFRA), established in 2018, strengthened its oversight by joining the International Forum of Independent Audit Regulators (IFIAR) in 2023. This bolstered India's audit quality and increased accountability of auditors. However, enforcement gaps remain, as the Comptroller and Auditor General's (CAG) 2023 audit revealed corruption and inefficiencies in state-run enterprises, underscoring the continued influence of political interests. On the diversity front, progress in board diversity is visible, with increasing representation of women on boards, but gender parity remains far off. Succession planning is also improving, especially in family-run businesses, as a younger generation with global education and experience is modernizing governance practices. However, issues regarding independent director effectiveness remain questionable. While progress has been notable, India's journey toward robust governance remains a mix of significant strides forward and lingering challenges.

India's stewardship landscape is also maturing. India's domestic mutual funds' assets under management rose to \$570 billion by March 2024, which represents a significant increase of approximately 35% over the fiscal year, reflecting deepening retail participation. Institutional investors are gradually expanding their focus from voting compliance to active engagement on environmental and social issues. Yet, stewardship reporting often remains superficial, lacking clarity on engagement outcomes.

India's ESG disclosure landscape has also made considerable progress, with a growing number of companies participating in international reporting frameworks. In 2024, Indian corporates continued to demonstrate progress in aligning with global standards, particularly through disclosures under CDP and commitments to the Science Based Targets initiative (SBTi). According to CDP India, over 300 Indian companies responded to CDP climate disclosures in 2024, reflecting a sharp increase from 250 in 2023, highlighting India Inc.'s growing responsiveness to investor and regulatory pressure.

On climate commitments, 20 of our Indian portfolio companies set or committed to Science Based Targets (SBTs) under SBTi as of early 2025. While progress is evident, challenges remain. Small and mid-sized enterprises (SMEs) continue to lag in adopting sustainability practices, and further capacity-building efforts are required to bridge this gap.

As India positions itself as a global economic powerhouse, its ability to balance growth with governance and sustainability will remain critical. In 2024, Matthews engaged with 27 Indian listed companies.

Varun Beverages Limited

Engagement Topics: Supply Chain Diligence, Audit Effectiveness, Water Management, Expansion Strategy

Outcome and Observations: Varun Beverages is a leading bottling partner for PepsiCo, with a strong presence in India and expanding operations in Africa. We engaged with the company on multiple occasions in 2024. More specifically, we have discussed key issues related to its supply chain monitoring, sustainability commitments, corporate governance, and growth strategy.

Our discussions focused on supply chain diligence, particularly regarding sugar sourcing and the associated ESG risks. We raised concerns about the potential of increased scrutiny from investors and trade representatives regarding labor conditions for sugar cane workers and requested information on the due diligence conducted on sugar mills in the supply chain, as well as the associated compliance costs. The company acknowledged ongoing deeper audits but also noted having less exposure to areas where human rights concerns have surfaced. It stated it is actively working to improve workers' earning ability through water management programs to increase yields. PepsiCo's involvement in strengthening its due diligence was also noted, with further assessments planned.

Given the risk of water scarcity and it being an important input for operations, we also engaged with the company on its water management strategies, particularly regarding increased disclosure and management of operations in critical or overexploited zones. We were the lead investor requesting the company's response to the CDP Water questionnaire, which the company completed for the first time in 2024. The company has made efforts to improve water recharge rates and reduce production in water-scarce areas. It also utilizes satellite imagery to track water depletion and plans to scale up these initiatives. Additionally, regarding packaging, Varun Beverages' joint venture with Indorama for recycled plastics was highlighted as a strategic step toward sustainable packaging, with the first plant expected to be operational next year.

We also had many discussions regarding the company's growth and market expansion plans. Given its expansion into parts of Africa, we engaged with the company over its audit effectiveness, specifically in regard to audit committee oversight and the external auditor appointment. We noted that the company had been using a joint auditor system and wanted to be sure that, with the large-scale growth the company was embarking on, its audit and control processes were strong. We inquired about a larger portion of assets not being audited by the main auditors and asked what considerations the company had when selecting external auditors. The company informed us that it was in the process of consolidating all sites through a project aimed at providing visibility from an accounting, budgeting and centralization perspective. We believe such improvements in standard operating procedures is a necessary step. We also discussed the level of independence on the board's audit committee and the specific skill sets that committee members bring to the company in their oversight capacity. We requested that the company consider future independent directors with direct technical knowledge, such as accounting executives with strong prior audit expertise. We plan to continue to engage with Varun Beverages on supply chain due diligence, water sustainability initiatives and corporate governance.

ENGAGEMENT UPDATES: INDUS TOWERS, LTD., PHOENIX MILLS LTD.

Company	Focus area	Next steps outlined in 2023 Stewardship report	Summary of 2024 engagement and outcomes
Indus Towers Limited	Corporate Governance, ESG Reporting, Renewable Energy & Power Purchase Agreements (PPA), Health & Safety, Sustainability Targets, Contingent Liabilities	The subsequent actions detailed in the 2023 stewardship report indicate that we will monitor the company's advancement towards its net zero objectives, including improvements in environmental disclosure through CDP, and the expansion of green sites and energy efficiency efforts. We will continue to engage on board independence, while also monitoring developments in reporting, sustainability targets, and contingent liabilities.	**New Engagement and follow ups:** Raising our concerns about the appointment of its independent chair due to prior tenure at Bharti Airtel, a promoter company, in 2024, the company clarified its justification for the appointment. Our engagement with the company also extended to its reporting in accordance with TCFD. Indus Towers had prioritized completing Scope 3 emissions reporting, which it disclosed in 2024, and is now developing a reduction plan aligned with its Net Zero commitment. Regarding its renewable energy strategy, the company is working on a 130 MW renewable purchase power agreement. While this is a relatively small portion of its 3 GW energy consumption, successful pilot implementations will facilitate scalability. On health and safety, the company acknowledged an increase in Category A safety incidents (fatalities) compared to the previous year due to heightened activity volume, despite extensive training. However, the company's safety performance is directly linked to management incentives. The company also intensified awareness efforts, including family engagement, site visits and encouragingly, no fatalities were reported in the first five months of 2024. **Outcome:** Our engagement with Indus Towers for establishing sustainability targets, prompted the company to announce several commitments related to ESG in 2024, including net-zero GHG emissions by 2050 (SBTi-aligned), 30% gender diversity and 100% waste recycling. It also set interim emission reduction targets, tied emission targets to compensation, reduced diesel consumption, improved gender diversity, lowered attrition, and strengthened governance oversight. We engaged with the company regarding its high contingent liabilities. Following a favorable Income Tax Appellate Tribunal ruling in December 2024, Indus Towers reduced its tax-related liability by INR 35,000 million (USD 411.6 million), strengthening its financial position. We were also the lead investor requesting the company to respond to the CDP, which it did in 2023. Indus Towers retained its B- score in the CDP Climate Change disclosure, building on its initial disclosure efforts. This reflects the company's sustained commitment to transparency and environmental performance as it continues advancing its net zero strategy.

Company	Focus area	Next steps outlined in 2021 Stewardship report	Summary of 2024 engagement and outcomes
Phoenix Mills Ltd.	Remuneration Disclosure, Board Effectiveness, Board Independence, ESG Disclosure	We intend to follow up with Phoenix Mills to further engage on board independence, particularly regarding the tenure of long-serving independent directors, and to encourage greater board effectiveness. We also plan to continue to engage the company on executive remuneration disclosures, seeking clarity on performance-linked variable compensation metrics. Additionally, we will monitor the company's progress on aligning its ESG disclosures with global frameworks such as GRI, SASB, and CDP, while encouraging the adoption of more ambitious renewable energy and resource efficiency targets.	**New Engagement and follow ups:** We engaged with Phoenix Mills on corporate governance and disclosure matters throughout 2024. We continued to engage the company on board independence, key board committee composition, and executive compensation concerns. Board independence improved to 50% in 2024, up from 38% in 2023. We encouraged the company to ensure its Nomination and Remuneration Committee (NRC) is composed entirely of independent directors. We also engaged on the high compensation of its Non-Executive Chairman, which has been flagged by proxy advisors. During our engagements in 2024, the company provided benchmarking data and emphasized the chairperson's strategic contributions as the basis for his compensation. We remain concerned that his proposed compensation could exceed 50% of total non-executive director remuneration, surpassing that of peers, and believe the justification for his elevated pay could benefit from increased specificity. We will continue our discussions with the company on this matter. **Outcome:** We are encouraged by the improvements in board independence and ESG disclosures. However, we would like to see the NRC be 100% independent, and plan to continue advocating for better pay practices, clearer performance linkages, and enhanced environmental data disclosure.

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Japan

As part of the Japan Working Group of the Asian Corporate Governance Association (ACGA), members of the Matthews' investment team attended meetings with investors, companies and regulators in Tokyo in the fall of 2024. Japan's corporate governance reforms continued to gain momentum in 2024, building upon the significant changes introduced in 2023.

The most notable progress has been in capital efficiency, with an increasing number of companies taking tangible steps to improve ROE and price-to-book (P/B) ratios. While 2023 saw the introduction of a "comply or explain" framework for companies trading below a P/B ratio of 1, by 2024, 86% of Prime Market companies disclosed or were considering disclosure of capital efficiency initiatives, a substantial increase from 31% the previous year. Additionally, Japan's cost of capital is set to rise for the first time in many years, further emphasizing the importance of efficient capital allocation. This shift signifies a transition from regulatory encouragement to investor-driven scrutiny, making it more difficult for companies to delay action.

Another area of progress has been in board diversity. In 2023, Japan set a goal for Prime-listed companies to appoint at least one female executive by 2025, and reach 30% female executives by 2030. By 2024, the percentage of boards with no female directors had dropped from 12.2% to 4.9%, with all companies in the TOPIX 100 appointing at least one gender-diverse director. However, much of this progress has been in appointing external female directors, while internal promotion of women into executive roles remains limited. Proxy advisors such as Glass Lewis have increased their standards, requiring 10% female directors for Prime Market companies in 2024, and raising the threshold to 20% by 2026. The trend reflects growing pressure from investors; however internal pipelines for female leadership development remain weak, signaling the need for more structural changes within organizations.

Cross-shareholding remains a persistent challenge, despite some progress. Some companies have been criticized for reclassifying cross-held shares as "pure investments" to avoid stricter disclosure requirements. While 2024 saw a decline in strategic shareholdings—24.2% of companies now hold 10% or more of their net assets in cross-shareholdings, down from 25.4% in 2023—cultural resistance to unwinding these holdings remains strong. Financial institutions, including banks and non-life insurers, are under increasing pressure to reduce their cross-shareholdings within three to four years. The Financial Services Agency (FSA) has strengthened disclosure requirements, but many companies continue to exploit classification loopholes. Without stricter enforcement, cross-shareholding reductions will remain slow, and genuine governance improvements could be undermined.

Board effectiveness and director training have also emerged as critical areas of focus for regulators. While the TSE and FSA have prioritized board training, many senior executives remain reluctant to participate, fearing that seeking education could be perceived as a weakness. This cultural challenge continues to hinder governance improvements. Despite the increasing recognition of the importance of board training, director financial literacy remains low, and independent directors often lack the skills to challenge management effectively. The Japan Institute of Certified Public Accountants (JICPA) and the Board Director Training Institute (BDTI) are expanding training initiatives, but uptake remains inconsistent. Investors have begun pushing for mandatory director training, but meaningful change in this area is still in its early stages.

Regulatory reforms continued in 2024, ensuring that governance changes go beyond surface-level compliance. The Tokyo Stock Exchange (TSE) has announced that the transition period for meeting new listing standards will end in April 2025, meaning that companies failing to meet governance and financial criteria will face potential delisting. Additionally, a new rule requiring mandatory English disclosures for all

AREAS OF PROGRESS		AREAS STILL LACKING PROGRESS	
Capital Efficiency	Stronger pressure from TSE & FSA, with a higher percentage of companies disclosing Return-on-Equity/Price-to-Book ratio improvement plans	**Cross-Shareholdings**	Remains a major issue as cultural resistance is strong, and companies continue to **reclassify** these holdings to avoid scrutiny
Gender Diversity	More women are joining boards, and stricter investor policies are pushing companies to improve	**Board Training and Effectiveness**	Many directors **still lack financial literacy**, and there is resistance to formal training
Investor Engagement	Domestic asset managers have become more aggressive, pushing for better governance standards	**Parent-Subsidiary Listings & Conflicts of Interest**	**No major structural changes**, and many **subsidiaries still have ineffective governance**
Cross-Shareholding Reduction	Companies are slowly divesting, and new disclosure rules make it harder to hide these holdings	**AGM Timing & Transparency**	The **Yuho (financial statement) is still not available before AGMs**, making investor participation difficult
Regulatory Strengthening	The **TSE's new listing standards** (2025 deadline) and **mandatory English disclosures** mark a move towards **global best practices**	**Internal Female Promotions**	Continues to lag as most new female directors are **outside hires,** and internal pipelines for executive positions remain weak

Prime Market companies will take effect in April 2025. These measures reflect a broader effort to align Japanese corporate governance with global best practices. Furthermore, the FSA has introduced a list of "safe zones" for collective investor engagement, addressing concerns over Japan's strict concert party rules, which have previously discouraged collaborative shareholder action.

Investor activism has played an increasingly significant role in driving governance reforms. Domestic asset managers, historically passive, have become more aggressive in their proxy voting policies, often setting stricter standards than global proxy advisors like ISS and Glass Lewis. In 2024, 46% of top executives faced opposition in director elections due to concerns over gender diversity, ROE or cross-shareholdings. The rising number of shareholder proposals, particularly those focused on capital efficiency, suggests that investors are taking a more active role in shaping corporate governance. The combination of regulatory changes and investor pressure is forcing companies to move beyond compliance checklists and make substantive changes to governance structures.

Despite these advances, several critical issues remain unresolved. Cross-shareholding continues to be a major obstacle, as companies resist unwinding these holdings and reclassify them to avoid scrutiny. Board training and director financial literacy remain weak, limiting the effectiveness of independent directors. Parent-subsidiary listings and conflicts of interest persist without clear regulatory intervention. Another ongoing challenge is the timing of annual general meetings (AGMs) and financial disclosures. In Japan, the Yuho (annual securities report) is still not available before AGMs, making it difficult for investors—particularly foreign shareholders—to participate meaningfully in governance decisions. Regulatory bodies are discussing extending the AGM timeline to four or five months to address this issue, but no concrete action has been taken.

It's important to note Japan's corporate governance reforms continue, and we remain optimistic about the trajectory of changes. The transition from form to substance is underway, but sustained pressure from regulators and investors will be necessary to ensure that companies implement real and lasting governance improvements rather than superficial compliance measures.

In 2024, we updated our voting guidelines for the Japanese market with stricter considerations for voting against directors at companies with more than 10% of net assets in cross-held shares. In 2024, Matthews engaged with 39 Japanese companies.

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Taiheiyo Cement Corp

Engagement Topics: GHG emissions, Carbon Reduction Target, Carbon Reduction Investment, Employee Health and Safety

Outcome and Observations: Taiheiyo Cement manufactures cement and industrial materials such as limestone. Global cement manufacturing is responsible for about 8% of the world's total CO2 emissions. Reducing carbon emissions from cement production is critical to achieving global climate goals. We conducted comprehensive research prior to investing and set a threshold to ensure that the addition of the company would not have a disproportionate impact on our consolidated portfolio's owned carbon emissions.

We continued to track the company's sustainability performance after becoming a shareholder. We had an in person one-on-one meeting with the company in May at its headquarters in Tokyo. We were pleased that Taiheiyo Cement took this conversation seriously and sent a representative from each department to participate to help us better understand its sustainability standing and business strategy. We learned that, for carbon neutral investment, the mid-term plan for 2026 allocated about 13% of its growth investment. The company is actively involved in government programs and maintains a partnership with the government to promote a shift in blended cement standards and enhance public acceptance.

Noting that the company disclosed three different calculating methods for carbon emissions and had set carbon reduction targets based on various benchmarks, we sent an inquiry to the company in October requesting clarification. The company provided us with a detailed response via email, which also helped to deepen our knowledge of the cement industry and its unique calculation methodology.

The company contacted us in November, expressing their desire for another one-on-one conversation to provide an update. Management shared recent technological advances in carbon reduction and stated that the company is committed to completing the technological innovation by 2030. However, they noted that there are still significant constraints to its commercial utilization and that government support is needed.

We discussed employee health and safety issues after learning that there were employee deaths in 2023. Management attributed this mainly to the Japanese communication culture of superior-subordinate relationships. Their view was that an insufficient number of middle managers created poor internal communication pathways, leading to an increase in human errors. We suggested that the company consider incorporating health and safety indicators into the executive compensation KPIs to better raise senior managers' awareness and incentivize them to proactively engage with the younger generation, helping to avoid human errors caused by inadequate communication. The management welcomed our recommendation and said they described the conversation as insightful.

We are pleased to have built trust with the company and will continue to follow up and assess its sustainability performance.

ASICS Corp.

Engagement Topics: Supply Chain Management, Labor Rights

Outcome and Observations: ASICS manufactures and distributes sporting goods and equipment. The Company produces athletic shoes, sportswear and other products. Asics has more than 150 Tier-1 suppliers in more than 20 countries. We have been engaging with the company since 2023 together with other investors on behalf of KnowTheChain, a resource for companies and investors to understand and address forced labor risks within their global supply chains. Our engagement has primarily focused on supply chain management and labor rights. We believe the company demonstrates many best practices within its supply chain. ASICS encourages suppliers to join the Better Work Program (BWP) and highlights suppliers the benefits of joining. The company will also provide BWP training to all its suppliers, regardless of their participation in the program.

In 2024, one of ASICS' suppliers factory in Cambodia was involved in alleged labor rights violations. We reached out to the company and learned that it engaged in dialogue with labor unions and NGOs as soon as the incident occurred and confirmed the facts with the factory. The employees that were arrested in the incident have been released, returned to work, and have received appropriate compensation. The company is also continuing to follow up on the matter.

We plan to co-lead a collective engagement in 2025 and continue to promote the company's development in the field of supply chain management. We believe that solid supply chain management can enhance the company's bargaining power and bring positive returns to the company in the long run.

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"For Asics, the supply chain is a strategic asset. Efficient supply chain management reduces costs, safeguards quality, and accelerates innovation. Companies that have rigorous supply chain standards and monitor and engage suppliers to address labor issues are better positioned to preserve shareholder value in the long run."

Shuntaro Takeuchi

ENGAGEMENT UPDATE: TOYOTA MOTOR CORP.

Company	Focus area	Next steps outlined in 2021 Stewardship report	Summary of 2024 engagement and outcomes
Toyota Motor Corp.	Capital Management, Corporate Governance, Group Governance, Climate Lobbying, Product Safety and Quality	We have established topics for our continued engagement with the company that will include board effectiveness and composition, climate target setting, climate lobbying, and capital and asset efficiency. We are encouraged that the company is committed to taking the feedback from investors seriously and we expect to continue these discussions and expand them with other members of the Toyota team.	**New Engagement and follow ups:** Since 2021, we participated in several collaborative meetings with the firm's CEO, Chief Sustainability Officer, External Director, Chief Officer of Accounting and IR. Engagement topics span capital management (cross shareholdings, capital efficiency), corporate governance (board independence, diversity, succession planning, skillset), group governance and climate lobbying. We recently added product safety and quality as an additional topic in light of the inspection issues associated with the group.
			Outcome: We noted Toyota's improvements in three areas (1) accelerated the unwinding of cross-shareholdings between financial institutions, business partners, and group companies; (2) improved disclosure on board, i.e., independence criteria for external directors; and (3) improved disclosure of climate lobbying activities. As a next step, we will encourage Toyota to (1) strengthen disclosure of its capital management policies, including plans to eliminate cross-shareholdings in the future; (2) corporate governance related to board independence and skillset diversity; and (3) strengthen the group's compliance with product safety and quality.

South Korea

The increasing global focus on corporate governance is stirring shifts in the structure of markets and companies worldwide. These shifts are facing perhaps their biggest test in South Korea, a market known for its large, opaque, family-owned conglomerates which have powered the economy for decades while simultaneously shutting off large parts of value creation from minority shareholders. Over the years, we've seen some improvement in the willingness of South Korean companies to engage with minority shareholders and make corporate governance changes. However, the basic infrastructure remains intact, leading to the entrenchment of what has become known as "the Korea discount."

South Korea's Corporate Value Up program, introduced in 2024, aims to align the interests of controlling and minority shareholders, enhance transparency and, ultimately, unlock shareholder value. We saw the program's reception firsthand when we took part in the Asian Corporate Governance Association Korea Working Group's meetings in Seoul during the annual general meeting (AGM) season in 2024. Matthews attended six AGMs in March, which presented a good opportunity for management to hear directly from shareholders.

The Value Up program presents an excellent opportunity for companies and policymakers alike to have meaningful dialogues with stakeholders and shareholders. The Korea Exchange now displays key financial indicators of companies on its website, categorized by market segments and business sectors. These indicators include P/B ratio, Price-to-Earnings (P/E) ratio, ROE, dividend payout, dividend yield and TSR. Additionally, the Exchange will provide investor relations services to companies that lack the capability, particularly in English, to actively support them in enhancing their corporate value. As of February 19, 114 companies in Korea had disclosed a Value Up plan.

The program aims to encourage companies to voluntarily adopt higher governance standards, improve financial transparency and engage more constructively with shareholders. It also seeks changes in corporate law and regulations to foster a more transparent and fair business environment, while putting forward initiatives to improve communication between companies and investors. It's an ambitious brief. However, while the long-term prospects for reforms are promising, the near-term impacts are less clear, especially given the unexpected martial law declaration in South Korea at the end of 2024. This led to a political crisis with foreign selling stemming from diminished confidence.

As soon as the Value Up program was introduced, there was disappointment, primarily centered around the voluntary nature of the proposals. It was clear that most shareholders were hoping for stronger enforcement and for additional reforms, including stricter fiduciary responsibilities for boards of directors. Throughout 2024, there were continued abuses of minority shareholders in the market.

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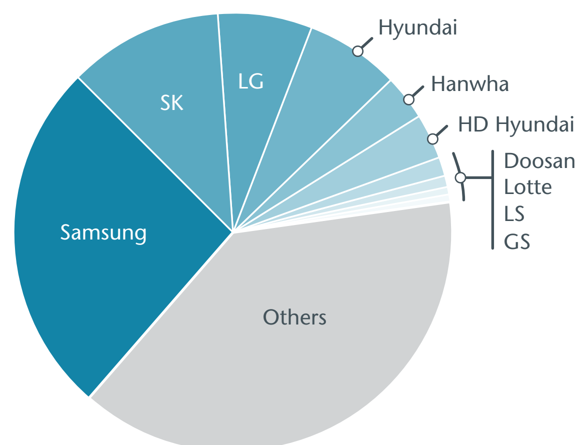
One of the reasons for "the Korea discount" is often attributed to the dominance of South Korean family dynasties, or chaebols, on the market and their strong grip on the economy. These companies were established in the 1960s and played a pivotal role in South Korea's economic success. But their opaque structures, conflicts of interest, disregard for minority shareholders and several high-profile scandals have tarnished their reputation. As a result, they are frequently cited as a key factor behind the discount effect, which is evident in their trading at lower earnings multiples compared to global peers.

There have been attempts at the margin to improve the situation, but these efforts have largely been used as tools for chaebol owners to expand their control. We have seen an increase in consultative fees, more related-party transactions and more money coming from brand royalties than dividends. Additionally, these companies employ various control-enhancing mechanisms that grant voting rights that do not always align with the economic interests of the company.

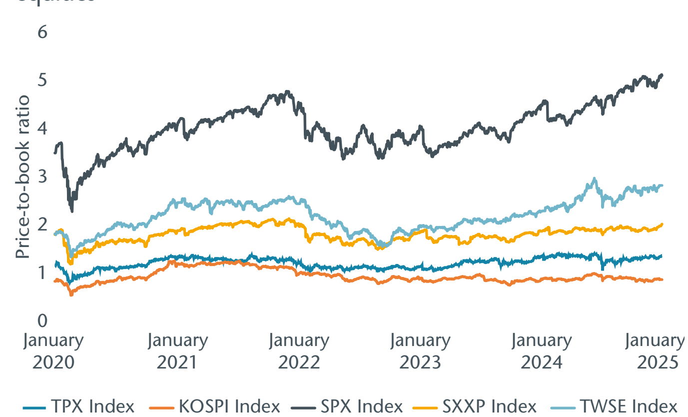
KOREA'S BIGGEST CHAEBOLS = MORE THAN HALF THE KOSPI



Source: Factset and Matthews as of Feb 18 2025

THE KOREA DISCOUNT

Governance is the key to unlocking value in South Korean equities

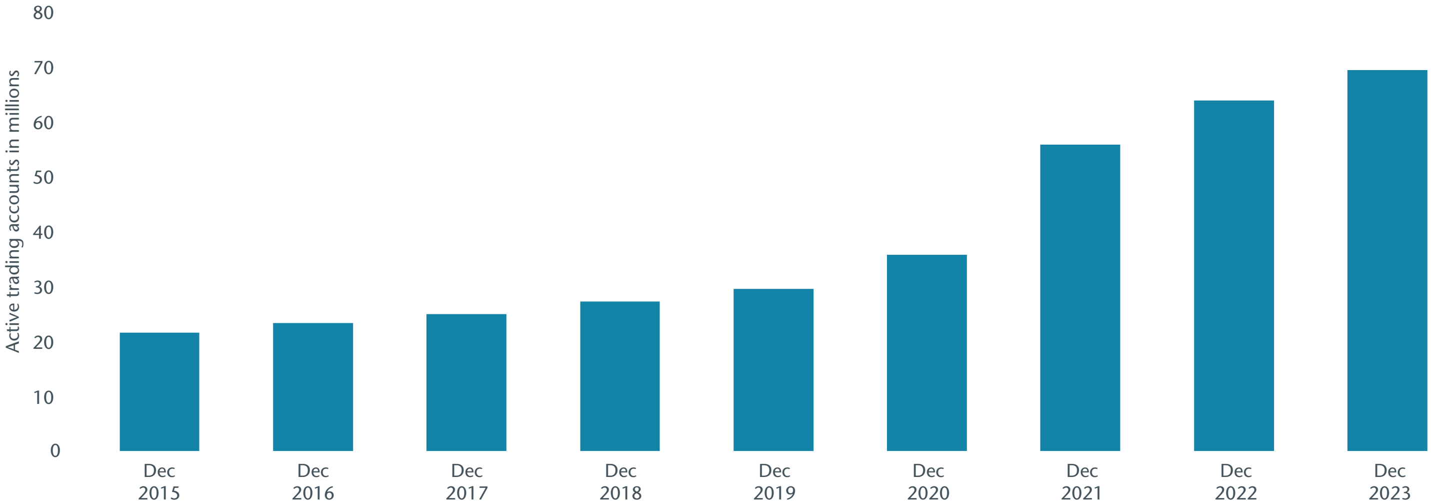


TPX - Tokyo Stock Price Index; KOSPI - Korea Composite Stock Price Index; SPX - S&P 500 Index; SXXP - STOXX Europe 600 Index; TWSE - Taiwan Stock Exchange. Indices are unmanaged an shown for comparative purposes only. It is not possible to invest directly in an index.

Source: Bloomberg, as of January 31, 2025

GROWING ACTIVE MINORITY

Governance reforms would be welcomed by South Korea's growing retail investor base



Source: Korea Financial Investment Association (KOFIA), as of April 9, 2024

Hoarding of capital by controlling shareholders has also contributed to "the Korea discount". In general, dividends are low, and overall shareholder returns remain weak, despite South Korea's stock market constituents having strong cash flow and balance sheets in many cases. Today, many South Korean companies trade below the book value of their assets. Consequently, we believe there is significant value to be unlocked if corporate governance reforms are followed through.

Clearly, stronger shareholder rights and improved access for minority shareholders is needed to promote better alignment with controlling shareholders to drive long term value, whether that is through tax reforms and shareholder return incentives, corporate law changes or regulatory reforms. We believe another significant area of change would be within the Commercial Code so that directors have a fiduciary duty to shareholders as well as to the company, as is common in many other markets.

The good news is that the voice of retail shareholders and the investing public is getting louder. One of the reasons behind the Value Up or the Boost Up program is the political reality that retail shareholders now present and the fact that many of them have become frustrated with returns from domestic companies including chaebol conglomerates.

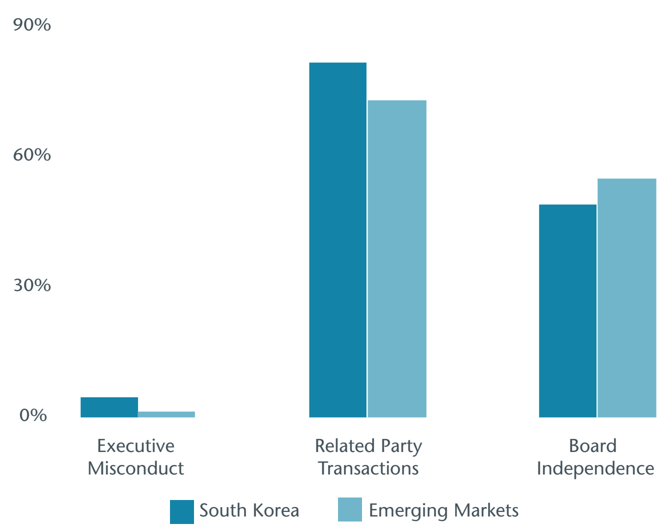
We also believe there is an alignment on much of the concerns that retail shareholders have with the posture of long-term activist investors. We believe that long-term investors can play a key role, particularly if there are ongoing disappointments on the Value Up program. Foreign investors were initially optimistic when the initiative was launched, but maintaining momentum will be crucial. Political instability has undermined market confidence, as policy implementation has taken a backseat. Disclosure should be improved, related-party transactions should be monitored, mandatory takeover bids clarified, and stewardship should be encouraged. Long-term investors can engage with companies to help realize these outcomes.

In addition, in our view, there are other issues that need to be prioritized in the program. Minority shareholders should be encouraged to exercise their rights to attend AGMs so that board directors and top management can hear our voices directly. Audit committee independence is an area that has improved accountability at large companies in South Korea and should also continue to be leveraged by shareholders.

We believe corporate governance reforms hold significant promise for enhancing the value of South Korean companies and improving the investment climate in the market. It will be a slow process that is likely to move in fits and starts over the years. Its success will depend on overcoming political and economic challenges, aligning the interests of various stakeholders, and implementing effective reforms. For active investors and responsible stewards of shareholder capital, these reforms—whether presented under the guise of Value Up or the Democratic Party of Korea (DPK)'s Boost Up program presents both opportunities and risks, and will require careful analysis and monitoring of developments in South Korea's market going forward.

HELD TO ACCOUNT

How standards of corporate governance compare between companies in South Korea with those in Emerging Markets



Source: MSCI Inc., as of May 7, 2024

GOOD VALUE?

Our take on South Korea's Value Up corporate governance program

POSITIVES	NEGATIVES
Enhanced shareholder rights: The Value Up and Boost Up programs encourage more transparency on issues including stock split and stock listing plans. Initiatives promote auditor independence and board independence to better align shareholder interests and this could lead to unlocking of value for minority investors.	Voluntary measures without penalty. According to exception clauses, if companies provide reasonable grounds for predictions and state a clear disclaimer, they may be exempted from penalties for lack of disclosure improvements.
Korea Exchange's Value Up webpage (kind.krx.co.kr) allow peer comparison for companies in the same industry or of the same size, with key metrics displayed such as PBR, PER, ROE, Return on Invested Capital (ROIC), Cost of Equity (COE), Weighted Average Cost of Capital (WACC), dividend payout and yield, and total shareholder return.	Lack of tax details to incentivize shareholder returns; only that tax changes will be announced in line with policy reforms.
Encourages CEOs/CFOs to participate in communication and boards to oversee managements' development and implementation of Value Up plans.	No proposed amendments to the Commercial Code to introduce fiduciary duty to all shareholders have been made yet.
Improved investor confidence: By addressing governance issues and enhancing transparency, the program could boost investor confidence and attract more foreign investment.	Chaebol dominance: Significant influence of chaebol families over the economy poses challenges to reducing the Korea discount.
Market development: Reforms under the program could help South Korea advance toward achieving Developed Market status, making it more attractive to global investors.	Political Uncertainty: Lack of alignment among government agencies and the impact of the upcoming Presidential Election in 2025 post the martial law declaration have created an unclear regulatory environment.

In 2024, Matthews engaged with 19 Korean companies .

ENGAGEMENT UPDATE: SAMSUNG SDI CO LTD.

Company	Focus area	Next steps outlined in 2022 Stewardship report	Summary of 2024 engagement and outcomes
Samsung SDI Co., Ltd.	Water Disclosure, Supply Chain Due Diligence, Human Rights, Health and Safety Metrics, Climate Targets	We intend to follow up with Samsung SDI to monitor its progress on workplace safety improvements and ensure the company maintains robust measures to prevent harassment in the workplace. We will also continue engaging with the company on its environmental disclosures, particularly its water risk management, following its initial response to the CDP Water questionnaire.	**New Engagement and follow ups:** Following media reports in 2024 about a fatal fire at Aricell, a battery parts supplier, we engaged with Samsung SDI. The company confirmed no business ties with Aricell or its parent, S-Connect, and reaffirmed its safety and supply chain standards. We also discussed its supply chain due diligence, particularly human rights and environmental risks at smelters in Indonesia. The company clarified that Samsung SDI obtains an annual ESG report from each partner and conducts regular site visits to assess the conditions of the factories involved. They also have plans for conducting third-party audits, including nickel mining sites in Indonesia. Additionally, we sought clarification on labor concerns raised by unions and NGOs regarding employee mental health and performance pressure. While Samsung SDI highlighted its workplace well-being measures, we will continue to monitor this area. Lastly, we followed up on climate targets, with Scope 3 calculations progressing under SBTi and its Hungary operations set to align with EU taxonomy by 2026.
			Outcome: We are encouraged by Samsung SDI's transparency and commitment to enhancing its supply chain oversight and its progress toward SBTi alignment and regulatory compliance in Europe. Strengthening workplace well-being practices and improving supply chain conditions, particularly in high-risk regions like Indonesia, remain areas for continued engagement. We believe that Samsung SDI's proactive steps towards responsible sourcing and climate accountability will position it well for long-term competitiveness as battery supply chain scrutiny increases globally.

ChemSec & PFAS Update

In 2024, as a member of the Investor Initiative on Hazardous Chemicals (IIHC), we actively engaged with LG Chem together with IIHC members requesting data transparency and a time-bound phase out plan of products that are or contain persistent chemicals. We had a call with the company in August 2024 to discuss its work on managing hazardous chemicals and were pleased to hear that the company is advancing its PFAS-free portfolio but encouraged better disclosure. We followed up with examples of best practice and plan to lead the engagement in 2025.

HYUNDAI MOTOR CO. ACTIVE OWNERSHIP TIMELINE

March 2019 — Company Meeting
Increasing shareholder pressure to improve governance and capital allocation lead to proxy fight over special dividends and director nominations. Discussed shareholder return commitments and recall impacts.

April 2019 — Engagement Meeting
Met with four newly appointed independent directors. Expressed concerns over minority shareholder interests and lack of shareholder feedback consideration. Suggested a broad governance policy, board diversity, and discussions on climate change and labor standards.

September 2019 — Engagement Call
First call with an independent director to discuss governance.

December 2020 — Engagement Call
Second call with an independent director. Suggested external board evaluation, stronger capital management, ESG reporting improvements, and a sustainability roadmap for EVs.

2021 — Company Update
First female independent director appointed. Hyundai restructured its Transparent Management Committee into the Sustainability Management Committee and committed to carbon neutrality by 2045. First ESG NDR held.

October 2021 — Engagement Call
Third call with an independent director. Pressed for external board evaluations, compensation KPI disclosures, and gender diversity improvements. Suggested a public anti-bribery statement.

August 2022 — Company Meeting
Discussed electrification, carbon neutrality, and supply chain management. Followed up on overseas suppliers and raw material sourcing for EV batteries.

October 2022 — Email to HMC
Raised concerns about U.S. subcontractor labor issues. Supported an independent audit on labor and human rights risks, calling for public results and annual monitoring.

October 2022 — Meeting
Followed up on subcontractor labor issues in the U.S.

November 2022 — Engagement Call
Fourth call with an independent director. Discussed capital management, legacy issues, and significant EV and R&D investments. Noted board discussions becoming more independent and transparent. Suggested treasury share policy improvements.

February 2023 — Visit to Hyundai Motor India
Factory visit highlighted efficient operations, strong labor management, and sustainability efforts but also underscored challenges in EV adoption and potential value unlocking.

February 2023 — Company Meeting
Followed up on supply chain labor audits and requested public disclosure. Discussed renewable energy targets, treasury share cancellations, and continued calls for a capital management policy.

March 2023 — Proxy Vote
Voted for all agenda items.

March 2023 — Company Update
Second female independent director appointed, now part of the Nominations Committee. Supermajority voting requirement removed. Two directors with finance backgrounds added.

May 2023 — Management Call
Discussed diversity at Hyundai India and third-party supply chain audits. Treasury share cancellation plan outlined—3% of the 4% treasury stock to be canceled (1% annually), with the remaining 1% allocated to employees.

October 2023 — Engagement Call
Fifth call with an independent director. Pushed for clearer executive compensation metrics, quantified emissions reduction targets, and improved ESG reporting. Discussed share swaps for raw material supply and long-term electrification and recycling strategies.

February 2024 — Letter to Management
Sent a letter to Hyundai's Board and IR outlining expectations for Value Up initiatives. Declared intent to vote AGAINST director re-elections at the AGM due to poor capital allocation and shareholder returns. Acknowledged treasury share cancellations and dividend payments.

February 2024 — Management Call
Focused on shareholder return policies and conservative 2024 guidance. Suggested a more ambitious "Value Up" program, including non-core asset disposals, improved shareholder returns, and an India IPO. Asked about Hyundai's declining ESG ratings.

March 2024 — Proxy Vote
Voted AGAINST four directors for failing to enhance shareholder value.

April 2024 — Company Meeting
Discussed EV targets, fuel-efficient model profitability, capex plans, share swaps, and land bank asset sales. Reviewed new dividend payout policy.

April 2024 — Governance NDR
Met with an independent director. Discussed India IPO potential, governance restructuring, and the Value Up program. Suggested treasury share policies be included in the Articles of Incorporation. Reviewed Nominations Committee processes, share swap reversal, executive compensation, and union relations.

December 2024 — Governance NDR
Met with an independent director. Encouraged continued corporate governance momentum and board-level shareholder engagement. CEO appointment of Hyundai's first non-Korean leader seen as a global shift. Discussed balance sheet efficiency.

December 2024 — Engagement Email
Requested more details on a class action lawsuit regarding unauthorized driver data collection and health and safety incidents at Hyundai's Ulsan factory.

February 2025 — Management Meeting
Met with the CEO, independent director, and executives. Provided feedback on shareholder communication. Discussed global talent strategy, executive compensation alignment, and further capital allocation enhancements.

February 2025 — Company Update
Hyundai announced five new board members, including two female executives and its first female inside director. New outside directors bring expertise in financial strategy and global investment.

Other Emerging Markets

ENGAGEMENT UPDATES: TAIWAN AND TURKEY

Company	Focus area	Next steps outlined in 2023 Stewardship report	Summary of 2024 engagement and outcomes
Andes Technology Corp. (Taiwan)	Board Diversity, Human Capital Management, Sustainability Disclosure	We started engaging Andes in May 2022 to request having at least one female director on the board and expect further improvements in board diversity in 2024.	**New Engagement and follow ups:** We engaged with Andes in December 2024. We continued to understand its talent management in Taiwan and the U.S. We also reminded the company of the importance of keeping the corporate governance section of its website is up to date.
			Outcome: We applauded Andes for adding a female independent director to the board in May 2024. She has extensive research experience and currently is a professor at the Department of Computer Science and Information Engineering at National Taiwan University.
Ford Otomotiv Sanayi A.S. (Turkey)		Investment team members visited the company in Turkey and we had our first dedicated governance and sustainability call in June 2023. We discussed its EV strategy as well as workforce and labor union relations.	**New Engagement and follow ups:** We engaged with Ford Otomotiv in April 2024 on labor agreements and independent directors. We also discussed compensation and requested that the company disclose the slate of directors ahead of the AGM so that investors have sufficient information to make informed decisions.
			Outcome: We followed up with concrete suggestions for enhancing disclosures ahead of the next AGM and follow up to ensure they are implemented.

Climate & Energy Transition

Matthews considers the transition to a low carbon future to be an important risk for investee companies. To date, carbon foot-printing has served as the standard method for assessing investors' exposure to climate transition risks, establishing a baseline from which to act.

Over the last six years, we have conducted carbon footprint assessment for the aggregate Matthews portfolio compared to a custom benchmark that reflects our specific holdings and their benchmarks, allowing us to evaluate the emissions associated with our managed strategies. The findings from 2019 to 2024 indicate that the overall Matthews portfolio has been considerably less carbon-intensive than the custom benchmark. This reflects the nature of the aggregate Matthews portfolio, which tends to be more consumer-oriented, and therefore, less carbon-intensive than the average benchmark in Asia and Emerging Markets.

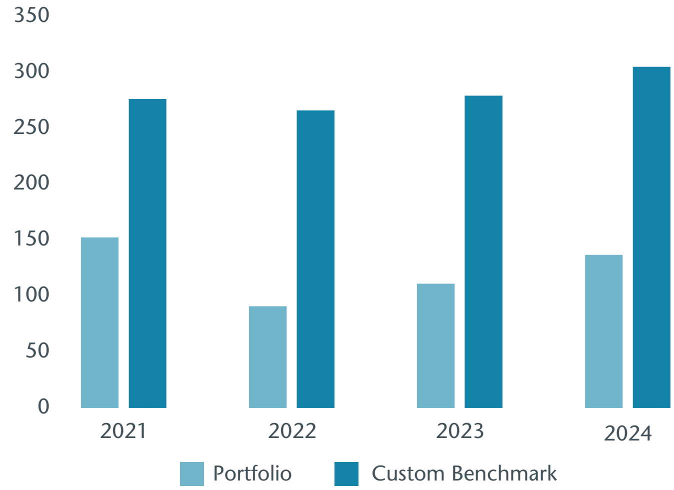
At the end of 2024, the aggregate Matthews portfolio had a weighted average carbon intensity (WACI) of 136.9 tCO2e/Millions of USD Revenue compared to 305.1 tCO2e/Millions of USD Revenue of the custom benchmark. The aggregate Matthews portfolio has consistently been lower than the benchmark for the past four years that we have measured this indicator.

In terms of sector contributions to carbon intensity, materials was the largest, contributing 34% of the aggregate portfolio's carbon intensity, followed by industrials at 14%, energy and utilities at 13%. Matthews has relatively less exposure to carbon-intensive sectors such as energy, utilities and materials compared to the custom benchmark, which resulted in the Matthews aggregate portfolio being 55% less exposed to carbon-intensive sectors on a sector basis than the benchmark.

The top 10 contributors to the aggregate Matthews portfolio's emissions accounted for 60% of the portfolio's total emissions, but only 2.6% of the portfolio by weight. While the majority of emissions are less concentrated among a few high emitting companies, we review these companies' emissions trajectories and reduction plans. We also urge companies that are lagging in climate action disclosures to enhance their management and transparency regarding their strategies, particularly by participating in the CDP's Non-Disclosure Campaign (NDC) initiative. At the end of 2024, 75% of the portfolio's emissions were based on company-reported carbon metrics, with 24% estimated and 1% not covered.

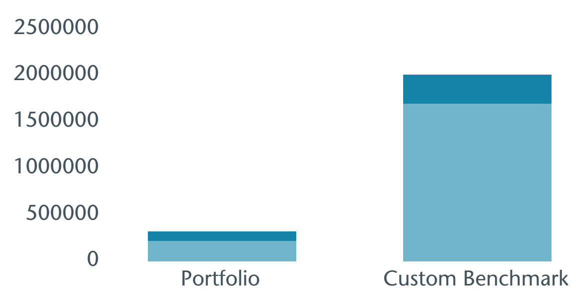
The Science Based Targets initiative (SBTi) is a global organization that empowers businesses to set ambitious emissions reduction goals, aligned with the latest climate science. As of December 31, 2024, Matthews allocated 27% of the aggregate portfolio's AUM to companies that are either committed to or have established SBTs, an increase from 24% the previous year. Notably, the proportion of our investee companies that have set these targets rose to 21%, up from 14% last year, indicating positive progress.

MATTHEWS—WEIGHTED AVERAGE CARBON INTENSITY (WACI)(tCO2e/Millions of USD Revenue)



Sources: ISS ESG, Miotech and Matthews

MATTHEWS—EMISSIONS EXPOSURE (tCO_2e)



Scope 1
Covers direct emissions from owned or controlled sources.

Scope 2
Covers indirect emissions from the generation of purchased electricity, steam heating and cooling consumed by the reporting company.

Note: The aggregate Matthews portfolio carbon emission data is from ISS ESG and Miotech. The share of reported GHG emissions in our portfolio is 75% and the shares of modelled emissions by ISS ESG and Miotech and lack of disclosure are 25%.

Sources: ISS ESG, Miotech and Matthews

CDP

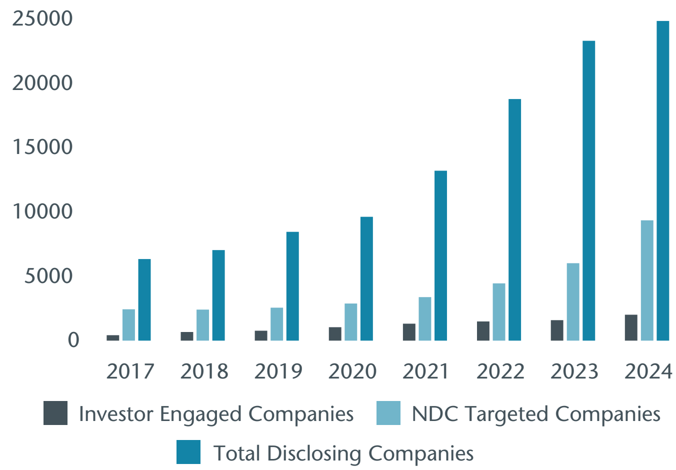
Every year, CDP invites investors to directly engage companies that have previously failed to respond to its investor request. Since beginning this program in 2017, we have seen growth in the number of companies engaged, demonstrating the growing need for comprehensive, comparable, TCFD-aligned environmental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

The results of the 2024 NDC highlighted the impact of direct engagement on companies' environmental actions; in this case, disclosure through CDP.

In 2024, Matthews was among a total of 276 signatories representing US$21 trillion in assets who participated in CDP's NDC to engage companies that had never responded to CDP or had not responded in recent years, with the aim of driving further transparency. During the 2024 Non-Disclosure Campaign, a total of 1,998 companies that had never disclosed through CDP before were called on to disclose. This marked a 26% increase in the number of companies targeted in the previous year. Among them, 396 companies disclosed after engagement by financial institutions in the 2024 NDC. Companies were 2.5 times more likely to disclose when targeted by financial institutions through the 2024 campaign, reinforcing the NDC's consistent success.

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 names from our holdings where we saw the most room for improvement in disclosure on climate, water, or deforestation risk. In 2024, particularly, we expanded the scope of participation and were a lead investor on 38 company letters. 21% of the targeted companies made disclosures to CDP after our engagement in 2024. We will continue our participation in CDP's 2025 NDC to encourage our holding companies to disclose to CDP, and to help them better understand their own climate position, which will also enable us to track risks.

GROWTH IN DISCLOSING COMPANIES GLOBALLY



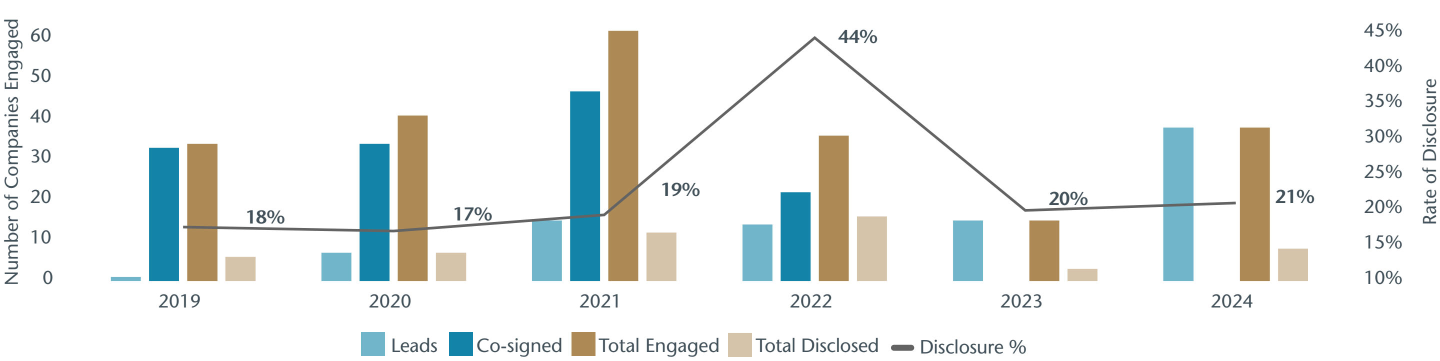
Sources: CDP, Matthews

Matthews as Lead Investor in India and China

Matthews was the lead investor requesting Crompton Greaves Consumer Electrical, an Indian electrical equipment company, to submit the CDP Climate Change questionnaires in 2024. Energy management is a critical issue for the company, both in its own operations and in the products it provides to end consumers. In June 2024, we facilitated a call between the CDP and the company, recognizing the momentum in Crompton's reporting journey. We believed that a standardized environmental reporting framework would allow the company to effectively showcase its efforts managing its environmental impact and prioritizing product stewardship. The company submitted the questionnaire in 2024, and we plan to follow up in the coming year.

Matthews was the lead investor requesting Chongqing Brewery, which owns and operate breweries across China, to submit the CDP Water questionnaires in 2024. Water risk management is a critical issue for the company's operations. In June 2024, we had an engagement call with the company and were pleased to hear about many of its 2030 and 2040 targets related to net zero, sustainable sourcing, packaging, water, and safety, as well as the KPIs for relevant staff. We are pleased to see that the company submitted the questionnaire in 2024.

MATTHEWS—CDP NON DISCLOSURE CAMPAIGN RESULTS (2019-2024)



Note: CDP changed its co-signer policy for its 2023 and 2024 campaign. In order to focus engagement efforts, Matthews participated in only lead campaigns in 2023 and 2024.

Sources: CDP, Matthews

Board Effectiveness and Compostion

PERCENTAGE OF WOMEN ON BOARD, MATTHEWS CONSOLIDATED PORTFOLIO

	Portfolio Companies	Benchmark
China	20.9%	19.8%
India	21.4%	20.4%
Japan	17%	15.1%
South Korea	17.4%	15.7%

As of December 2024

Note: Respective benchmarks were used for comparison. Constituents of MSCI China Index, S&P BSE 100 Index, TOPIX500 and MSCI Korea were used for China, India, Japan and South Korea respectively.

Sources: FactSet, MSCI ESG, Bloomberg and Matthews

We view board diversity as a key aspect of good governance, particularly at senior levels. Research and data indicate that companies with greater diversity are less likely to experience groupthink and may be better equipped in the decision-making process. Leveraging a diverse workforce to grow market share requires leadership with both inherent and acquired diversity. Some research has also shown that higher levels of diversity could foster corporate innovation. Over the last few years, we have had engagements with portfolio companies on diversity. 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.

Matthews Emerging Markets Sustainable Future Strategy, which adopt a more expansive, sustainability lens focused on positive sustainability outcomes, adopted a stricter voting policy at companies with a lack of gender diversity on boards in 2020. We have been sending engagement letters to portfolio companies with single-gender boards to inform them of our expectations regarding board diversity. The Matthews Emerging Markets Sustainable Future Strategy asked all portfolio companies with no women on their boards of directors or trustees to adopt policies that ensure women are considered for every open board seat and to commit to a gender diversity policy as part of their board recruitment process. Since then, we have seen a decrease in the number of companies with single gender boards within the Matthews Emerging Markets Sustainable Future Strategy.

In 2022, we extended this voting policy to Japanese companies across all our portfolios. In 2024 we extended this policy across all markets where we invest and going forward in our voting decisions, we will consider overall board composition as a factor, among many others, in the larger context of board effectiveness. In 2024, we continued sending 18 letters to new portfolio holdings, informing them of our expectations regarding board composition, which included four A-share companies, four Hong Kong listed companies, three Japanese companies, one Indian company, one South Korean company, and five companies from other markets. Throughout 2024, we voted against directors at 22 companies for not meeting our expectations regarding board composition. By the end of the year, we were pleased to see that 33 companies had appointed at least one female director after receiving our letters over the past two years.

2025 and Beyond

As we look to 2025 and beyond, we aim to continue delivering on our investment philosophy of investing in high-quality companies. We will seek to enhance our analytical tools and data collection for more streamlined assessments and easier consumption. Additionally, we will continue to look for ways to enhance tracking of engagements to advance our engagement agenda and better monitor key milestones. Tracking our engagement activities and collaborating closely with members of the investment team is key to enhancing the effectiveness of our stewardship efforts.

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.

ESG considerations are not a specific requirement for all portfolios at Matthews. 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.

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