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# 2022–2023 Annual UK Stewardship Code Report

Reporting Period: 1 July 2022–30 June 2023



# Introduction from the Co-Chief Executive Officers

We are pleased to present the 2022–2023 Annual UK Stewardship Code Report for Dimensional Fund Advisors Ltd. (“Dimensional UK”). This year’s report contains a summary of our stewardship activities and outcomes over the 12-month period from July 2022 to June 2023.

For over 40 years, Dimensional’s<sup>1</sup> mission has been to translate financial research into effective investment solutions that aim at helping our clients achieve their long-term goals. Dimensional believes its time-tested approach to investing has served its clients well during this 12-month period. Amidst rapidly changing market conditions, Dimensional’s systematic and flexible investment approach enabled its team to adjust in real-time to evolving financial and geopolitical news and continue to deliver the investment outcomes our clients expected.

Globally, Dimensional has continued to enhance its responsible investing and environmental, social, and governance (“ESG”) capabilities and resources, building on some of the foundations laid out over the previous few years. During the reporting period, we launched a new global sustainability equity strategy for UK and European investors. Within our sustainability funds, we started integrating business conduct data into our process for monitoring material ESG controversies across our investment universe. We also updated the voting guidelines of these funds, reflecting the preference of our clients when it comes to how companies address climate change. We established new relationships with academics and practitioners in the ESG field. We published several thought leadership pieces, including a comprehensive review of academic research on the economics of corporate governance, and wrote guides and organised conferences aimed at helping fiduciaries and their clients navigate ESG investing.

Feedback from clients, financial advisors, wealth managers and consultants continues to be an important input to our activities. During the period, we strived to generate productive conversations within our EMEA Sustainability Council, a forum that we established in 2022 to better understand clients’ sustainability priorities and goals. We also received feedback through other venues. Climate change remains at the forefront of investors’ minds, and Dimensional continues to expand its global suite of sustainability strategies positioned to reduce exposure to carbon emissions.

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1. “Dimensional” or “we” refers to the Dimensional separate but affiliated entities generally, rather than to one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., Dimensional Ireland Limited, DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd, Dimensional Japan Ltd. and Dimensional Hong Kong Limited. Dimensional Hong Kong Limited is licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) regulated activities only and does not provide asset management services.

Stewardship continues to be an essential pillar of our investment process. Through our stewardship efforts, we strive to enhance and protect shareholder value by focusing on foundational governance principles, including board structure and composition, risk management, shareholder rights and executive compensation. As this report details, our stewardship team held 936 direct engagements<sup>2</sup> and voted on 183,837 proposals at 21,090 meetings globally during the reporting period. During the reporting period, climate risk oversight remained a key focus for our stewardship team, who engaged with portfolio companies about a wide range of topics related to climate change. We continued to evaluate and escalate climate-related concerns that became evident from our global climate letter campaign (as detailed under Principle 9), which was devised as a multiyear project in 2020.

Overall, our efforts over the reporting period build upon what we achieved over the previous years. Our stewardship efforts illustrate our commitment to being effective and responsible stewards of our clients' investments. Further, we believe that the enhancements we have made to our internal responsible investment resources and governance structures, including enhanced mechanisms for client feedback, position Dimensional to continue to evolve and improve our efforts for the benefit of our clients.



John Romiza  
Co-Chief Executive Officer



Nathan Lacaze  
Co-Chief Executive Officer

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2. Dimensional discusses governance matters with portfolio companies to represent client interests; however, Dimensional on behalf of its clients, regardless of such conversations, acquires securities solely for the purpose of investment and not with the purpose or intended effect of changing or influencing the control of any portfolio company. Engagement can take the form of meetings and calls with board directors and company executives or written letters.

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## The UK Stewardship Code 2020



On 1 January 2020, the UK Stewardship Code 2020 (the “Code”) took effect. The Code substantially updates the UK Stewardship Code 2012. The Financial Reporting Council (“FRC”) stated that the Code established a clear benchmark for stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society, and sets out new expectations about how investment and stewardship is integrated, including environmental, social and governance (“ESG”) issues.

For asset managers, including Dimensional UK, the Code consists of 12 principles, which are supported by reporting expectations, with a strong focus on the activities and outcomes of stewardship.

In order to become a signatory to the Code, organisations are required to produce an annual stewardship report explaining how they have applied the Code in the previous 12 months. The FRC then evaluates these reports against its assessment framework, and those that meet the reporting expectations will be listed as signatories to the Code.

The purpose of this report is to outline how Dimensional UK has applied the Code during the specified reporting period.

**PRINCIPLE ONE**

**Purpose,  
Strategy  
and Culture**

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

**Purpose and Governance**

Dimensional Fund Advisors Ltd. ("Dimensional UK") is an investment management firm authorised and regulated by the UK Financial Conduct Authority ("FCA").

Dimensional UK provides investment management services to Undertakings for Collective Investments in Transferable Securities ("UCITS") domiciled in Ireland ("Irish UCITS") and UCITS domiciled in the UK, as well as manages customised separate mandates for institutional investors.

Dimensional UK is a subsidiary of Dimensional Fund Advisors LP ("Dimensional US"), a global asset manager based in the US. Dimensional US has been privately held throughout its history, with the majority of its equity controlled by its founders, employees and directors. From its global headquarters in Austin, and with offices and entities located in Santa Monica, Charlotte, London, Singapore, Sydney, Tokyo, Hong Kong and Dublin, Dimensional US and its affiliates' professional staff are active in investment markets 24 hours a day. Dimensional also has regional sales and services offices in Berlin, Amsterdam, Melbourne, Vancouver and Toronto.

Dimensional works primarily with institutional asset owners, fee-only financial advisors and other intermediaries that use our funds for their clients. We intentionally focus our efforts primarily on these groups because this allows us to spend a significant amount of effort on education about our investment philosophy and approach before clients invest. We believe this approach results in trust and long-term relationships, which we believe are critical to our clients' investment experience.

## Culture

Dimensional operates under the following guiding principles:

- Act in the best interest of our clients.
- Act in a way that is ethical and legal.
- Compete aggressively to succeed.
- Base investment strategies on a scientific methodology.
- Emphasise financial sustainability.
- Create opportunities for our people to contribute both to the firm's and their own success.

The foregoing principles guide our business strategy and culture. For example, Dimensional uses financial science to implement systematic, value-added investment solutions. The systematic nature of our investment approach means all portfolios are managed using a team-based approach. Our culture therefore emphasises collaboration and teamwork.

Another part of our culture that is informed by our guiding principles is our commitment to developing our people so they can contribute both to our success and to their own. Dimensional continues to invest heavily in training and development. To facilitate this, Dimensional has established "Dimensional University", an online and in person global interactive and immersive learning environment designed to enable employees to develop their skills and learn about the firm and its culture.

Dimensional UK's staff receive regular training on the firm's culture and conduct expectations. In addition, Dimensional UK's leadership sets the tone of the firm's culture and reinforces it through multiple channels. These include:

- **Policies:** Dimensional's Global Code of Ethics and Standard of Conduct sets out Dimensional's expectations that employees maintain high ethical standards when conducting business and adhere to the spirit as well as the letter of the law.
- **Quarterly company updates:** These informal sessions with leaders across Dimensional aim to help employees learn more about the firm's business, culture and initiatives.
- **Communication:** Regular email communications share examples of Dimensional in the news, as well as articles of interest, with all employees.

## **Diversity and Inclusion**

Dimensional is committed to creating and fostering an environment which attracts, develops and retains the most talented, qualified employees from both inside and outside the financial services industry.

We continue to develop pipelines of talent through student groups, events, community engagement, sponsorship opportunities and professional organizations that help us connect with diverse candidates.

Many Dimensional employees globally have completed Dimensional's online interview training for interviewers and hiring managers. This training includes an antibias module and interview best practices to seek to provide consistent and equitable evaluation across all candidates.

We remain focused on fostering a meritocratic, inclusive environment which helps us attract and retain top talent from all backgrounds.

In early 2021, Dimensional launched an inaugural set of employee-driven Inclusion Networks to help evaluate an inclusion strategy, which many employees have joined.

Inclusion Networks focus on three primary goals: supporting professional development, fostering community and building professional networks, and supporting related diversity initiatives.

During the reporting period, Dimensional launched an additional Inclusion Network, bringing the total number of Inclusion Networks to five. These Inclusion Networks work to foster the growth, professional development and success of employees and allies, thereby increasing their contribution to Dimensional.

Dimensional continues to seek to assess the effectiveness of our activities through the Diversity and Inclusion Executive Council. This council was created under the sponsorship of Dimensional's global Co-CEOs and comprises senior-level executives across Dimensional. The Council is charged with assessing the firm's needs, examining best practices and prioritizing activities aimed at creating an inclusive work environment.

We review the diversity composition of certain cohorts, such as new hires, entry level and graduate hires, and interns. This provides insights that inform future recruitment efforts, with an emphasis on those early in their careers, to help create a diverse pipeline of future talent. Additionally, Dimensional is highly focused on inclusion and creating a workplace where employees from all backgrounds can contribute to the success of the firm and grow their careers. We leverage an internal engagement survey to help assess inclusivity and track our progress through enhancing the employee experience based on the feedback provided through the survey.



## Operating Sustainably

Dimensional has a long commitment to operating sustainably. Our approach to our operational sustainability focuses on climate change by accounting, reducing and offsetting our operational emissions. We have set a firmwide goal of achieving a 20% reduction in absolute Scope 1, 2 and 3 greenhouse gas emissions from global business operations by 2024 compared with our 2019 baseline.

Dimensional considers emissions reduction strategies across our global offices. In those locations where we do not own and manage the office property, Dimensional seeks to work with landlords to plan and help execute certain emissions reduction activities. Dimensional UK has implemented capital improvements and a range of operational enhancements to reduce its energy consumption, such as installing power distribution units and lighting controls paired with the landlord's monitoring and targeting programme, adjusting HVAC schedules and setpoints, reducing lighting schedules and lowering window shades.

Globally, Dimensional furthered our sustainability commitment over the reporting period through capital improvements and administrative strategies. Dimensional's capital measures include adding electric vehicle (EV) charging stations and installing leak detection systems for refrigerants, a potent source of greenhouse gases, at our Austin office. For employees considering flight options for business travel, we have added a carbon calculation, where available. We also continue to run a global employee hybrid-workweek program, which may help reduce emissions from commuting. Across our US offices, we also began a composting program to divert waste from landfills.

In 2023, we also elected to offset our 2022 operational Scope 1 and 2 emissions. To this end, we partnered with an independent carbon offset consultant to conduct extensive due diligence on 26 potential offset projects from multiple providers. Based on the findings, Dimensional then selected three projects to pursue based on our assessment of the integrity and rigour of their greenhouse gas reduction claims, diversifying by carbon offset type and geography.

## Our Investment Philosophy and Approach

Dimensional creates research-driven investment solutions that meet the needs of our clients. To accomplish this, Dimensional puts financial science to work for investors by translating academic and empirical research into real-world investment solutions. We do not seek to outguess the market with timing strategies or speculative positions. Rather, we use a systematic approach to pursue premiums identified through rigorous academic research, implemented through broadly diversified portfolios.

In particular, our core investment principles comprise the following beliefs:

- Markets quickly incorporate material information into prices. This means that market prices reflect the aggregate expectations of market participants, including information about a company's strategy, resources, expected financial and non-financial performance, capital structure, risks, governance practices, and social and environmental impact.
- Expected returns are driven by prices investors pay and cash flows they expect to receive. Systematic premiums are available by targeting companies whose market prices imply higher expected returns.
- Broad diversification aims to reduce portfolio volatility and improve the probability of capturing the premiums, and allows for a flexible approach to portfolio management and trading that can lead to more efficient implementation.

As a result, our equity portfolios generally have a greater focus on companies with smaller market capitalisations, lower relative prices, and higher profitability. Our fixed income portfolios use information in forward rates to identify bonds with the highest expected returns within the guidelines of a given strategy. Across both equity and fixed income, we seek to be broadly diversified and to add value for our clients through careful portfolio implementation, including portfolio design, portfolio management and trading.

We take environmental, social and governance considerations into account with the same philosophy and scientific rigour that guide our investment process. To do this, we conduct in-house research and work with external academics and experts to understand the academic research and available data on ESG issues. We believe that ESG-related information may be material to the performance of portfolio companies. However, we believe publicly available ESG information is quickly incorporated into market prices, and therefore investors cannot generally gain an advantage over the market by considering such information.

We believe that market prices reflect information about current corporate governance practices and that material improvements in corporate governance may be rewarded with higher market prices. Stewardship activities that promote better governance practices may therefore improve realized returns to shareholders. Our stewardship efforts are designed to promote practices that academic research suggests benefit shareholder value. Our stewardship priorities include protecting shareholder rights and encouraging strong and independent boards that monitor management on behalf of shareholders and oversee material financial risks (such as material environmental and social risks). We monitor for potential failings in ESG risk oversight and advocate for improved standards of risk oversight at portfolio companies through our engagement and voting activities.

For clients who seek to align their portfolios with their sustainability values, we offer a range of dedicated sustainability funds. These portfolios have a clear focus on sustainability issues, leverage high-quality ESG data and provide transparent sustainability reporting. At the same time, they remain true to our core investment principles by systematically targeting higher returns and retaining broad diversification.

Examples of our activities and related outcomes during the reporting period include:

#### **RESEARCH AND DATA**

- We conducted research projects into the availability and quality of green revenue data.
- We integrated business conduct data into our ESG news check process, which monitors for material ESG controversies across our investment universe.

#### **INVESTMENT STEWARDSHIP**

- We updated our global Proxy Voting Policies and Procedures for sustainability funds by adding provisions to vote against directors at companies in high-emitting sectors which do not disclose greenhouse gas reduction targets.
- We updated our global Proxy Voting Guidelines to include additional information about our expectations on antitakeover provisions in connection with IPOs and portfolio company disclosures regarding cybersecurity risks.
- We held quarterly Investment Stewardship Committee meetings that included senior executive officers and directors of Dimensional and senior members of the investment team where we discussed our policies on investment stewardship, and we provided quarterly updates on these meetings to our global and local Investment Committee.
- We updated our Annual Stewardship Report and published a Responsible Investment Report that includes information about stewardship as well as Dimensional's overall ESG approach, incorporating feedback from clients following our 2021 reports.
- We updated the oversight of our custom policy application with an enhanced vote reconciliation process.

#### **ESG INVESTING**

- Dimensional UK continued to convene quarterly the EMEA Sustainability Council, composed of financial advisors and consultants, to discuss sustainability issues relevant to the Dimensional sustainability funds distributed in the UK.

Dimensional UK believes the foregoing approach has served our clients well. We regularly evaluate our ability to deliver the investment outcomes expected by clients by reviewing the characteristics of our portfolios, the expected and actual performance of our portfolios given market conditions, our continued ability to implement strategies in a cost-effective manner, the impact of our stewardship activities and the availability of investment strategies to meet specific client-driven ESG preferences.

**PRINCIPLE TWO**  
**Governance,  
 Resources  
 and Incentives**

**Signatories' governance, resources and incentives support stewardship.**

We have put in place governance structures, resources and incentive plans that we believe promote effective stewardship. We continually look for opportunities to enhance the effectiveness of our governance structures and processes in supporting our stewardship efforts.

Dimensional has put in place a firmwide performance management plan that supports effective stewardship. As outlined in Principle 1, Dimensional has a collaborative team-based culture and follows a systematic, process-driven investment approach. Portfolio Managers are therefore compensated based on their experience, ability to work collaboratively to implement portfolios, the quality of their work efforts, and their overall contribution to the firm, rather than the performance of the portfolios that they manage. This incentivizes the behaviours we believe help create long-term value for clients and aligns well with our guiding principles and culture. Delivery on ESG objectives (such as contributing to the development of the firm's ESG approach, contributing to stewardship activities and oversight of ESG data incorporated into investment activities) is incorporated into goal setting and performance reviews for employees tasked with these ESG-related projects.

**Responsible Investment**

Dimensional's approach to responsible investment is focused on building science-based solutions that allow clients to align their investment and sustainability goals. Dimensional's responsible investment efforts include combining the knowledge of dedicated personnel along with ESG specialists and contributors integrated within their respective functional teams. As of 31 December 2022, more than 60 investment professionals contribute to ESG initiatives across our global offices. For example, members of the Portfolio Management team provide daily oversight of our sustainability-focused portfolios as well as contribute to stewardship activities and ESG data oversight. Members of our Research team conduct research projects on ESG-related issues and review external ESG research. Members of our Investment Analytics and Data team provide oversight of third-party ESG data and use their data and technical skills to build tools that integrate portfolio management and ESG data. These efforts are coordinated by Jim Whittington, Head of Responsible Investment, and Lacey Huebel, Head of Responsible Investment, North America.

Coordinating ESG efforts is Dimensional's ESG Steering Committee, a collaborative group comprising key contributors to ESG-related initiatives across departments and regions, including representatives from Portfolio Management, Research, Investment Solutions, Legal, and Corporate Services. The ESG Steering Committee's role is to strategically coordinate and communicate Dimensional's efforts across business functions in an effort to deliver a science-driven approach to ESG informed by our clients' needs. The ESG Steering Committee is supported by cross-functional ESG working groups within each of the major regions where Dimensional operates. These working groups are responsible for keeping up-to-date on industry and regulatory developments within their local regions, coordinating sustainability events and conferences, and supporting regional ESG training activities.



*“Clients” in this context includes financial advisors, wealth managers and consultants.*

To date, we believe the ESG Steering Committee has been an effective mechanism for coordinating and communicating Dimensional’s ESG efforts across global business functions. We believe a matrix structure rather than a standalone ESG team better enables us to improve cross-team collaboration and leverage specialist functional knowledge in the pursuit of ESG goals and the integration of ESG across all our investment teams.

Dimensional has also established a network of researchers, academics and other notable contributors in ESG-related fields. Building on Dimensional’s long history of working closely with leading academics and researchers, this group consults with Dimensional US on matters related to ESG research, data and environmental science. In addition to helping inform Dimensional’s approach to ESG integration and research, this group participates in educational events for Dimensional’s clients and prospects.

## Network of Researchers and Academics

### DAVID VICTOR

*University of California, San Diego*

David Victor is professor of innovation and public policy at the School of Global Policy and Strategy at the University of California San Diego and codirector of the campus-wide Deep Decarbonization Initiative. He serves as an adjunct professor of climate, atmospheric science and physical oceanography at the Scripps Institution of Oceanography.

He also serves as a senior fellow at the Brookings Institution and cochair of the World Economic Forum's Global Future Council on Energy Transition.

### MICHAEL GILLENWATER

*Greenhouse Gas Management Institute*

Michael Gillenwater is cofounder, executive director and dean of the Greenhouse Gas Management Institute. He has been a lead author of four Intergovernmental Panel on Climate Change (IPCC) reports over 20 years. He also served as a core advisor to the World Resources Institute and the World Business Council for Sustainable Development on the revised edition of the Greenhouse Gas Protocol.

### LUCIAN BEBCHUK

*Harvard Law School*

Lucian Bebchuk is the James Barr Ames Professor of Law, Economics, and Finance at Harvard Law School and founding director of the Program on Corporate Governance. He is an elected fellow of the American Academy of Arts and Sciences, a research associate with the National Bureau of Economic Research, an inaugural fellow of the European Corporate Governance Institute and director of the SSRN Corporate Governance Network.

*Each of David Victor, Michael Gillenwater, as a representative of Greenhouse Gas Experts Network, Inc. and Lucian Bebchuk, as a representative of Cambridge Governance Advisors, provide consulting services to Dimensional US.*

## Investment Stewardship

Dimensional's stewardship efforts are integrated into our overall investment process and involve members of our dedicated Investment Stewardship Group, as well as Portfolio Managers and other members of our investment team. These efforts are overseen by our Investment Stewardship Committee, which includes members of the board of directors of the general partner of Dimensional US and executive officers.

We leverage investment personnel across Dimensional to implement our global stewardship process. These include personnel based in North America, Europe, Australia and Asia. We coordinate and share information across entities in order to speak and act consistently.

Dimensional's Investment Stewardship team structure has been in place for over a decade. Over the last three years we have continued to expand our team, with a focus on adding people with a range of skills and backgrounds, representing diverse fields such as corporate governance, investments, law and economics. The structure of the team is described below:

- The Investment Committee is responsible for setting Dimensional's proxy voting policy and guidelines for voting and overseeing each Dimensional entity's proxy voting process. The Investment Committee has formed the Investment Stewardship Committee as described below.
- The Investment Stewardship Committee is responsible for recommending changes to Dimensional's proxy voting policy, considering complex proxy voting cases and overseeing the Investment Stewardship Group.
- The Investment Stewardship Group conducts engagements, instructs proxy votes and makes recommendations to the Investment Stewardship Committee on potential enhancements to the firm's stewardship policies, procedures and operations.
- Stewardship-focused portfolio management professionals around the globe collaborate with the Investment Stewardship Group by providing insight into region-specific investment considerations and undertaking engagements with portfolio companies.

The 12-person Investment Stewardship Committee is composed of a variety of senior leaders from Dimensional. Both the Co-CEOs and the Chairman of Dimensional US serve on the Investment Stewardship Committee, alongside members of the board of directors of the general partner of Dimensional US (who are leading academics in the field of financial economics), and senior members of the global Portfolio Management team, including Dimensional's Head of Responsible Investment and Head of Investment Stewardship.

The Investment Stewardship Committee meets at least quarterly to discuss Dimensional's stewardship priorities and review the activities of the Investment Stewardship Group. The Investment Stewardship Committee is also responsible for approving additional resources, such as headcount and data, to support Dimensional's stewardship activities. Finally, the Investment Stewardship Committee is responsible for recommending changes to Dimensional's proxy voting policy, reviewing potential policy updates and considering complex proxy votes, including those involving a potential conflict of interest.

During the reporting period, the Investment Stewardship Committee:

- Recommended revisions to Dimensional's proxy voting policy (see Principle 5 for more detail on the formulation of our policy).
- Reviewed votes involving either an actual or potential conflict of interest (see Principle 3 for details on the management of conflicts of interest).
- Oversaw due diligence on the capacity and competency of our proxy advisors (see Principle 3 for details on the management of conflicts of interest and Principle 8 for more information on the oversight of proxy advisors).
- Reviewed and discussed an annual report on Dimensional's voting activities for the year, including the frequency with which Dimensional voted against management on management and shareholder proposals.

As noted above, senior members of the Portfolio Management team serve on the Investment Stewardship Committee, underscoring our view that stewardship is an important element of our investment processes. We believe it is important to integrate and coordinate stewardship activities within our portfolio management function. For more information, see Principle 7.

As described above, the Investment Stewardship Group is a dedicated group of professionals who receive specialised corporate governance training and are tasked with implementing Dimensional's stewardship priorities. This group, which reports to the Head of Investment Stewardship, resides within the Portfolio Management department. Members are compensated based on the effective performance of their duties, which include oversight, execution and enhancement of Dimensional's stewardship policies, procedures and operations. The Head of Investment Stewardship represents the group on the Investment Stewardship Committee. During the reporting period, Dimensional added three people to the Investment Stewardship Group, including an APAC corporate governance specialist and an operational specialist to oversee proxy voting implementation and reporting. These additions increased the size of the team to eight.

Several members of the global Portfolio Management team have been designated as stewardship specialists and work closely with the Head of Investment Stewardship on Dimensional's stewardship priorities. These individuals use their local market knowledge to supplement the efforts of the Investment Stewardship Group by conducting engagements, making voting recommendations, and monitoring regulatory developments and industry trends.

We believe that during the reporting period our governance structure for stewardship activities has been effective in promoting and enhancing shareholder value. In particular, our continued integration of stewardship within the investment team has provided valuable insights. Please see the Teck Resources Ltd. case study under Principle 7 for an example of how members of Dimensional's Portfolio Management team have supported our stewardship efforts.

See Principles 7, 9, 11 and 12 for a discussion of the various activities undertaken by Dimensional's Investment Stewardship team.



**PRINCIPLE THREE****Conflicts  
of Interest**

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

Dimensional's first two guiding principles are to act in the best interest of clients and to act ethically and legally. Dimensional takes its fiduciary obligations seriously and seeks to implement policies and procedures to manage conflicts of interest. Dimensional has in place a Global Code of Ethics and Standard of Conduct that aims to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships. For example, the Global Code of Ethics and Standard of Conduct sets out Dimensional's approach to personal trading, outside business activities (such as directorships on the boards of public companies, private organisations and nonprofit organisations) and the giving and receipt of gifts and entertainment. The Global Code of Ethics and Standard of Conduct applies globally, including to Dimensional UK.

In addition, Dimensional UK has in place a Conflicts of Interest Policy. This policy sets out information on certain material actual or potential conflicts of interest identified as being inherent to Dimensional UK's business and the organisational and administrative arrangements put in place to prevent or manage such conflicts.

With respect to stewardship matters, conflicts of interest may arise in the course of communicating with a portfolio company or voting on a proxy. For example, there can be a potential conflict of interest if Dimensional is actively soliciting investment advisory business from a client or potential client that is also the portfolio company soliciting a proxy or if Dimensional retains the services of a third-party service provider that is also the portfolio company soliciting a proxy.

To address the instances in which a potential conflict may arise with respect to a proxy vote, Dimensional maintains an explicit policy on managing such potential conflicts that is focused on the principle of preserving shareholder value. The procedures Dimensional follows in the event a potential conflict of interest arises with respect to a vote are set out in Dimensional's Proxy Voting Policies and Procedures. These procedures are summarised below.

Engagements are generally handled by the Investment Stewardship Group, and in certain cases Portfolio Managers are involved. When engaging, Dimensional seeks to handle any communications with portfolio companies in accordance with a standard protocol and consistent with Dimensional's Proxy Voting Policies and Procedures regarding conflicts.

Proxies that Dimensional receives on behalf of its clients generally will be voted in accordance with Dimensional's predetermined Proxy Voting Guidelines (or a client's predetermined custom guidelines), and when proxies are voted consistently with such guidelines, Dimensional considers such votes not to be affected by any conflicts of interest.

In the limited instances where the Investment Stewardship Group (i) is considering voting a proxy contrary to predetermined guidelines (or in cases for which the guidelines do not prescribe a particular vote and the proposed vote is contrary to the recommendation of the proxy advisory firm primarily used by Dimensional to provide voting recommendations) and (ii) the Investment Stewardship Group believes a potential conflict of interest exists, the Investment Stewardship Group will disclose the potential conflict to a member of the Investment Stewardship Committee or, in the case of a member of the Investment Stewardship Committee who believes a potential conflict of interest exists, the member will disclose the conflict to the Investment Stewardship Committee. The Global Chief Compliance Officer sits on the Investment Stewardship Committee and therefore is also notified. Such disclosure will describe the proposal to be voted upon and disclose any potential conflict of interest, including but not limited to any potential personal conflict of interest (e.g., familial relationship with portfolio company management) relating to the proxy vote, in which case the conflicted individual will voluntarily be removed from the proxy voting process.

If an Investment Stewardship Committee member has actual knowledge of a conflict of interest and recommends a vote contrary to predetermined guidelines (or in cases where the guidelines do not prescribe a particular vote and the proposed vote is contrary to the recommendation of the proxy advisory firm primarily used by Dimensional to provide voting recommendations), the Investment Stewardship Committee member will bring the vote to the Investment Stewardship Committee, which will decide (a) how the vote should be cast, keeping in mind the principle of preserving shareholder value, or (b) to abstain from voting, unless abstaining would be materially adverse to the client's interests. Dimensional UK reports to its clients regarding potential conflicts of interest according to the agreement with the client. Pursuant to Dimensional's Proxy Voting Policies and Procedures, matters where a potential conflict exists but where Dimensional votes in accordance with its predetermined Proxy Voting Guidelines are not considered to be affected by any conflict of interest and are not included in such report.

During the reporting period, there were certain occasions when voting decisions were escalated to the Investment Stewardship Committee due to an actual or potential conflict of interest being identified.

Below are examples of conflict situations which may arise:

- A portfolio company's affiliated entities are clients of Dimensional and the portfolio company has been accused of environmental regulatory breaches, precipitating a drop in its share price. Dimensional may vote against the reelection of any director who has been identified as responsible for overseeing ESG issues in circumstances where the director fails to address the relevant environmental regulatory breach.
- A portfolio company's affiliated entities are clients of Dimensional and the portfolio company put forward a number of amendments to its articles of association. Dimensional may vote against amendments representing changes to governance that do not meet best practices and may negatively impact shareholder value.

- Dimensional may vote on a proposed merger of a portfolio company with another company that is a prospective client of Dimensional. Dimensional may vote in favour of the proposed merger per its policies if the portfolio company's shares are trading at a discount to the offer price.

On each occasion, Dimensional, according to its policies, would present the facts concerning the proposal to the full Investment Stewardship Committee and obtain prior approval from the Committee to proceed with the proposed vote pursuant to the method outlined for handling conflicts issues in Dimensional's Proxy Voting Policies and Procedures.

**PRINCIPLE FOUR**  
**Promoting  
Well-Functioning  
Markets**

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

**Identifying and Addressing Risks**

The identification of systematic and marketwide risks at Dimensional is based on a broad-based monitoring and evaluation effort, led by Dimensional's Risk Management team. Key business functions contribute to the identification of risks, including Portfolio Management, Research, Trading, Compliance, and Legal, with their efforts overseen by relevant committees, as further detailed below. Dimensional's teams rely on historical risk research, current market observations and participation in global industry groups to seek broad coverage of systematic and marketwide risks.

During the reporting period, personnel from Dimensional's global offices participated in the Investment Company Institute's ("ICI") Chief Risk Officer Forum and the Global Association of Risk Professionals' Buy Side Risk Managers Forum. These forums regularly include presentations and discussions on climate risk and other global systemic risks. Beyond gathering information from other industry participants about observed and ongoing marketwide risk developments, Dimensional may also contribute to the forum and share our insights on the evolving risk environment.

Dimensional uses a structured risk framework to recognise, analyse and take appropriate action on risks that may impact our investment strategies. Dimensional's Enterprise Risk Management Framework, which is based in part on various global risk management standards, is intended to allow Dimensional to manage its risks per its stated risk appetite and in pursuit of its business objectives and opportunities.

The Enterprise Risk Management Framework describes the various methods used throughout the firm to provide a consistent approach to the identification and management of risk. Methods include, without limitation, quantitative analysis, qualitative review, scenario analysis and risk modelling. Risk assessments are completed at the functional, regional and firmwide levels and are updated regularly. We measure risks using Dimensional's Risk Assessment Methodology, assessing the expected likelihood of occurrence, the magnitude of impact, the strength of controls and, in some cases, potential correlations with other risks. Each risk is then assigned an overall risk rating.

Once a risk is identified, assessed and measured, the risk is classified according to three risk groupings: strategic, investment and operational. These risk groupings are further broken down into risk categories and risk areas. Collectively, this process includes over 100 identified potential risk areas. Examples of considered systematic and marketwide risks include, climate risks, geopolitical and regional risks, liquidity risks, inflation and interest rate risks, and cybersecurity risks.

## **Risk Management Roles and Responsibilities**

Dimensional has adopted a firmwide, integrated risk management approach. At the core of our approach, the board of directors of the general partner of Dimensional US is responsible for overseeing risk policies and assessments. The board has delegated important aspects of risk identification, policy implementation and oversight functions to the Global Risk Review Committee (“Global Risk Committee”). In addition, there is a separate Global Operational Risk Committee. Dimensional’s Head of Risk Management oversees the risk management approach.

### **GLOBAL INVESTMENT COMMITTEE**

Dimensional’s Investment Committee supervises day-to-day implementation of investment policy and establishes and monitors all client and portfolio parameters for the Portfolio Management teams to implement. This role includes approval of types of eligible issuers, securities, futures contracts, swaps and forward contracts, currencies and counterparties that effect transactions. This committee typically meets twice per month and may meet more frequently during periods of heightened volatility or when the risk management environment is evolving quickly.

### **GLOBAL INVESTMENT STEWARDSHIP COMMITTEE**

As described in Principle 2, Dimensional’s Investment Stewardship Committee is a subcommittee of the Investment Committee. The Investment Stewardship Committee considers, at least annually, proxy voting guideline changes to reflect new or evolving areas of risk oversight and management related to portfolio company monitoring.

### **GLOBAL RISK COMMITTEE**

The Global Risk Committee, which includes the Co-CEOs of Dimensional US along with other senior management personnel, has as a key objective the review and evaluation of risks. The Global Risk Committee reviews risk reports, considers risk priorities, helps to evaluate broader risk monitoring and control measures, and analyses risks across the global organization in a consistent manner. The Global Risk Committee plays a critical role in communicating information to the boards of the Dimensional entities to assist in the boards’ decision-making responsibilities.

### **GLOBAL OPERATIONAL RISK COMMITTEE**

The Global Operational Risk Committee has been established to support the Global Risk Committee in the oversight of operational risk at Dimensional. The primary purpose of the Global Operational Risk Committee is to provide a forum for risk identification through the involvement of a separate cross-section of Dimensional professionals who may be able to identify risks relevant to day-to-day operations and serve as risk and control advocates for their departments. Additional areas of risk identified by the Global Operational Risk Committee may then be reported to the Global Risk Committee for consideration. The Head of Risk Management chairs the Global Operational Risk Committee and reports to the Global Risk Committee on the discussions of risks identified by the Global Operational Risk Committee.

### REGIONAL RISK COMMITTEES

Regional Risk Committees in Australia, Japan, Singapore, and the United Kingdom perform similar functions as the Global Risk Committee with a focus on local issues and regulatory requirements related to risk management.

### LEGAL AND REGULATORY COMMITTEE

The Legal and Regulatory Committee shares information related to legal and regulatory updates with impacted departments and personnel across Dimensional.

Broadly, these groups, working with firm leadership and teams across Dimensional's business and investment units, assist in managing Dimensional's risk management efforts with respect to investment, operational and regulatory risk. Dimensional continues to investigate ways to improve our risk management framework as the risk environment evolves. One developing area of focus is climate-related regulations.

Climate-related regulations are evolving rapidly, and we actively monitor developments in this area. Dimensional is also a supporter of the *Task Force on Climate-related Financial Disclosure* (TCFD).

### Navigating Investment Risks

As described in Principle 1, Dimensional's investment philosophy is based on the belief that public markets are highly effective at processing information about risks and opportunities. With this in mind, we design our investment strategies and processes to take advantage of the real-time information in market prices.

Navigating risk through a robust, market-based approach is foundational to Dimensional's investment approach. One of Dimensional's core investment beliefs is that markets take risks—whether idiosyncratic risks or systemic risks—into account in setting prices for securities. Put another way, risk and return are related. Our strategies are typically broadly diversified across securities, sectors and, where applicable, countries. Typically, our strategies hold hundreds, if not thousands, of securities, as we believe this approach mitigates idiosyncratic risks associated with individual securities. When risks are undiversifiable, such as marketwide or systemic risks, we believe that market participants are compensated for taking on exposure to these risks.

Our strategies generally remain fully invested, even in times of market stress. Research shows that strategies that seek to time markets or hedge against marketwide risks generally underperform over time. If markets stay open and continue to function normally, we generally continue investing our portfolios according to our usual process. We believe the most effective way to mitigate the risk of unexpected crises (such as natural disasters, social unrest or pandemics) is through broad diversification and a flexible investment process. With that said, we also recognize the importance of monitoring systemic risks, and we seek to identify and monitor those risks where possible. For instance, our Investment Committee regularly reviews risks related to liquidity and counterparty exposure, as well as other market-related risks.

We believe the aforementioned approach has served our clients well. Over the four decades that Dimensional has been managing assets, we have successfully navigated many periods of market stress, including during the reporting period. We believe our systematic, broadly diversified approach has provided a competitive advantage over other approaches.

### **Responding to Market-wide and Systematic Risk**

The examples below serve to illustrate how Dimensional has responded to key systematic and marketwide risks during the reporting period. Additionally, Dimensional participates in industry groups and conducts advocacy efforts to promote improved market structures and effective regulations for the benefit of investors. See Principle 10 for additional examples of how Dimensional has engaged with industry groups and regulators over the reporting period.

### **BIODIVERSITY RISKS**

Loss of biodiversity has the potential to have significant negative impacts on both present and future generations, magnifying the already damaging impacts of climate change. Several new and upcoming pieces of biodiversity-related legislation, such as the European Sustainability Reporting Standards (ESRS) and the Taskforce on Nature-related Financial Disclosures (TNFD) standards, have put a greater focus on biodiversity risk. Biodiversity risk was therefore a more frequent topic of conversation during Dimensional's engagements with portfolio companies during the reporting period.

Dimensional believes it is important for boards, when addressing the physical and transitional risks associated with biodiversity loss, to have oversight of material risks to their business, as they do with other material risks, and to provide adequate disclosure of such risks to shareholders. To understand best practices and evolve our stewardship expectations, Dimensional reviewed emerging industry standards and engaged with five EMEA-based portfolio companies. These companies were selected as they all operate in industries where the Sustainability Accounting Standards Board ("SASB") Standards identified biodiversity-related risk as likely to be financially material and where we understood their biodiversity disclosures to be relatively well-established.

Through these engagements, we gained insight into what policies and practices could be considered to be standard and which could represent a more sophisticated approach. Sophisticated approaches demonstrated by some portfolio companies included detailed biodiversity risk disclosures, board oversight of biodiversity risks and well-established auditing and mapping practices. However, companies recognized that these practices would continue to evolve, together with the regulatory landscape.

### **CYBERSECURITY RISKS**

Cybersecurity risks have been an area of focus during the reporting period. As with previous periods, cyberattacks have continued to impact companies reputationally and financially. Additionally, new legislation from the US Securities and Exchange Commission (“SEC”) has put cybersecurity disclosure higher up the agenda for portfolio companies.

As outlined in Principle 1, we believe that material company-specific risks and systematic risks to which a portfolio company is exposed are priced into the company's market valuation. This includes material cybersecurity risks. Given such risks may have an adverse impact on shareholder value, steps to decrease material cybersecurity risks may enhance shareholder value. Dimensional therefore prioritises the need for management and boards to oversee material cybersecurity risks and provide sufficient disclosure to shareholders on these matters.

To gain a deeper understanding of how portfolio companies can work to avoid material failures in cybersecurity, Dimensional conducted discussions with 20 US- and 14 EMEA-based portfolio companies operating in industries where SASB Standards identified cybersecurity risks as likely to be financially material and where we believed their cyber-related disclosure could be enhanced.

Through these engagements, we gained a better understanding of the range of approaches taken to manage cybersecurity risks. Certain approaches adopted by portfolio companies included maintaining an information security risk insurance policy, performing frequent penetration testing and disclosing material security breaches over the last three years. However, some portfolio companies' practices were less well-developed, with limited disclosure, unclear lines of board oversight, and little information on the processes and procedures for limiting cyber risk. The understanding gained through these engagements informed Dimensional's update to our Proxy Voting Guidelines on cybersecurity during the reporting period.

### **GEOPOLITICAL RISKS**

Geopolitical risks are an expected element of global investing. Dimensional's investment strategies are exposed to issuers in many countries and regions. As economies and financial markets throughout the world have become increasingly interconnected, there is also an increased likelihood that events or conditions in one region or country may adversely affect markets or issuers in other regions or countries.

Managing geopolitical risks can entail investment and engagement decisions spanning multiple years. Following up on our 2021–22 UK Stewardship Code Report, Dimensional's approach to managing exposure to Russia prior to and during the country's invasion of Ukraine on 24 February 2022 provides an illustration of the importance of a long-term approach to considering geopolitical risks in investment and stewardship.



Early in the crisis, our flexibility allowed us to quickly adjust to new information. Unlike an index-based approach that must rely on an index provider for country eligibility decisions, Dimensional's Investment Committee is able to consider real-time market conditions and prices in evaluating country risks and eligibility for our strategies.

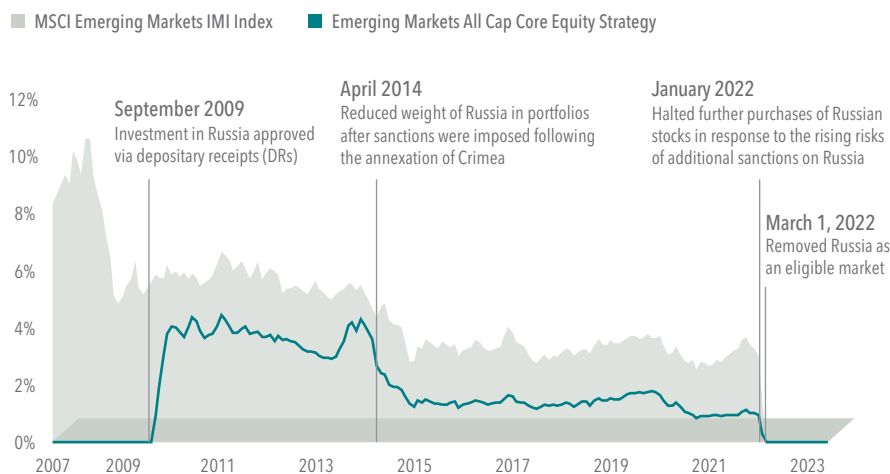
Historically, applicable Dimensional equity strategies sought exposure to Russia through depository receipts rather than local shares listed in Moscow. In addition, Russia has never been an eligible country for Dimensional's fixed income strategies. Given Russia's recent history of involvement in geopolitical conflicts, Dimensional's Investment Committee has closely monitored the country for several years. We reduced the weight of Russia in our emerging markets and global equity portfolios shortly after sanctions were imposed in 2014, following the annexation of Crimea.

Early in the crisis, we observed heightened risk that government sanctions could restrict investors' ability to trade Russian stocks or depository receipts. In January 2022, as geopolitical tensions increased, we halted further purchases of depository receipts with exposure to Russia across all our equity strategies. On 1 March 2022, Dimensional's Investment Committee removed Russia from our list of approved markets for investments. The timeline below illustrates how we have systematically reduced our exposure to Russia over a multiyear period as the risk environment has evolved. Over the 2022–23 reporting period, Russia remained excluded from our approved markets.

## Applying Flexibility in Response to Market Changes

### DIMENSIONAL EMERGING MARKETS CORE STRATEGY VS. MARKET WEIGHT IN RUSSIA:

SEPTEMBER 2007–APRIL 2022



Representative account. Holdings subject to change.

Source: Dimensional and MSCI. MSCI data © MSCI 2023, all rights reserved. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

In both the 2021–22 and 2022–23 reporting periods, Dimensional monitored and evaluated non-Russian portfolio companies’ exposure to Russia to inform targeted stewardship efforts. We conducted five engagements in the immediate aftermath of the invasion with companies across a range of industries. In the 2022–23 reporting period, we conducted 16 further engagements with portfolio companies.

**PRINCIPLE FIVE**  
**Review and Assurance**

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

**Proxy Voting Policy**

Our Proxy Voting Policies and Procedures, including our Proxy Voting Guidelines, are developed by our Investment Stewardship Committee and updated at least annually. Our Proxy Voting Guidelines take into account information from academic research, industry participation, client feedback and portfolio company engagement. Our Proxy Voting Policies and Procedures are subject to annual review and approval by the Investment Stewardship Committee and the Investment Committee, as well as the board of Dimensional UK.

Specific steps involved in reviewing, developing and enhancing our Proxy Voting Guidelines may include:

- reviewing academic research from the disciplines of law, economics and environmental sciences.
- conducting internal research and analysis.
- soliciting feedback from internal stakeholders, such as portfolio managers and client representatives.
- discussing stewardship issues with our clients to gather their perspectives and share ours.
- reviewing positions taken by industry groups, proxy advisors, nonprofits, regulators and investors, both globally and regionally.
- participating in industry groups and contributing to the public dialogue.

An example of our policy development process during the reporting period is the evolution of Dimensional’s approach to proxy voting regarding our sustainability funds. Key to Dimensional’s approach to building sustainability portfolios is input from institutional investors, financial advisors and consultants. This extends to the design of our proxy voting policies. For our social and sustainability portfolios, we have separate implementations of our Proxy Voting Guidelines on certain issues. We review these implementations annually seeking to ensure they remain aligned with the needs of the portfolio.

During the reporting period we conducted several surveys with clients, financial advisors, wealth managers and consultants to seek to understand their views on developing our proxy voting policies. In addition, we spoke to our sustainability councils in EMEA, APAC and the US as to their views on potential policy development.

The understanding gained from these interactions, and from in-depth discussions with clients and their advisors through forums such as our sustainability councils, was taken into account when we updated our process for evaluating director elections for our sustainability funds. Specifically, where a portfolio company sits in a high-emitting sector and does not have a target in place to reduce greenhouse gas emissions, Dimensional may consider voting against members of the board of directors of the relevant portfolio company. Data sourced from Transition Pathway Initiative (TPI) is used to construct the list of portfolio companies subject to this process.

When monitoring our proxy voting program, Dimensional's Compliance team has established and maintains a risk-based compliance monitoring program, which includes a periodic review of proxy voting activities, policies and procedures. Reporting from the compliance monitoring program is presented to various boards and committees, including Dimensional UK's Compliance Committee.

### **Engagement Practices**

Dimensional's Investment Stewardship Committee reviews and supervises Dimensional's engagement practices. See Principle 7, 9, 11 and 12 for more details on our engagement approach and escalation mechanisms as well as examples of their implementation during the reporting year.

## Stewardship Reporting

In 2022, we introduced our first Responsible Investment Report, intended as a meaningful enhancement to the Investment Stewardship Report we have been publishing annually since 2019. The main change to the report relates to the expansion of topics covered. Instead of focusing solely on investment stewardship, the Responsible Investment Report contains a holistic overview of our responsible investment efforts—including, for example:

- An overview of investment professionals contributing to ESG initiatives.
- Our principles and philosophy applied to responsible investment.
- A presentation of our ESG network of academics and researchers.
- A synthesis of some of our ESG research papers.
- Perspectives from our Co-Heads of Responsible Investing.
- Other topics relevant to our responsible investment efforts.

The 2022 Responsible Investment Report included a piece written by a member of Dimensional's network of researchers and academics, Professor Lucian Bebchuk, a consultant to Dimensional US. Professor Bebchuk's piece focuses on the intersection of climate change and investment stewardship.

The 2022 Responsible Investment Report also provides an overview of operational sustainability at Dimensional, introducing our new Sustainability Task Force. It marks the first time Dimensional has publicly disclosed ongoing efforts and plans to reduce and offset our operational emissions with clear absolute and intensity targets across energy, water, waste, and capital goods. Throughout this section, we also explain how we have accounted for our operational emissions at the entity level for Dimensional's global operations and present our five-year sustainability initiative for improving our operational sustainability and reducing our global Scope 1, 2 and 3 greenhouse gas emissions.

Within the stewardship section of this report, we add a section discussing our approach to investment stewardship, as well as why and how we intend to encourage good governance practices at portfolio companies in which our clients invest. As in previous years, we provide individual case studies and key measures of our investment stewardship activities, such as our number of engagements with portfolio companies and votes over the period.

Consistent with previous years, non-subject-matter experts were involved in the development of the Responsible Investment Report. The report is reviewed by Dimensional's global Co-CEO, Legal and Compliance teams, and leadership from across investment teams. The report was published in January 2023 and is [available here](#).

In a similar manner, the UK Stewardship Code Report is reviewed by members of the Investment Stewardship team, Legal team, and Dimensional UK's Co-CEOs, and approved by the board of Dimensional UK.

**PRINCIPLE SIX**  
**Client and Beneficiary Needs**

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

Dimensional has a commitment to clients that spans over 40 years. Dimensional has developed a wide array of investment solutions to help address investment challenges for our clients around the globe, all based on a single philosophy and implemented through an integrated, process-driven approach.

Dimensional UK's clients include commingled funds and other institutional investors, such as pension funds and insurers for whom Dimensional UK manages segregated accounts. Dimensional UK may also provide subadvisory services to other advisers. Dimensional UK's commingled funds are recommended to investors by independent financial advisers. Dimensional UK generally does not seek to have direct retail clients.

Dimensional UK's clients are primarily based in the UK. During the reporting period, other regions where Dimensional UK serviced client assets included the European Economic Area, Switzerland and the Middle East.

Total assets managed by Dimensional UK as of 30 June 2023 were GBP 28.5 billion and can be broken down into the following asset classes:

Data as of 30 June 2023 (GBP Millions)

Developed ex US Equities	6,546
Emerging Markets Equities	3,912
Fixed Income	11,462
Global Equities	6,274
US Equities	341
<b>Total</b>	<b>28,535</b>

In general, Dimensional UK's equity strategies are designed to offer consistent exposure to securities with higher expected returns—securities with smaller market capitalisations, lower relative price and higher profitability. Securities with these characteristics have been shown to outperform the market. As the probability of realising outperformance increases with the investment horizon, we generally hold securities for long periods of time—usually for four or more years. This approach also decreases turnover costs for our clients and positions us to integrate environmental, social and governance (ESG) considerations in a manner consistent with helping investors achieve their long-term goals. We therefore emphasise the benefits of a long-term investment horizon with our clients.

Similarly, Dimensional UK's fixed income strategies are designed for cost-effective implementation of broadly diversified portfolios that are consistently managed using information in forward rates. Forward rates stand out in this research as the most reliable and the most useful metric for targeting bonds with higher expected returns. We manage a range of fixed income strategies with varying duration exposure so that investors can select a strategy that aligns with their fixed income asset allocation's investment time horizon needs.

Dimensional UK manages sustainability portfolios in various asset classes that are designed for investors interested in reducing the exposure of their investments to greenhouse gas emissions and potential greenhouse gas emissions from fossil fuel reserves. The sustainability portfolios managed by Dimensional UK incorporate environmental considerations important to many sustainability-minded investors.

During the reporting period, Dimensional launched the World Sustainability Equity Fund. As of 30 June 2023, five sustainability funds representing more than GBP 3.7 billion of assets were available to UK clients.

### **Understanding Client Needs**

Dimensional UK frequently engages with financial advisers, wealth managers, consultants and other stakeholders to understand their needs as well as to further enhance our understanding of ESG in the industry.

Consistent with the previous reporting period, Dimensional conducted a number of activities focused on understanding the ESG values of clients. This included a survey of institutional investors, financial advisers and consultants about their views on ESG and on voting policy, as referenced under Principle 5. In the UK, Dimensional conducted a survey of advisers, which included a portion on ESG. Separately, we shared the results of an institutional survey on ESG preferences during a dedicated webcast.

During the reporting period, we organised quarterly conversations with our EMEA Sustainability Council, a group composed of consultants and wealth managers not affiliated with Dimensional whose clients have a specific focus on sustainability. During these conversations, we shared some of our ongoing work, listened to feedback and provided education on specific ESG topics from a variety of internal and external experts.

### **Reporting on Stewardship and Investment Activities**

Dimensional seeks to be a trustworthy, transparent and reliable fiduciary for our clients, and to keep them well-informed about the stewardship and investment activities we conduct on their behalf. During the reporting period, Dimensional has continued to regularly communicate with clients, financial advisers and wealth managers on both stewardship and investment activities and outcomes through meetings, conferences and reports. We have also sought out opportunities to improve our reporting. Example activities include:

Portfolio Managers conducted many ESG-related meetings with clients and advisers. Topics often included portfolio design, investment performance and reporting on investment stewardship activities.

Dimensional UK ran a number of ESG-focused events for UK and European clients and advisors. For example, the Dimensional Foundations conference—a quarterly educational conference primarily aimed at the UK financial advisory community—now includes a full session dedicated to helping professional investors navigate ESG investing. In June 2023, our Summer Investment Conference, which gathered more than 100 advisors, wealth managers, institutions and consultants, featured a session dedicated to ESG investing, with an emphasis on the risks from climate change.

For the sustainability strategies Dimensional UK manages, we provide public quarterly reporting on both the carbon intensity of each portfolio and the potential emissions from fossil fuel reserves at the portfolio and sector level, relative to their comparative index. For quarterly reporting for the period ending 30 June 2022, Dimensional UK introduced enhancements to our sustainability reporting for sustainability strategies that include a summary of the funds' sustainability focus, details on the nature of company-level emissions data and additional explanatory information, such as prominent definitions of key terms, illustrations and examples of carbon-related metrics. These updates were aimed at improving the clarity and transparency of our reporting for noninvestment professionals.

We have published on our public website a database of Dimensional UK's proxy voting records searchable by individual item, portfolio and issuer. We publish a report on how Dimensional's sustainability funds voted on environmental and social proposals during the previous proxy year.

As detailed under Principle 5, since 2019, Dimensional has published an Annual Stewardship Report—and in 2022 we introduced a broader Responsible Investment Report.



**PRINCIPLE SEVEN**  
**Stewardship,  
 Investment and  
 ESG Integration**

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

Dimensional UK systematically integrates stewardship and investment to deliver diversified, value-added systematic investment solutions to clients in the UK.

As discussed in Principle 1, we believe that market prices reflect the aggregate expectations of market participants, including information about ESG risks and opportunities. Consistent with this belief, the ESG variables we have analysed in our research do not appear to contain additive information about expected returns. As such, we do not attempt to invest in companies that we think will outperform because of their ESG profiles. However, we do use ESG information when defining and monitoring our investment universe. Examples of these activities are listed below:

**Equity Security-Level Reviews**

As part of our process for creating an eligible universe, we review country risks, exchange listing standards and individual securities for structural, governance-related issues. For example, we may exclude companies from eligibility if they are closely held; such companies may not have adequate risk controls to protect the interests of minority shareholders against abusive practices by company insiders. We also assess exchange listing requirements against certain standards, for example, accounting standards and the level of shareholder protection offered. We may exclude companies from eligibility if they are listed on exchanges whose listing requirements fail to meet these standards. During the reporting period, we reviewed approximately 3,300 equity securities as part of this process.

**Fixed Income Security-Level Reviews**

Prior to investing in any fixed income security, Dimensional analyses information from the security's prospectus, official statement, escrow agreement and certain other relevant documents. The types of information analysed include the security's payment rank, covenants, call provisions and tax-exempt status. Each security goes through an initial automated review process that identifies keywords and characteristics from official documents and screens out securities with embedded options, covenants or other terms that would make the security ineligible for our portfolios. Following this initial automated review, a Portfolio Manager will review information from relevant official documents in order to assess the security's eligibility. As part of this process, we may seek to gain clarification of terms and conditions relevant to eligibility, but we generally do not seek to alter the terms or conditions applicable to fixed income securities. In addition, before Dimensional makes an issuance eligible for investment, a member of our Portfolio Management team will review credit ratings from third-party agencies, for which ESG considerations may be a component. During the reporting period, Dimensional reviewed over 4,500 fixed income issuers for eligibility.

Consistent with our belief that market prices contain information, Dimensional considers current market prices in conjunction with published credit ratings when assessing the credit risk of a bond. For example, if a BBB rated security trades at a significantly higher yield than other comparable BBB rated securities, all else equal, we regard that security as carrying a higher risk than that implied by its third-party credit rating and assign it a lower internal rating. If Dimensional's internal rating is inconsistent with the goals and constraints of a strategy, that bond may not be eligible for purchase in that strategy.

### **Daily News Checks**

As part of our risk management process, we monitor daily all securities in our eligible universe for reports of potential involvement in significant controversies, including ESG-related controversies. If we believe that these controversies are likely to have a material impact on a portfolio company's financials, we may temporarily exclude the portfolio company from purchase and the Investment Stewardship Group may follow up on this controversy with engagement. Examples of ESG controversies include, but are not limited to, those related to poor internal controls, worker safety, environmental impact, consumer lawsuits and fraud.

## Equitrans Midstream Corp

### US – Energy

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<b>Goal</b>	Advocate for effective oversight of material environmental risks.
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<b>Background</b>	<p>In November 2022, Equitrans Midstream Corp. (“Equitrans”) announced a natural gas leak incident at a storage facility in one of its US storage wells. Dimensional’s Portfolio Management team identified this issue through our ongoing news and security monitoring processes and escalated to the Investment Stewardship Group. Multiple federal and state orders have been issued to require the portfolio company to provide additional disclosures on its wells and storage fields’ compliance with regulations as well as a third-party audit of its relevant operations in Pennsylvania. The portfolio company is also subject to an investigation by the Pennsylvania Department of Environmental Protection, which is ongoing.</p>
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<b>Engagement</b>	<p>Dimensional reached out to Equitrans to gain a better understanding of the portfolio company’s board’s oversight of environmental risks and the portfolio company’s response to the leak. Equitrans’ Health, Safety, Sustainability and Environmental Committee periodically reviews reports from management with respect to significant risk exposures related to environmental concerns, including natural gas leaks and emissions; provides feedback to management regarding its approach to monitoring, controlling and reporting on such matters; and reports these engagements with management to the full board. The portfolio company informed Dimensional that an internal investigation was underway, as well as audits of other storage fields unaffected by this incident. The portfolio company was also aiming to implement remedial processes and strengthen reporting activities across the portfolio company. The portfolio company shared that the full board was receiving weekly updates on the situation.</p>
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<b>Outcome</b>	<p>Based on our engagement with Equitrans, Dimensional was satisfied that the board had adequate oversight of this issue at the time of the incident and that Equitrans was taking appropriate remedial action.</p>
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As previously reported, in 2022 we integrated our fixed income strategies into the daily ESG news check process. If there is evidence of a material ESG-related controversy at a corporate issuer held in our fixed income portfolios, we may temporarily exclude that issuer's bonds from purchase while we assess the investment implications.

### **Investment Monitoring**

Our investment stewardship approach advocates for strong portfolio company oversight of material ESG-related risks, and we monitor portfolio companies' risk oversight practices as part of our standard stewardship activities. We may use ESG data, such as SASB data, to help identify candidates for engagement or to inform our engagements. Furthermore, we track our engagements on ESG issues and follow up with portfolio companies on outcomes. If we believe that portfolio company boards have not adequately addressed shareholder concerns, we may decide to exercise our proxy votes against the appropriate board members. See Principle 11 for examples of Dimensional's stewardship activities and escalation mechanisms over the reporting period.

During the reporting period, feedback from the Investment Stewardship Group has informed the investment team's assessment of certain securities. For example, during the reporting period, the Investment Stewardship Group voted against directors at a portfolio company for serious concerns relating to its remuneration practices. Given the severity of these governance concerns, the Investment Stewardship Group raised a case to the Investment Stewardship Committee to add to a watchlist directors who were members of the portfolio company's Compensation Committee. The Investment Stewardship Group used the watchlist information to vote against the directors at this portfolio company and also when voting on the directors in the elections for the other portfolio companies whose boards they sit on. As part of the process for Dimensional's Article 8 funds (described in more detail later in this section), this case was brought to the attention of the Portfolio Management team. Following a decision by the Investment Committee, Dimensional decided to halt further purchases of this security for Article 8 funds until such a time as the Investment Committee considers adequate remediation has been taken by the portfolio company.

As discussed in Principle 1, we seek to use stewardship activities to protect and enhance value across all our equity funds. Stewardship and investment decisions are integrated in the following ways:

### **Proxy Voting Decisions**

During the reporting period, we continued to integrate our portfolio management activities with our proxy voting to exercise our proxy voting in a manner that we believe maximises returns for investors. For instance, the Investment Stewardship Group solicits information and analysis from the Portfolio Management team when assessing proxy votes related to mergers and acquisitions. The Investment Stewardship Group and Portfolio Management team exchange information on these types of corporate actions, which is then considered for both proxy voting and investment decision-making purposes.

## Teck Resources Ltd.

### Canada – Materials

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<b>Goal</b>	Maximizing returns for investors when voting on corporate actions.
<b>Background</b>	<p>On February 21, 2023, Teck Resources Ltd. (“Teck”) announced a plan to spin-off of its steelmaking coal assets. The spin-off was conditional on approval by shareholders at a meeting to be held in April 2023.</p> <p>Following the announcement, Teck’s Class B share price dropped by approximately 1.3% from the February 17 close and continued to drop, bottoming out on March 24 at 21% below the February 17 close, as the market expressed concerns with the viability of the resulting free-standing coal business. On March 26, Glencore plc made an unsolicited offer to acquire Teck. On April 3, 2023, Teck disclosed the Glencore offer but stated that the board had made the decision to reject the offer. Shares rose 18.7% upon the announcement, as the market reacted positively to the potential of an alternative to the originally announced spin-off.</p>
<b>Engagement</b>	A senior member of Dimensional’s Portfolio Management team along with members of the Investment Stewardship Group engaged with members of Teck’s management team, including the CEO, in advance of the shareholder meeting. Dimensional sought to better understand the Teck board’s perspective and its decision not to pursue the offer from Glencore given the positive market reaction.
<b>Outcome</b>	After consideration and further analysis by senior members of Dimensional’s Portfolio Management team, Dimensional determined that it was in the best interest of shareholders to vote against the proposed spin-off. A few hours prior to the shareholder vote on April 26, 2023, the Teck board announced the withdrawal of the separation agreement. Teck shares rose approximately 7% following the announcement.

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### Investment and Divestment Decisions

When there is evidence of poor governance practices at a portfolio company, Dimensional generally believes we better serve our clients by using stewardship activities, rather than divesting, to encourage better standards of corporate governance. This is founded on the belief that a portfolio company's corporate governance practices are reflected in its market price and that improvements may be rewarded with a higher price. Given Dimensional's flexible approach to investing, the option to divest from a portfolio company is open to our Investment Committee. A decision by our Investment Committee to divest from a security, while very rare, has occurred when we have extreme corporate governance concerns and stewardship levers appear ineffective.

During the reporting period, we updated our procedures for funds defined as Article 8 under the EU Sustainability Financial Disclosure Regulations (SFDR). For these funds, portfolio companies determined to have poor governance practices by the Investment Stewardship Group are brought to the attention of the Portfolio Management team. A decision is then made by Dimensional's Investment Committee as to whether ceasing further investment is the appropriate course of action, and the Committee may also consider divestment from the portfolio company if merited.

As discussed in Principle 6, we also offer dedicated sustainability strategies that incorporate an additional level of ESG integration. These strategies are designed to decrease exposure to companies that are significant contributors to emissions or those with large fossil fuel reserves (such as oil, gas and coal) that may lead to future emissions while emphasizing securities with higher expected returns and maintaining broad diversification. For these funds, a portfolio company's corporate governance profile and information learned during engagement may also feed into investment decisions for portfolio companies involved in ESG controversies, as described above under Investment Monitoring.

### ESG Data

We continue to spend a significant amount of time and effort on sourcing and developing ESG data. We regularly assess new ESG data vendors as well as monitor existing vendors for new ESG data that may be used either in our investment processes or by our Research department. We may purchase similar data from multiple vendors to compare and validate datasets, and we also develop proprietary datasets from various sources of information. During this period, Dimensional conducted a number of activities to source and develop data. These include:

- Integrating datasets related to violations of business conduct standards (e.g., United Nations Global Compact) into the ESG news check process.
- Developing an internal tool to more efficiently implement exclusion screens across sustainability portfolios, allowing for clearer communication of these screens both inside and outside the Portfolio Management team.
- Evaluating multiple potential new datasets and vendors to provide new portfolios and/or formulate new research to further serve our clients. For example, Dimensional explored several sets of data, including data on the proportion of company revenues coming from green sources and information about alleged ESG controversies at portfolio companies.

**PRINCIPLE EIGHT**  
**Monitoring  
 Managers  
 and Service  
 Providers**

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

**Proxy Advisory Firms**

We use the services of Institutional Shareholder Services (“ISS”) to assist with the operational processing of proxy voting. ISS provides information on shareholder meeting dates and proxy materials, translates proxy materials printed in foreign languages, operationally processes votes in accordance with our custom proxy voting policy and provides reports concerning the proxies voted.

In addition, ISS provides research and recommendations on proxies. Dimensional also considers research and recommendations from Glass Lewis and Ownership Matters. Leveraging the research and recommendations of multiple proxy advisory firms assists us in monitoring the quality of the research and recommendations provided by the service providers and serves as a source against which to check our own assessments.

We monitor services provided by all three proxy advisory firms to determine whether they have the capacity and competency to adequately analyse proxy issues and can make their recommendations in an impartial manner and in the best interests of Dimensional’s clients. If concerns are identified, Dimensional will engage with the proxy adviser and, if the concerns are not addressed, escalate any issues to the Investment Stewardship Committee.

Each year, we provide our Investment Stewardship Committee with a Proxy Advisor Capacity and Competency Report containing the outcome of our monitoring efforts. The Report provides the Investment Stewardship Committee with additional information on, among other things, notable changes in the ownership, governance and business models of proxy voting advisors; steps taken by each proxy voting advisor to address its conflicts of interest; cybersecurity policies and procedures of proxy voting advisors; and updates on US regulations regarding monitoring of proxy advisors.

To assess the capacity and competency of proxy advisors Dimensional:

- On a monthly basis, conducted pre- and post-vote analysis to confirm that votes were cast in line with Dimensional’s custom proxy voting policy and account setup instructions.
- Required that each proxy advisory firm complete a due diligence questionnaire that Dimensional had developed to evaluate their capabilities and performance, including the adequacy and quality of the firm’s staffing, personnel and technology.
- Conducted due diligence meetings with our key proxy advisory firms to review the firm’s policies and procedures, with a particular focus on those relating to identifying and addressing conflicts of interest.
- Participated in ISS’s annual policy formulation processes.

During the reporting year, Dimensional began working with ISS and fund and client custodians to implement an enhanced ballot reconciliation process. We intend for this process to become a routine part of our review of ISS’s capacity and competency going forward.

During the reporting period it was found that the proxy advisory firms met Dimensional’s expectations in having the capacity and competency to timely and adequately analyse proxy issues, as well as make impartial recommendations in consideration of the best interests of Dimensional’s clients and consistent with Dimensional’s voting policies and fiduciary duties.

### **ESG Data Providers**

Dimensional leverages environmental, social and governance data from several vendors for use in our stewardship, portfolio management, compliance and research activities. These vendors, from whom Dimensional procures various datasets, include MSCI, ISS, Standard & Poor’s (S&P), Bloomberg and the SASB. These ESG data sets include raw metrics such as greenhouse gas emissions, total potential emissions, coal involvement, revenues earned from alcohol production, revenues earned from tobacco production, etc. by issuer. Additionally, Dimensional receives controversy-related metrics, such as child labour controversy scores, as well as business activity information, such as involvement in the production of cluster munitions, sustainability-focused industry codes and other related measures by issuer.

Vendors typically deliver updates to their respective datasets on a monthly or quarterly basis, depending on the dataset. Dimensional’s Investment Analytics and Data team (part of the Research function) handles the integration and curation of these datasets within our internal systems, as well as the integration of datasets into the portfolio construction process and into necessary reporting processes. This team actively monitors data quality through a variety of automated validations, including period-to-period data changes, comparisons of data between multiple vendors and additional quality assurance mechanisms which result in deeper investigation from our analysts.

Issues that surface in the quality controls are escalated to the relevant vendors as necessary and are tracked through remediation. Strong relationships with these vendors are fostered so that they are responsive to Dimensional’s requests, which may result in improvements with respect to service levels and data quality.

As part of our monitoring of our ESG data and service providers, during the reporting period:

- We loaded tens of thousands of data records into our internal data systems each month. Over the period, Dimensional worked to enhance the loading and quality control process of ESG data loads, bolstering the data management team’s capacity to perform month-over-month checking, such as investigating large changes in ESG metrics.



- We derived data points to classify each portfolio company in the equity and fixed income universes according to various metrics (e.g., sorting companies into quintiles based on emissions per dollar revenue within industry).
- Dimensional's teams escalated over 350 individual data exceptions to our service providers for review and potential correction. Prior to the reporting period, Dimensional formed a Sustainability Data Working Group to evaluate large changes in data, as well as check impacts of newsworthy events on data. A process to allow for temporary overwrites of data was put into place, and systems were built to support that process.
- We discussed with data vendors how to improve efficiency and accuracy of palm oil and factory farming data.
- Dimensional's data team procured, loaded and integrated new datasets into existing processes, as appropriate. Specifically, we onboarded data to support several new EU-based ESG regulatory reporting requirements (e.g., SFDR, EU Taxonomy). Dimensional continues to evaluate new loading techniques and potential system upgrades to enhance the efficiency of our ESG data processes.

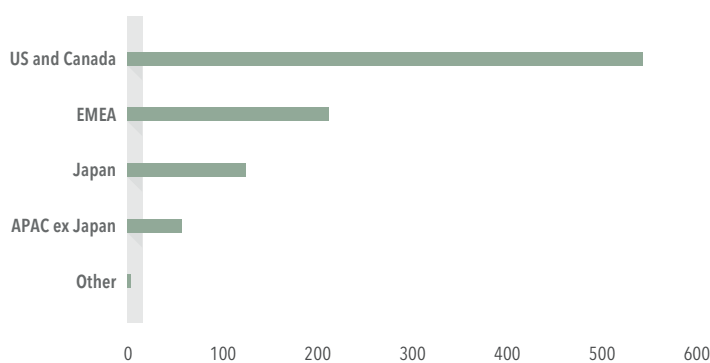
**PRINCIPLE NINE**  
**Engagement**

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

Dimensional engages with company management and board members at portfolio companies through phone calls, virtual meetings, in-person meetings or written correspondence. Dimensional’s engagement efforts are conducted by members of Dimensional’s Investment Stewardship Group located in the US, London and Sydney as well as stewardship-trained Portfolio Management professionals located in Tokyo. Engagements are divided amongst offices based on the location of the portfolio company; however, each office uses the same engagement framework and follows the same processes. Generally, when conducting an engagement, Dimensional represents the interests of all the equity portfolios it manages.<sup>3</sup>

Engagements outside of North America represented over 40% of total engagements in 2023.

**ENGAGEMENTS BY REGION**



**2023 Investment Stewardship Priorities**

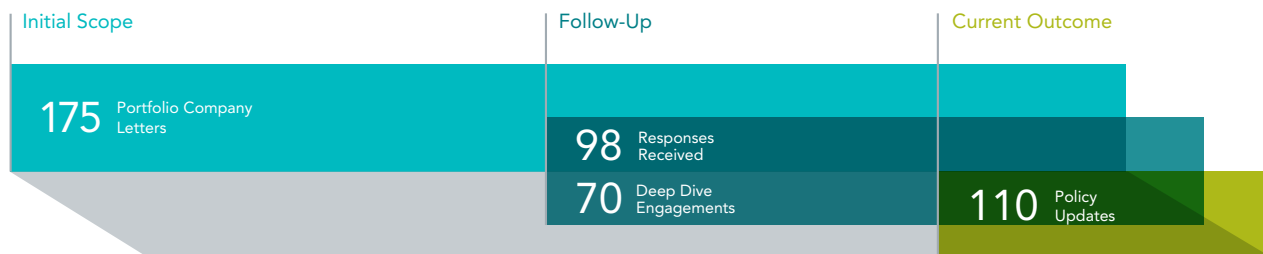
Board Composition and Structure	We expect a portfolio company’s board of directors to represent the interests of shareholders.  Board independence and diversity of backgrounds, experiences, and skill sets are important issues in assessing board composition.
Material Environmental and Social Risks	Portfolio company boards should exercise oversight of material environmental and social risks that may have economic ramifications for shareholders. Portfolio companies should disclose these risks and related oversight to shareholders.
Shareholder Rights	We expect portfolio companies to maintain mechanisms for shareholders to raise concerns and hold companies accountable.
Executive Compensation	Compensation plans should be based on rigorous and transparent metrics that display a clear link between pay and long-term performance.

3. Although Dimensional discusses governance matters with portfolio companies to represent client interests, Dimensional’s stewardship activities are not undertaken with the purpose or intended effect of changing, or influencing, the control of any portfolio company.

Consistent with our belief that corporate governance practices are reflected in price, our engagement efforts are centred on the issues we think are most likely to impact shareholder value. For instance, we frequently engage on executive remuneration and antitakeover devices because of their impact on expected future cash flows.

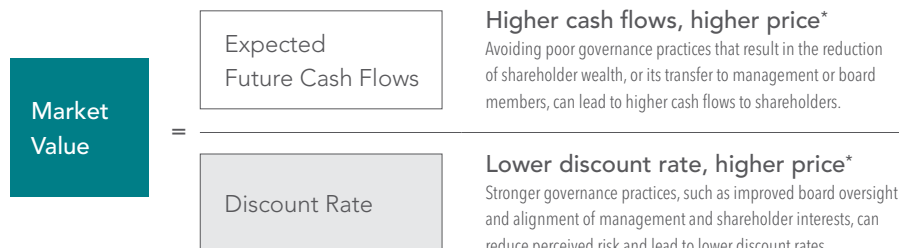
Similarly, we engage with companies to encourage the adoption of robust policies and procedures for managing risk (including environmental and social risk) and effective board oversight, as strong risk management may have a positive influence on the discount rate assigned by the market. The goal of our engagement efforts is to encourage portfolio companies to improve their corporate governance in these areas, which may result in increased valuations through a combination of lower discount rates and higher cash flows.

During the reporting period, Dimensional continued to engage with companies following our climate risk letter campaign that began in 2020. Over the course of the campaign, Dimensional identified 175 companies that, in our view, may not have disclosed adequate oversight policies and procedures related to material climate change risk. Engaging directly with portfolio companies through letter campaigns and subsequent conversations allows us to emphasize our specific views on governance priorities, and allows us to carefully consider each portfolio company's response to our engagement. As of June 30, 2023, we observed that 110 of the companies we targeted had updated their disclosures on the topic.<sup>4</sup>



4. Observed instances of increased disclosure and oversight of climate change risk at portfolio companies in industries where climate change was likely a material risk, determined by the company itself or a third-party organization, and who received letters from Dimensional. These outcomes are not necessarily a result of Dimensional's letters or actions. Figures as of June 30, 2023. This campaign is ongoing. Dimensional from time to time discusses governance matters with portfolio companies to represent client interests; however, Dimensional on behalf of its clients, regardless of such conversations, acquires securities solely for the purpose of investment and not with the purpose or intended effect of changing or influencing the control of any portfolio company.

## Stronger Governance Practices Can Improve Returns



\*All else equal. Not guaranteed.

Dimensional purchases a significant amount of research and data from specialised data providers, including ISS, Glass Lewis, FactSet and SASB. We also generate data internally using public filings and publications from NGOs, regulators and media sources. We combine these sources of information to form a proprietary resource that helps to prioritise our engagement efforts through the consideration of a variety of factors, including a portfolio company's overall governance profile, recent public ESG controversies, the holdings of Dimensional's clients in the portfolio company, recent or upcoming proxy votes and follow-ups from prior engagements.

Prior to each engagement, Dimensional identifies the specific concerns to be discussed during the engagement. Dimensional's record of the engagement is recorded.

Engagement frequently plays a role in the escalation of our stewardship activities. Please see Principle 11 for more information.

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## Shareholder Rights Letter Campaign

### Campaign Goal

Communicate Dimensional’s position on unequal voting rights and poison pills to portfolio companies enacting these provisions.

### Background

In February 2023, Dimensional sent letters to 123 US-based portfolio companies to raise our concerns regarding their governance practices, specifically companies where our clients held more than 1% in common stock and observed either unequal-voting-rights share structures or a nonshareholder-approved poison pill. The letters outlined that, in our view, these practices are likely detrimental to shareholder value through board and management entrenchment and reduced accountability to shareholders. The letters also shared Dimensional’s approach to voting against directors, when they are up for election, at companies that maintain these practices, including where they serve on the boards of other portfolio companies that were otherwise consistent with Dimensional’s guidelines.

### Outcomes and Observations

As a follow-up to the letters we sent, Dimensional received 45 portfolio company responses and engaged with 35 of the companies. Dimensional received a range of responses from portfolio companies we targeted as part of this campaign. In some cases, companies expressed a willingness to consider changing their practices. In other cases, companies cited barriers to taking action, such as a controlling shareholder, or stated they believed their practices were in line with those of peers. Of the companies that received the letter, Dimensional voted against 303 directors at 66 unique portfolio companies due to concerns related to the adoption or maintenance of poison pills and unequal-voting-rights structures. In addition to voting against directors at firms who adopted nonshareholder-approved poison pills and received our letter, we also voted against 12 of those directors with respect to their position on the boards of other portfolio companies.

#### Letters Sent by Issue<sup>5</sup>



Letters Addressing  
Unequal Voting Rights



Letters Addressing  
Nonshareholder-Approved  
Poison Pills

5. Although Dimensional discusses governance matters with portfolio companies to represent client interests, Dimensional’s stewardship activities are not undertaken with the purpose or intended effect of changing, or influencing, the control of any portfolio company.

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## Shareholder Rights Letter Campaign *(continued)*

### Company Example: PJT Partners Inc.

#### Background

PJT Partners Inc., a US-based financial services company, was a recipient of Dimensional's letter due to its dual-class share structure with unequal voting rights. Additionally, the company maintains other practices that Dimensional is generally opposed to: a classified board and a supermajority vote requirement to approve amendments to its charter and bylaws. Prior to the company's May 2023 annual shareholder meeting, Dimensional engaged with members of the management team to discuss our concerns with the company's governance practices. The company disclosed in that engagement and in the 2023 proxy statement that it has been fielding shareholder concerns regarding its board structure and governance practices.

#### Outcome

Given the company's concerning governance practices, Dimensional withheld a vote from the Lead Independent Director at the company's May 2023 annual shareholder meeting. Despite this, the Lead Independent Director was ultimately reelected.

#### Key Statistics (AS OF JUNE 30, 2023)



Directors Voted Against  
for Concerns Related to  
Unequal Voting Rights



Directors Voted Against for  
Concerns Related to  
Nonshareholder-Approved  
Poison Pills



Engagements Related to Unequal  
Voting Rights and Nonshareholder-  
Approved Poison Pills

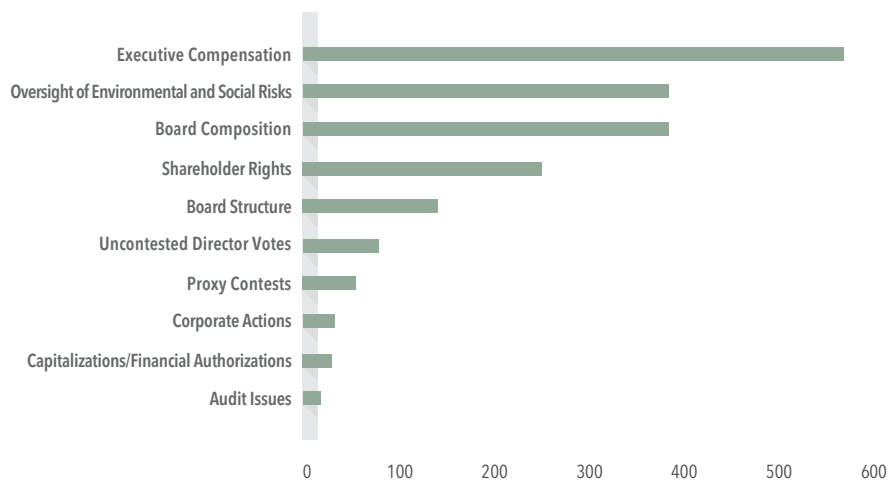
## Global Engagement



### Engagements<sup>6</sup>

Over 60% of engagements included discussion of executive compensation.

#### ENGAGEMENTS BY TOPIC



#### ENGAGEMENTS BY ENVIRONMENTAL AND SOCIAL TOPIC



6. Includes calls with portfolio companies and dissident and shareholder proponents.

## Keller Group plc

### UK – Industrials

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<b>Goal</b>	Advocate for effective risk oversight and internal controls.
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<b>Background</b>	<p>In January 2023, Keller Group plc (“Keller”) announced that it had identified financial reporting fraud in its Australian business unit (“Austral”) as part of the portfolio company’s periodic internal review. The fraud relates to actions by two employees that resulted in the overstatement of Austral’s performance from 2019 onwards. The news resulted in a sharp decline in Keller’s share price, which Dimensional’s Portfolio Management team identified and escalated to the Investment Stewardship Group through its ongoing news and security monitoring processes.</p>
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<b>Engagement</b>	<p>Dimensional reached out to Keller to get a better understanding of the board’s oversight of the portfolio company’s financial risk management and internal control systems. The portfolio company informed Dimensional that an internal investigation was underway and that the company is in the process of appointing an external adviser to undertake an independent investigation. Keller was also aiming to implement remedial processes and strengthen reporting activities across the portfolio company.</p> <p>Keller maintains a number of whistleblowing channels for employees, and Keller’s Audit Committee receives regular updates from management on complaints.</p>
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<b>Outcome</b>	<p>During our engagement with Keller, Dimensional was informed of additional oversight of this issue and that Keller intended to take appropriate remedial action.</p> <p>In March 2023, Keller stated that the forensic investigation of the fraud incident was completed and reported that Keller aims to take the lessons learned from this incident and embed identified improvements into management and financial control processes. Dimensional intends to continue monitoring these effects.</p>
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**PRINCIPLE TEN**  
**Collaboration**

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

Dimensional is a member of various organisations that work to improve transparency and accountability regarding ESG issues. Dimensional US is also a signatory to the United Nations Principles for Responsible Investment and the Japan Stewardship Code, and a public supporter of the Task Force on Climate-related Financial Disclosures, which is intended to promote consistent climate-related financial risk disclosures by companies.

Dimensional is also an associate member of the Council of Institutional Investors (CII), a member of the International Corporate Governance Network and a member of the Harvard Law School Institutional Investor Forum (HIIIF), which are organisations dedicated to promoting good corporate governance. Dimensional personnel are active with the US Investment Company Institute, ICI Global, and the UK Investment Association (UKIA), which are industry organisations that seek to strengthen the foundation of the asset management industry for the ultimate benefit of the long-term investors. The organizations are regularly involved in commenting on the development of new laws and regulations that impact investors, investment companies and issuers, including those that relate to ESG issues.

In undertaking any such collaborative activities, Dimensional seeks to comply with all applicable legal requirements. Dimensional is open to dialogue with management and dissident groups. While regulatory concerns may prevent us from acting collectively with other investors, we will consider communicating with other investors in relation to specific portfolio companies when we believe that doing so is in the best interest of our clients, is likely to maximise the value of their investment, is consistent with our policies and guidelines and is permissible under applicable laws and regulations. If we believe that other investors have valid concerns, we may communicate with them to understand their concerns; this may help inform our view of company management. Regardless of these collaborative activities, Dimensional acquires securities on behalf of its clients solely for the purpose of investment and not with the purpose or intended effect of changing or influencing the control of any portfolio company and seeks to avoid acting in concert or as a group with other investors.

### Promoting Best Practices in Corporate Governance

Over the reporting period, Dimensional has collaborated with other stakeholders to promote best practices in corporate governance by participating in a number of working groups, advisory councils and roundtables hosted by the following organisations and others:

- CII Corporate Governance Advisory Council: Dimensional's Head of Investment Stewardship was a member of the CII Corporate Governance Advisory Council for 2021 and 2022. The CII Corporate Governance Advisory Council's stated aim is to provide input to the CII board and staff about CII activities that promote effective corporate governance. Dimensional continued to participate in CII activities, including contributing to CII-run events during the reporting period.
- HIIF Advisory Council: Dimensional maintains representation as a member of the HIIF Advisory Council. The HIIF Advisory Council consists of leading governance officers from the institutional investor community and provides the HIIF with input on events and topics that could add value to the community of investors.
- ICI Proxy Issues Working Group: Dimensional has continued to actively participate in a working group to discuss proxy voting issues. During the reporting period, Dimensional's Head of Responsible Investment participated in the ICI's ESG Advisory Group that generally meets monthly.

### Harvard Law School Institutional Investor Forum (HIIF) Participation

Dimensional has been a member of the Harvard Law School Institutional Investor Forum (HIIF) since 2013. The HIIF is supported by a wide set of stakeholders, including public pension funds, mutual funds, and other investing institutions in the US and other jurisdictions representing assets of more than USD 15 trillion.<sup>6</sup> As an active member of the HIIF, sitting alongside other institutional investors, Dimensional discusses a wide array of thematic stewardship issues with proxy advisors, regulators and some of the largest companies in the world including: Coca-Cola Co., McDonald's Corp., Amazon.com Inc., CVS Health Corp., Wells Fargo & Co., Credit Suisse AG, among others.

During forums held in the reporting period, we discussed several thematic stewardship issues, including pass-through voting, the universal proxy rule and advance notice bylaws, investor expectations of board oversight of environmental and social issues, and ESG metrics in executive compensation, among other topics. On the topic of ESG in determining executive compensation, we expressed the view that while in some cases ESG metrics may be well-defined and clearly relevant to a portfolio company's financial performance, it is common to see companies link executive pay to ESG metrics that are subjective or inherently difficult to quantify, which risks reducing the transparency of executive compensation.

6. In addition to its participation in roundtable discussions, Dimensional has published several thought-leadership pieces on the widely followed Harvard Law School Forum on Corporate Governance, including "[The Economics of Corporate Governance](#)" (August 2022) and "[E&S Shareholder Proposals](#)" (June 2022).

### **Advocacy Relating to Regulations that May Affect Issuers**

Over the reporting period, Dimensional has actively participated in several industry working groups in which industry participants work together to review the potential impact of proposed regulations on issuers and help inform the industry group's written submissions to regulators. These included ICI working groups relating to US proposed rules, ICI Global working groups relating to UK, European and Australian consultations, and the UK IA working groups relating to UK and European consultations. As part of these working groups, Dimensional representatives contributed to numerous calls and provided written comments to industry group responses to regulators.

Dimensional may also submit its own comment letters on proposed rules and regulations to help promote investor interests and well-functioning markets. Participation in the above collaborative working groups may help inform Dimensional's views. Dimensional may also consult with academics and researchers when drafting our own comment letters. Over the reporting period, Dimensional submitted comment letters relating to corporate governance and/or ESG matters to the International Sustainability Standards Board, the SEC, the Australian Treasury and the UK Financial Conduct Authority ("FCA").

## FCA – SDR and Investment Labels

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### Goal

Advocate for a labelling regime that helps consumers navigate the sustainability product market but without pushing investors to invest in highly specialized niche funds.

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### Background

In November 2021, the FCA published an initial discussion paper with its early views on a product labelling and disclosure system to help consumers make effective choices about sustainable investment products. In October 2022, the FCA published a consultation paper detailing its proposed opt-in labelling regime. To qualify for one of the three proposed labels, a fund would have to meet very specific criteria and show how it contributes to positive sustainability outcomes. Under the proposed rules, funds that do not qualify for a label would be prohibited from using certain sustainability-related terms in their names and marketing materials.

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### Collaboration

Dimensional participated in several working groups hosted by ICI Global and the Investment Association to understand the industry's concerns and contribute our views on the FCA's proposal.

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### Outcome

Dimensional submitted two comment letters to the FCA and participated in a bilateral call with FCA staff to discuss our concerns. Whereas we support efforts to make the ESG fund market easier for retail investors to navigate, in our letters and on the call, we expressed our concern that the proposed regime may have the effect of pushing investors towards highly specialized, high-fee niche funds that are not appropriate for most retail investors. In our view, the narrow criteria to qualify for a label, combined with the restrictions on marketing for unlabelled funds, may make the ESG fund market harder to navigate.

## SEC – ESG Disclosures for Advisers and Funds

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<b>Goal</b>	Advocate for a principles-based approach to disclosure for ESG funds.
<b>Background</b>	In May 2022, the SEC proposed rules to require advisers and funds to provide additional information about their ESG strategies. The proposal defines three categories of ESG funds, each of which would be subject to different disclosure requirements. Among other things, certain ESG funds would be required to disclose specified proxy voting, engagement and climate-related metrics, including the carbon footprint and weighted average carbon intensity of their portfolios and certain Scope 3 metrics, in their annual reports.
<b>Collaboration</b>	Dimensional participated in working groups hosted by the ICI to understand the industry's concerns and contribute our views on the SEC's proposal.
<b>Outcome</b>	In August 2022, Dimensional submitted a comment letter asking the SEC to reconsider whether its proposed definitions of the three categories of ESG funds sufficiently address the Commission's concerns about greenwashing. We also encouraged the SEC to adopt a principles-based approach with respect to any required strategy disclosures and any required proxy voting, engagement or climate-related metrics.

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## Australia Treasury – Climate Change Disclosure Framework

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<b>Goal</b>	Advocate for Australian regulators to continue to require companies to assess and disclose climate-related risks using a financial materiality standard.
<b>Background</b>	In December 2022, the Australian Treasury issued a consultation paper seeking initial views on considerations for a framework for standardized, internationally aligned requirements for the disclosure of climate-related financial risks and opportunities in Australia.
<b>Collaboration</b>	Dimensional contributed our views to the ICI's comment letter.
<b>Outcome</b>	In February 2023, Dimensional submitted a response letter explaining why companies should consider financial materiality when determining what climate related information to disclose. If a company has determined that climate change may have a financially material impact to their business, then we believe the company should disclose certain climate-related information (Scope 1 and 2 emissions, offsets) but should not be required to disclose others (Scope 3 emissions, scenario analysis) given their usefulness to investors and data, costs, and data availability and quality considerations of this information.

## PRINCIPLE ELEVEN Escalation

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

The escalation strategy used by Dimensional with a portfolio company will vary depending on the facts and circumstances of each case. Escalation may involve:

1. engagement with portfolio company management and board members through phone calls, virtual meetings, in-person meetings or written correspondence.
2. voting action, including voting against directors or for shareholder proposals.
3. internal escalation within Dimensional to the body responsible for investment decision-making (for example, the relevant board or committee).
4. in cases where the issue may be relevant to other portfolio companies, the escalation of concerns to industry groups and regulators.

Dimensional does not have a set list of specific issues that are subject to escalation; however, certain types of portfolio company behaviours are likely to result in escalation. Common reasons for escalation include a lack of responsiveness to concerns raised by Dimensional or other shareholders, sustained poor governance practices, inadequate disclosure and unwillingness to engage with shareholders.

As a first step, Dimensional seeks to engage with portfolio company management and board members. In these instances, our goal is to clearly communicate our policy, provide an explanation of how that policy applies to the situation at the portfolio company and advise of the potential for voting action should issues remain unaddressed. Where we deem that engagement has proven unsuccessful, Dimensional may vote against, or withhold voting for, individual directors, committee members, or the entire board. Where we deem this to be insufficient, we may vote against, or withhold votes for, individual directors, committee members, or the entire board at all other portfolio company boards the director/committee member serves on.

The above framework is applicable to all equity portfolios.

During the reporting period, Dimensional UK finalised implementation of the escalation process for Article 8 funds under SFDR which it manages. This process is detailed further in Principle 7.

The following case studies illustrate examples of Dimensional's stewardship activities and escalations with portfolio companies.

## Waterstone Financial Inc.

### US – Financials

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<b>Goal</b>	Advocate for improved disclosure of board assessment practices.
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<b>Background</b>	<p>In March 2020, Dimensional sent a letter to Waterstone Financial Inc. (“Waterstone”) as part of our board refreshment letter campaign. The portfolio company was included in the letter campaign because Dimensional’s Investment Stewardship Group determined that the portfolio company’s public disclosure of its process for determining the necessary skills and experiences for its board of directors was insufficient for shareholders to adequately understand the portfolio company’s approach. Dimensional encouraged the portfolio company to include a robust description of its process for the selection of directors in its annual reports or proxy statements, and to consider including a skills matrix in its disclosures to illustrate which key competencies are needed for its directors, as identified by Waterstone Financial’s board.</p>
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<b>Engagement</b>	<p>Dimensional engaged with the chief financial officer of Waterstone Financial in May 2021 and again in December 2022. Dimensional expressed concerns with the lack of disclosure surrounding the process of evaluating board members, as well as the frequency of such evaluations. The portfolio company indicated that it would work to implement changes in response to the letter in future disclosures.</p> <p>Dimensional engaged with portfolio company again in May 2023 prior to its annual meeting. While we noted some improvements, including the addition of a skills matrix, Dimensional remained concerned with the lack of disclosure of a formal evaluation process. We also shared our concerns with the portfolio company’s governance profile, which includes a classified board structure and plurality voting standard, both of which may contribute to board entrenchment.</p>
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<b>Outcome</b>	<p>Dimensional withheld support for the chair of Waterstone Financial’s Nominating and Governance Committee at the May 2023 meeting, due to the lack of responsiveness to our repeated requests for disclosure of a formal director evaluation process. Nonetheless, the director was reelected with 76% support. Dimensional will continue to monitor the situation and may take additional voting action if disclosure is not forthcoming.</p>
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## Ascent Industries Co.

### US – Materials

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#### Goal

Advocate for improved disclosure of climate risk assessment practices.

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#### Background

In October 2020, Dimensional sent a letter to Ascent Industries Co. (“Ascent”) as part of our climate change risk disclosure letter campaign targeting companies operating in industries where Sustainability Accounting Standards Board (SASB) standards identified climate change risk as a material risk for the sector and disclosure of board oversight was lacking. The letter requested disclosure of Ascent’s board oversight and the responsibilities of its board committees so that shareholders could adequately understand the portfolio company’s approach to climate risk. Specifically, Dimensional encouraged the portfolio company to include a robust description of its process for identifying, prioritizing and assessing the materiality of climate risks, the policies and procedures governing the handling of each material climate risk, and a description of the management-level roles and groups involved in oversight and mitigation of each material climate risk, as identified by the Ascent board.

Dimensional engaged with Ascent in May 2021 and shared our perspective and expectations surrounding disclosure of climate risk oversight.

In advance of the portfolio company’s 2022 annual shareholder meeting, Dimensional engaged with Ascent to discuss the continued lack of disclosure related to climate change risk oversight. The portfolio company did not indicate that any additional disclosure was forthcoming. Therefore, Dimensional voted against all incumbent directors standing for reelection at the 2022 annual general meeting. All directors were ultimately reelected, receiving between 85% and 92% support.

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#### Engagement

In June 2023, in advance of the Ascent annual shareholder meeting, Dimensional reviewed the portfolio company’s disclosures and again did not find information requested in the climate risk letter. Dimensional engaged with the portfolio company to understand why this information had not been disclosed. Representatives of the portfolio company stated that the board had reviewed the letter and had no plans to respond to the letter or amend its disclosures.

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#### Outcome

Dimensional voted against all incumbent directors standing for reelection at the 2023 annual general meeting. All directors were ultimately reelected, receiving between 79% and 91% support.

## Activision Blizzard Inc.

### US – Entertainment

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#### Goal

Advocate for increased board oversight and disclosure of human capital management risks.

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#### Background

In July 2021, after a two-year investigation, the California Department of Fair Employment and Housing (DFEH) announced a lawsuit against Activision Blizzard Inc. based on findings of persistent sexual harassment, discrimination and retaliation at Activision Blizzard. This was followed by a lawsuit by the Equal Employment Opportunity Commission (EEOC) and an investigation by the SEC.

Activision Blizzard received a shareholder proposal at its June 2022 shareholder meeting requesting that it prepare a report on the portfolio company's efforts to prevent abuse, harassment and discrimination, including the portfolio company's progress against relevant metrics and targets.

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#### Engagement

Ahead of Activision Blizzard's June 2022 shareholder meeting, Dimensional engaged with the portfolio company to discuss the allegations of harassment at the portfolio company and understand its board and management oversight of the issues related to human capital management. The portfolio company shared that in November 2021 its board established the Workplace Responsibility Committee to oversee progress in implementing workplace policies and commitments.

The portfolio company's Investor Relations team stated that a review by the board conducted in consultation with external advisors found that there was no culture of harassment and that there was no wrongdoing by either the board or management. The Investor Relations team also stated that efforts to prevent abuse, harassment and discrimination were a focus of the board and that the portfolio company increased the size of its Ethics and Compliance teams since the California DFEH lawsuit in July 2021.

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**Outcome**

Dimensional voted for the shareholder proposal requesting that the portfolio company prepare a report on the portfolio company's efforts to prevent abuse, harassment and discrimination, including the portfolio company's progress against relevant metrics and targets, at the portfolio company's June 2022 shareholder meeting, which ultimately passed with 69% support. Due to the financial implications of the mismanagement of human capital management, we believed that shareholders would benefit from increased disclosure of how the board and management oversee the issue, including how the portfolio company identifies relevant metrics and targets and measures improvements against these targets.

In October 2022, Dimensional engaged again with Activision Blizzard to discuss its response to the shareholder proposal and learn about the changes made to its oversight of human capital management. The portfolio company stated that it intended to be responsive to the proposal but was still determining how to do so appropriately. The company pointed to changes it had made over the past year, such as enacting a zero-tolerance policy on harassment and discrimination; increasing ethics and compliance staffing; hiring a new director of Diversity, Equity and Inclusion; and waiving arbitration for individual claims of sexual harassment, unlawful discrimination or related retaliation arising after October 28, 2021. Dimensional plans to continue to monitor and assess the portfolio company's oversight and disclosure of issues related to human capital management.

## PRINCIPLE TWELVE

## Exercising Rights and Responsibilities

Signatories actively exercise their rights and responsibilities.

### Proxy Voting

When voting (or refraining from voting) proxies, Dimensional seeks to act in the best interests of the funds and accounts we manage. We seek to maximise shareholder value, considering the standards of the relevant legal and regulatory regimes, listing requirements, regional stewardship codes, and any social and sustainability guidelines of specific funds or accounts.

Dimensional has established Proxy Voting Policies and Procedures, which are reviewed annually. The Proxy Voting Policies and Procedures are accompanied by voting guidelines that apply to most of our portfolios but are tailored in certain circumstances to consider social and sustainability objectives when evaluating certain proxy votes for sustainability strategies. Dimensional may also take social or sustainability issues into account when voting proxies for portfolios that do not consider social or sustainability issues in their design if Dimensional believes that doing so is in the best interest of the relevant clients and otherwise consistent with applicable laws and Dimensional's duties. As discussed in Principle 5, Dimensional has a rigorous approach to developing our Proxy Voting Policies and Procedures and Proxy Voting Guidelines, taking into account the views of a number of internal stakeholders, including Portfolio Managers. As such, all of Dimensional UK's commingled vehicles follow the Proxy Voting Policies and Procedures and Proxy Voting Guidelines. The voting arrangements for separate and subadvised portfolios are generally determined by the relevant client's investment management agreement; however, if voting authority is delegated to Dimensional UK, clients typically agree to follow Dimensional's Proxy Voting Policies and Procedures and Proxy Voting Guidelines.

Dimensional's Proxy Voting Policies and Procedures are principles-based, setting out our views on certain governance practices and providing the framework by which we analyse key proposal types. To the extent the Proxy Voting Policies and Procedures and the Proxy Voting Guidelines do not cover potential voting issues, we may consider the spirit of the policies and guidelines and instruct the vote on such issues in a manner that we believe would be in the best interests of the relevant client(s). In cases of particularly complicated votes, including those that present a potential conflict of interest, input will be sought from the Investment Stewardship Committee.

As discussed in Principle 8, Dimensional leverages the services of ISS to implement our Proxy Voting Policies and Procedures and execute votes; however, Dimensional retains final discretion on how to vote on all proposals. Similarly discussed in Principle 8, Dimensional conducts various monitoring activities which seek to ensure accurate execution of our votes. Dimensional leverages the research and recommendations of ISS, Glass Lewis and Ownership Matters. The extent to which the recommendations of the various proxy advisers are followed depends on the issue being voted on as well as the market in which the vote is being cast.

As our proxy voting service provider, ISS tracks our eligible voting positions for each shareholder meeting. Dimensional generally seeks to vote all eligible positions; however, Dimensional takes into consideration the costs associated with voting and with respect to non-US markets may not vote in instances where the expected costs for a given portfolio outweigh the economic benefit of doing so. Additionally, Dimensional may not vote in certain markets due to marketwide voting impediments such as shareblocking, re-registration and onerous power of attorney requirements.

For the year ending June 30, 2023, we voted 81% of the total value of listed equity holdings held in accounts for which we had voting authority.

Dimensional recognises that concerns have been raised in the industry around the issue of empty voting. Empty voting occurs when the holder of record no longer has an economic interest in the security to which voting rights are associated. In many cases, this arises when record dates are set by portfolio companies retroactively; this is industry practice in the US and many other global markets. As a result, holders of record may have already sold their shares prior to the announcement of a record date. While this is an unintended consequence, the effect in these situations is that, voting rights may be exercised by persons who no longer have an economic interest in the underlying shares.

Dimensional may use securities lending as a way to increase portfolio performance. For securities on loan, Dimensional will balance the revenue-producing value of loans against the value of casting votes. Dimensional does intend to recall securities on loan if, based upon information in Dimensional's possession, it determines that voting the securities is likely to materially affect the value of a client's investment and that it is in the client's best interests to do so.

Historical voting records for Dimensional's mutual funds, ETFs, Irish UCITS and UK open ended investment companies, as well as for the Canadian funds and Australian trusts, are disclosed on our regional websites. Rationales for specific votes deemed significant by Dimensional can be found in the Vote Rationale Disclosure Report available on our website.

### **Fixed Income**

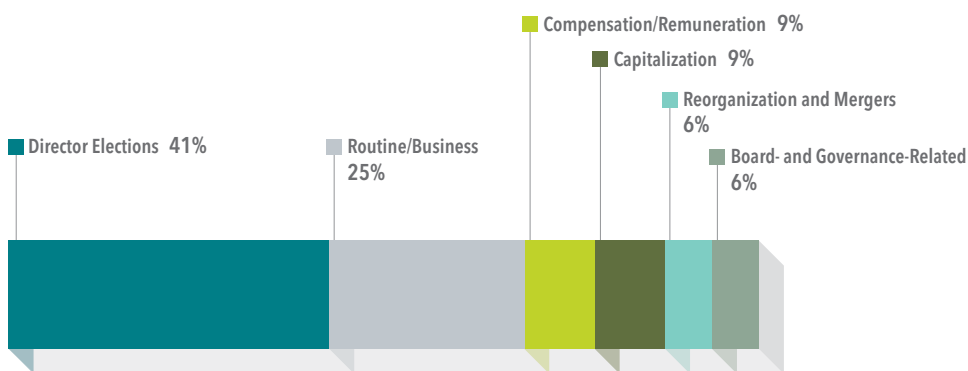
Proxy voting is important as it drives governance improvements and sets up leverage which investors can use to hold boards and company management accountable. Dimensional broadly incorporates governance considerations into the investment management process through its proxy voting, as well as communicates with portfolio companies to share Dimensional policies and areas of focus with regard to governance practices. In general, creditors are not entitled to an annual vote and therefore do not have such a mechanism to influence a portfolio company's governance. In addition, different rights held by bondholders and shareholders can not only introduce potential conflicts of interest, but also different governance priorities when it comes to certain issues like capital allocation and distribution policies. This said, Dimensional's corporate governance approach promotes best governance practices in areas such as board effectiveness, executive compensation and corporate integrity, where

interests between equity and debt holders are closely aligned. Dimensional also continues to engage with industry groups, such as the International Corporate Governance Network (ICGN), to identify whether there are other investment stewardship activities relevant to fixed income assets that we believe would add value to our clients.

The following case studies provide examples of Dimensional's stewardship activities related to exercising voting rights and responsibilities during the reporting period.

Management proposals represented 98% of the proposals voted. Shareholder proposals represented 2% of votes.

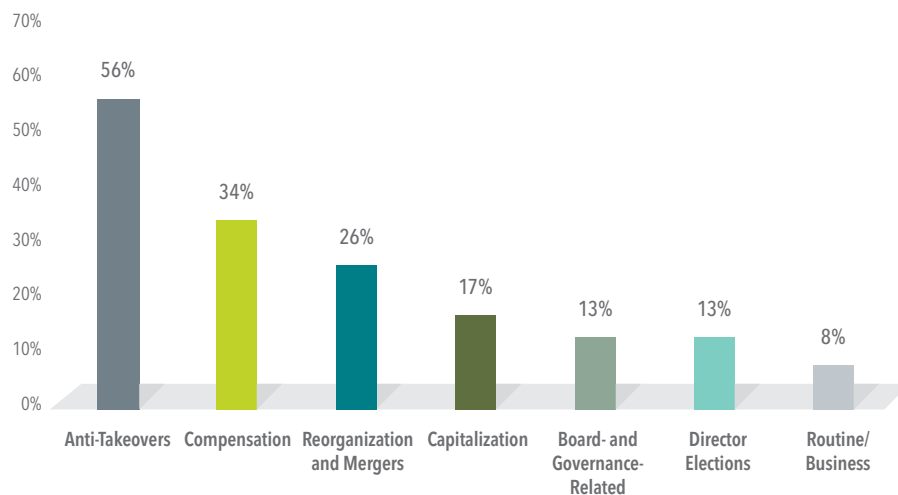
**PROPOSALS VOTED BY TOPIC**



Dimensional voted against the majority of antitakeover plans and related provisions in 2023.

**VOTES AGAINST MANAGEMENT BY TOPIC**

Dimensional votes (or refrains from voting) proxies in accordance with internal guidelines, which are designed to encourage portfolio companies to maintain governance policies consistent with maximizing shareholder value.



## JB Financial Group

### South Korea – Financials

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#### Goal

Evaluate dissident shareholder case for director candidate.

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#### Background

In January 2023, private equity firm Align Partners Capital Management (“Align”) targeted seven South Korean financial holding companies, including JB Financial Group, that Align believed were undervalued due to misallocation of capital.

Two weeks before JB Financial finalized the agenda of its March 2023 annual general meeting (AGM), Align nominated an outside director to the board of JB Financial. Additionally, Align submitted a proposal for JB Financial to pay a higher final dividend of KRW 900 instead of KRW 715 (for a dividend payout ratio of 33% instead of 27%).

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#### Engagement

Dimensional engaged with JB Financial to gain an understanding of its view of Align’s proposals.

While JB Financial expressed openness to reviewing a possible addition of a new director to the board, the portfolio company stated that it opposed the nomination as it had not been given sufficient time to review the candidate’s skills and experiences, as well as evaluate any potential conflicts of interest.

With regards to capital allocation, JB Financial discussed the board’s oversight role. JB Financial stated that it plans to gradually increase dividend payouts, but that the increase requested by the dissident could impact mid-to-long-term investment plans and potentially introduce significant risks to the portfolio company’s ability to address loan losses.

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#### Outcome

The allocation of capital is a strategic decision. Dimensional believes that a portfolio company’s board of directors is best placed to make strategic decisions unless there is evidence to suggest that the independence of the board of directors is compromised or board members lack necessary qualifications.

Dimensional’s assessment of JB Financial’s board considered that the board is majority-independent and has been completely refreshed over the past four years.

Therefore, Dimensional voted against both proposals put forward by Align. Both of Align’s proposals failed to receive majority support from shareholders.

## Meta Platforms Inc.

### US – Technology

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<b>Goal</b>	Board accountability of oversight of political and lobbying activities and contributions.
<b>Background</b>	<p>Dimensional expects boards of portfolio companies to exercise oversight of political- and lobbying-related expenditures and ensure that such spending is in line with preserving shareholder value.</p> <p>Dimensional expects portfolio companies to adopt and disclose policies and procedures to oversee political and lobbying expenditures and to disclose details of board oversight of both the expenditures themselves as well as alignment of the expenditures with the portfolio company's publicly stated positions.</p> <p>Dimensional determined that, although Meta Platforms Inc. discloses policies and procedures related to political and lobbying expenditures, the portfolio company did not meet our disclosure expectations as it relates to the role of the board in overseeing expenditures.</p>
<b>Engagement</b>	Dimensional attempted to engage with Meta Platforms but did not receive a response.
<b>Outcome</b>	<p>Dimensional had significant concerns with the lack of disclosure surrounding the role of the Meta Platforms board in overseeing political and lobbying contributions and ensuring the contributions are made in the best interests of shareholders, particularly considering the substantial contributions made by the portfolio company in recent years. Additionally, Dimensional determined that the lack of disclosure of board oversight is out of step with that of similarly sized peers.</p> <p>Therefore, Dimensional voted against the members of the Audit Committee at the portfolio company's May 2023 shareholder meeting. The directors were all reelected.</p>

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## Sopra Steria Group

### France – Information Technology

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<b>Goal</b>	Improve executive compensation practices.
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<b>Background</b>	In 2022, the CEO of Sopra Steria Group (“Sopra Steria”), Vincent Paris, stepped down from the role. At the time he was one year and two months into his three-year long-term incentive plan. It is generally seen as in shareholders’ best interests to prorate any award received as part of a long-term incentive plan to the length of service. The Remuneration Committee of the portfolio company decided to pay out the long-term incentive based on the full three years.
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<b>Engagement</b>	In May 2023, Dimensional engaged with senior Sopra Steria management members to raise our concerns before the backward-looking remuneration vote regarding the company’s compensation practices in advance of its May 2023 annual general meeting, when shareholders were slated to vote retroactively to approve Paris’s compensation for financial year 2022. During the engagement, the portfolio company made it clear that it saw Vincent Paris’s long service as key to its decision to not prorate the long-term remuneration. It was also clarified that Paris received a significant termination payment as part of his employment contract.
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<b>Outcome</b>	Dimensional recognized the portfolio company’s rationale for the decision. However, not prorating the payout represents, in Dimensional’s view, a significant misalignment of pay and performance. In addition, the significant contractual termination payout can be seen as compensating the outgoing CEO for his service. Additional payments through the long-term incentive plan were not seen as necessary. Therefore, Dimensional voted against the approval of Paris’s compensation at the May AGM. The resolution saw significant dissent with one-third of shareholders voting against. This is particularly notable given the approximate 25% holding by entities affiliated with Sopra Steria.
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