Matthews

Matthews 2023 Stewardship Report

Contents

Welcome to Our 2023 Stewardship Report

Sean Taylor
Chief Investment Officer

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

As an active asset manager with a long-term investment horizon, at Matthews, we seek to champion investment solutions designed to build wealth for our global clients over the long term. We believe that consideration of corporate governance and sustainability (i.e., environmental and social) factors in our investment decisions when we believe they are relevant and material, along with other factors, is important for long-term value creation. Active ownership, including direct engagement, proxy voting and stewardship, is an integral part of our responsible investment framework. We believe that responsible investing and a deep understanding of governance and sustainability factors can lead to better-informed investment decisions and more effective management of the associated risks. We believe this helps us deliver better outcomes for our clients over the long term and fulfill our fiduciary duty as an investment adviser.

With US$9 billion in assets under management across over 500 companies (as of December 31, 2023), we are cognizant of our responsibility to meet and engage with corporate management. We believe that responsible investing often requires active, direct engagement with portfolio companies throughout the investment lifecycle to achieve a more complete understanding of a company's risk and opportunities that may impact its long-term profitability and wealth creation. As a long-term investor, we seek to build trust and promote open and constructive dialogue with our portfolio companies, with a goal to move toward improvement on issues that impact financial outcomes, including a broad range of governance and sustainability factors.

During our research on current and prospective portfolio companies, we often engage with company management to discuss material governance, sustainability and other issues. These discussions aim to improve our understanding of a company's practices and goals and potentially enhance shareholder value by sharing our expectations where we deem appropriate, discussing ways to bring about changes. Additionally, there may be focused engagements to address material risks and opportunities which we view as not being managed effectively.

In our 2023 Stewardship Report, we recap a year of voting and engagement with the companies in the Matthews portfolios and take a look under the hood with some in-depth thematic case studies.

About Us

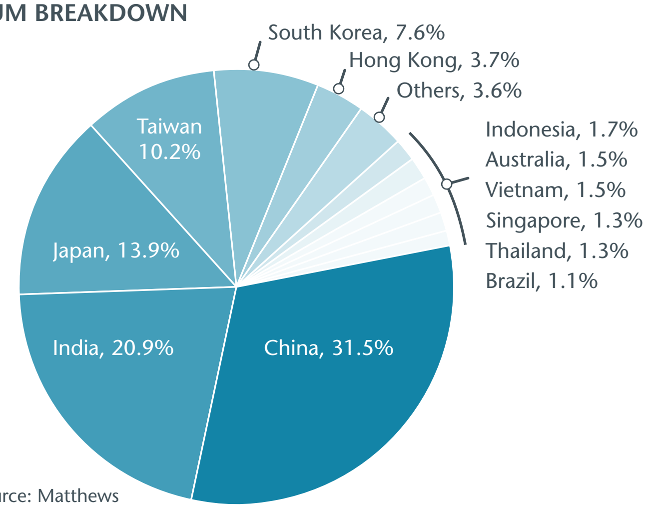
Matthews is a pioneering active investment manager with a heritage that is focused on the Emerging Markets. We aim to generate better investment outcomes for our clients through deep fundamental research combined with strong risk management. A partnership culture ensures our interests are firmly aligned to that of our clients.

Global Emerging Markets present a uniquely compelling opportunity for investors seeking growth and diversification. With over 30-years' experience investing in these markets, we offer a range of equity investment solutions with distinct outcomes.

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

Over the past three decades, we have experienced various challenging market environments from the Asian Financial Crisis to the Global Financial Crisis as well as several periods of geopolitical tensions and COVID-19. Through it all, we stand firm in our principles, commitment to stewardship, and focus on long-term outcomes. We believe such patience will be rewarded and that the long-term outlook for Asia and Emerging Markets remains strong.

AUM BREAKDOWN



Source: Matthews

WHAT MAKES MATTHEWS DIFFERENT

Emerging Markets Specialist—A focus on Emerging Markets and Asia—and providing compelling investment solutions for our clients—is what we believe distinguishes us among investment managers

Active Management—We conduct in-depth, on-the ground fundamental research to identify the most attractive opportunities

Range of Investment Solutions—Active ETFs, Mutual Funds, Separately Managed Accounts

Research and Insights—Our portfolio managers and investment strategists combine local insight with global perspective

A Client-Centric Culture

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

People and Implementation

The Corporate Citizenship and Sustainability Committee
Sets the firm's general strategy relating to environmental, social and governance (ESG) matters; develops, implements and monitors initiatives and policies based on the firm's general strategy; oversees communications with employees, investors and stakeholders with respect to ESG matters; discusses and assesses developments relating to, and seeks to improve Matthews' understanding of, ESG matters; and helps promote governance and sustainability matters to internal and external stakeholders where applicable and appropriate.

Responsible Investment and Stewardship Sub-Committee
Oversees matters related to corporate engagement—in particular stewardship and active ownership—that pertain to the firm and its direct and indirect subsidiaries. The Sub-Committee is also responsible for overseeing the implementation of the firm's Responsible Investment and Stewardship Policy, which includes monitoring adherence to the Policy as it relates to ESG integration in the investment process, as well as monitoring and reviewing engagement outcomes. It also helps oversee the proxy voting process with the firm's Investment Operations team and the Head of Responsible Investment and Stewardship.

Diversity and Inclusion Sub-Committee
Responsible for raising awareness of and promoting the firm's diversity and inclusion efforts through speakers and educational programs and promoting measurement and accountability of diversity and inclusion goals and progress of the firm.

Sustainability Sub-Committee
Champions environmentally sustainable practices in the office and throughout the firm's broader community in which we live and work.

RESPONSIBLE INVESTMENT AND STEWARDSHIP TEAM

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

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

Wenlin Zhao
Research Analyst

Kary Cheng
Research Analyst

2023 In Review

Stewardship refers to investors acting as responsible capital providers by monitoring and influencing corporate behaviors for the better with a focus on promoting long-term shareholder value—through both voting and engagement. Stewardship requires a long-term view and treats material governance and sustainability risks as important considerations in the traditional operational and financial metrics of a company's performance. The premise, supported by a growing body of research, is that responsible voting and active engagement will drive better corporate behaviors and more sustainable financial returns. This in turn can contribute to the healthy long-term development of capital markets globally.

In 2023, we saw continued elevated global inflation. There was also a cost-of-living crisis in some parts of the world as well as a politicization of, and backlash toward, environmental, social and governance investing from some quarters. The need for stewardship and protection of shareholder value continues to be clear, with investors seeking trusted partners in uncertain times. The Russia – Ukraine war demonstrates why a balance between energy transition and energy security needs in one's backyard is necessary. Policymakers and capital markets continue to grapple with trade-offs between security, affordability and sustainability. Global politics and how energy security and future energy transition needs play into trade policies make investing with a long-term view all the more important.

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

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

In 2024, much of the world will be voting on the future of green policies. The differing views and priorities of candidates up for election this year may call into question the trade-off between short- and long-term goals in this transition.

In our 2022 Stewardship Report, we noted the events that seemed to be shaping the future conversations on "ESG" and "sustainability" investing. In certain areas of the globe such terms have become increasingly divisive. We continue to believe that the consideration of corporate governance and sustainability (i.e., environmental and social) factors in our investment decisions when we believe they are relevant and material, along with other factors, is important for long-term value creation. At the same time, we recognize that standards of good corporate governance vary within countries and regions. There is no one size fits all. Active ownership—including direct engagement, proxy voting and stewardship—is an integral part of a responsible investment framework.

Despite some of the headwinds in 2023, we have remained committed to our process of fundamental equity research and focus on the long term. While we continued to develop analytics tools, we firmly believe that deep, local knowledge about governance and sustainability issues specific to each market is critical.

We understand the increasing need for sustainable investment solutions in certain regions globally, and we remain dedicated to providing our clients with a range of investment solutions that provide access to Asia and the Emerging Markets.

Research

We are often asked about our use of third-party data. While the data used to arrive at a third-party rating or score is useful, the scores themselves are less useful in our view. A low ESG score, or rating assigned by a third-party data provider does not necessarily exclude an issuer from a portfolio's investable universe as third-party assessments are often backward looking, infrequently updated, and may sometimes lack issuer specific context. Rather, we seek to go deeper and we believe that there is an opportunity for value creation through an active approach.

Matthews investment team's due diligence process is based on a combination of proprietary research and third-party ESG research. We believe proprietary research improves the quality of the governance and sustainability inputs utilized in the investment process broadens the opportunity set by including companies that may not be rated by third-party providers, especially among small- and mid-cap companies in Asia and Emerging Markets. While we have developed in-house tools to supplement gaps in the current third-party ESG research, we leverage various third-party sources in our research. However, the assessment of materiality cannot be automated. Judgement is key.

Tools and Service Providers

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

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

THIRD-PARTY RESEARCH PROVIDERS

ESG Research	MSCI ESG	Sustainalytics	Miotech	ISS ESG
Proxy Voting Research	ISS	SES Governance	ZD Proxy	
Business Involvement Research	Sustainalytics	MSCI ESG		
Norms Screening	RepRisk	ISS ESG		

Incorporating Material ESG Issues into Investment Analysis

When material governance and sustainability-related issues, among other issues, are researched when evaluating portfolio companies, often these material issues are explored in more depth by the use of third-party research coupled with our investment team's assessment of financial materiality.

CASE STUDY

In the case of a fast-moving consumer goods business that provides affordable, everyday essentials to a burgeoning middle class in India, our assessment includes:

- Product Quality and Safety
- Supply Chain Transparency
- Packaging

As an investor in this company for almost two decades, we know it well. Over the last few years, we have engaged with the company on disclosures, external audit selection and the board. While our engagements with management teams were regular and constructive, we saw a potential deterioration in the management of possible product liability issues. We were alerted to certain concerns in the news which were picked up by our controversy and negative news monitoring. After a thorough review and analysis of the issue, along with a discussion with the company, we decided to allocate capital elsewhere.

2023 Voting and Engagement Highlights

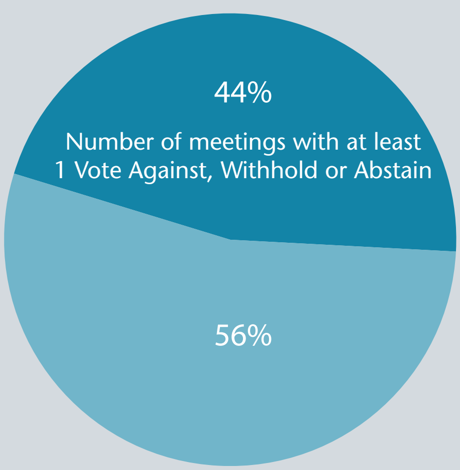
875
Votable Meetings

873
Meetings Voted

388
Meetings Voted with At Least one Vote Against, Abstain or Withhold

In calendar year 2023 (reporting period), 873 of 875 available meetings were voted on, equating to nearly 100% of the votable meetings.

ALIGNMENT WITH MANAGEMENT



- **Over 7,000** agenda items voted on at over 850 meetings
- **Over 4,500** company meetings
- **Over 300** sustainability and governance-related engagements with 181 companies

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

Across the investment team, Matthews conducted more than 4,500 meetings, virtual and in person, on-the-ground in 2023, including meetings with companies, suppliers, customers and other stakeholders. We aim to build a very comprehensive and broad understanding of a company, the environment in which it operates, and its long-term business prospects. This may entail visiting a company multiple times over a period of years before making an investment. We probe management's thinking on business models, capital allocation, future growth initiatives, competition, corporate governance, and other issues.

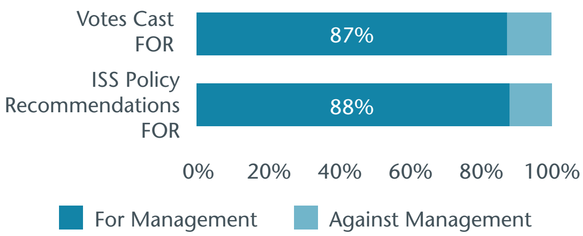
We seek to develop a view on the integrity of management, their corporate governance oversight and alignment with minority shareholders, how they intend to take the company forward, their approach to capital budgeting, and their ability to effectively manage the company through market and economic cycles.

Our deep and diverse 33-person* investment team has a strong background in Asia and Emerging Markets with a range of perspectives and expertise. More than 75% of our investment professionals have lived, studied or traveled extensively throughout Emerging Markets and Asia Pacific, and over 60% are fluent in the regions' languages. Respectful of diverse cultural landscapes, where feasible we take an in-person approach to company engagement, which we find more productive than filing shareholder resolutions. We also take a thoughtful and conscientious approach to voting proxies on behalf of our clients.

*As of February 29, 2024

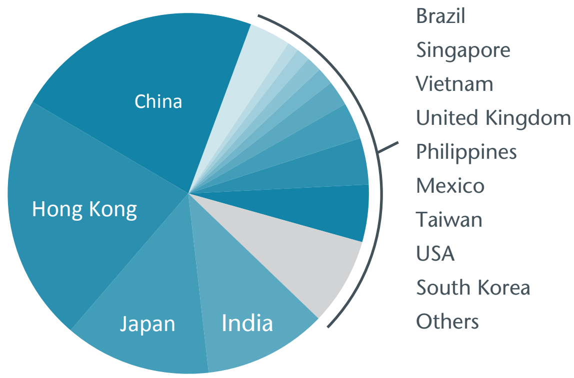
By the Numbers—2023 Voting Trends

MATTHEWS—VOTES CAST VS ISS POLICY RECOMMENDATION



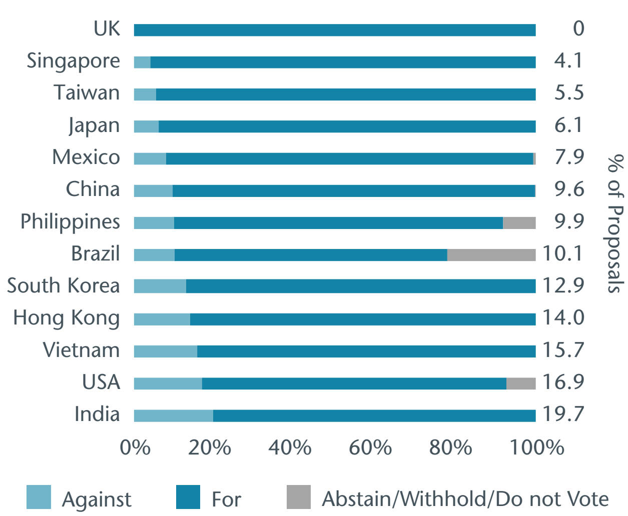
Source: ISS

GEOGRAPHICAL SPLIT OF PROPOSALS VOTED



Source: ISS; Other countries where the percent of proposals was less than 1% are: Australia, Bangladesh, Canada, Chile, Cyprus, Estonia, France, Romania, Thailand, Indonesia, Luxembourg, Kazakhstan, Malaysia, Turkey, Poland, Portugal, Switzerland, Qatar, UAE, Saudi Arabia

MATTHEWS—VOTES CAST PER COUNTRY/REGION



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

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

Source: ISS and Matthews

Votes Cast vs. Policy Recommendation

The votes cast during the reporting period were aligned with management recommendations in 87% of cases, while the ISS Benchmark Policy recommendations were aligned with management recommendations 88% of the time.

This percentage of voting in alignment with management has not changed very much over the past four years ranging somewhere between 84 and 87%; however, the degree of scrutiny of agenda items up for vote has changed over the last few years.

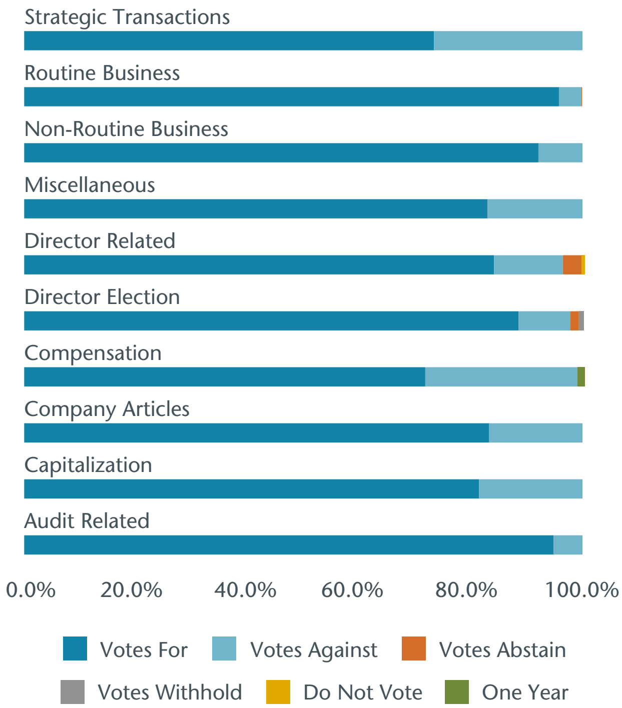
In 2018, Matthews voted against the ISS Benchmark voting guidelines at less than 1% of meetings. In 2023, we voted against ISS Benchmark voting guidelines at 6% of meetings (52 of 873 voted meetings). In past years this has been as high as 11%. This increasing number of overrides (voting against the ISS Benchmark recommendations) signals greater scrutiny of agenda items being voted upon by our investment professionals—the majority of the 173 individual item overrides at these 52 meetings was due to a more nuanced view.

Votes Cast per Country/Region and Number of Proposals Voted

The bulk of our overrides were for companies in mainland China and India, 72% and 23%, respectively. In some cases, we took into consideration the recommendations of specialized, domestic proxy advisors in each country. Historically, these two markets have corporate governance characteristics such that considering domestic proxy advisors' recommendations are appealing. The breadth and depth of listed companies in these two markets are also enormous and using domestic proxy advisors with specialized teams and local context allows us to supplement our benchmark research in line with our responsibility to vote in the best interest of our clients.

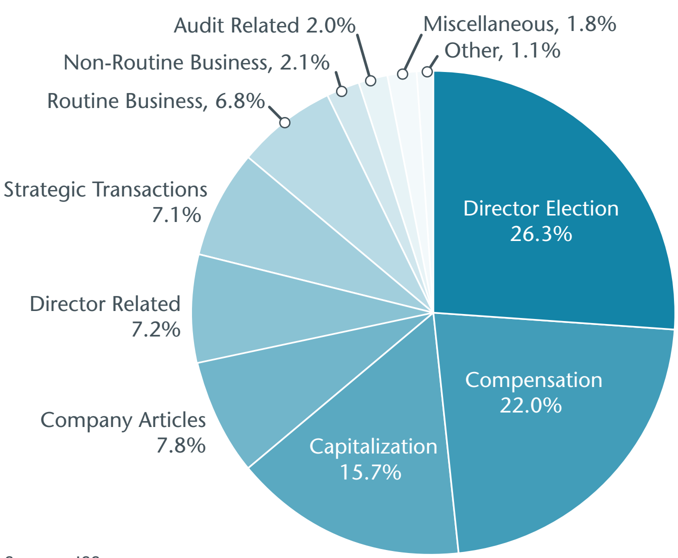
Some of the reasons we overrode the benchmark recommendations were to vote in line with local best practice. For example, in India, many of the overrides at meetings

VOTES CAST ON MANAGEMENT PROPOSAL CATEGORIES



Source: ISS

VOTES AGAINST



Source: ISS

were related to voting for or against director elections. At five companies in India, we overrode ISS recommendations and voted for the directors up for election after engaging with and learning more from these companies. At 12 companies in India, we voted against directors up for election or against their reappointment and remuneration due to reasons such as excessive time commitments, prolonged association, diversity concerns, lack of variable pay components, or skewed pay towards the promoters.

In China, we overrode votes most often around equity compensation plans such as restricted stock plans, stock option grants, and employee stock ownership or purchase plans. Restricted stock plans are a good way to incentivize and reward key employees. Employee stock purchase plans can also have a binding effect on the participants if they have at least a one-year lock-up period. When it came to restricted stock incentive schemes in 2023, we often voted for these proposals after evaluating the scope, pricing, vesting criteria and performance targets. However, in one instance we voted against an incentive plan in China that was too heavily skewed toward the Vice President and Board Secretary which was not explained by the company. We also took a case-by-case voting decision on certain strategic transactions such as loans for subsidiary companies, asset acquisition or joint venture approvals. In most cases, our decision to vote against ISS recommendations was due to supplemental research from our mainland proxy advisor and our knowledge of the company's unique situation.

Votes Cast on Management Proposal Categories

Comparing votes cast to management recommendations across the major proposal categories provides insight into the positioning of votes on proposals submitted by management against these benchmarks. Votes cast during the 2023 reporting period were least in line with management on Compensation and Strategic Transaction matters. However, the bulk of our against votes were in the areas of Director Elections, Compensation, and Capitalization.

Shareholder proposals—proxy ballot questions submitted by shareholders rather than corporate management— are very uncommon in the markets where we invest; however, they are an important right and a tool for shareholders looking to improve corporate value. With increasing acknowledgement that environmental and social issues are material to stock performance, shareholders have been increasing the number of proposals filed, whether it be around disclosure of diversity and inclusion metrics or setting science-based targets (SBTs). Prior to 2021, there were only two Matthews holdings which had ever held votes on climate related proposals—a company listed in the U.S. and a company listed in Australia. In 2021, we saw two more, both of which asked the company to report on climate change. In 2022, we saw three more proposals related to a report on climate change, two of which were at Australian companies and one at a Japanese company. In 2023, we voted on a total of 16 shareholder proposals in which investments in two U.S.-listed companies received 12 shareholder proposals between them. Of the 16 total shareholder proposals, we voted for half and against half of the E&S-related shareholder proposals.

ASSOCIATIONS

Active Ownership

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

We strive to maintain active relationships with relevant market institutions, governmental and public bodies that may be helpful for keeping up to date with local legislation and market practice for improving the institutional framework. We also support different forums for promotion of good market practice, corporate governance, other responsible practices and relevant topics that may be in the joint interest of our investors. Some of these organizations with which we engage include the United Nations supported Principles for Responsible Investing (PRI), the Asian Corporate Governance Association (ACGA), the IFRS Sustainability Alliance, CDP, the Emerging Markets Investors Alliance (EMIA) and the Farm Animal Investment Risk and Return (FAIRR). At the end of 2023, we became a member of the Investor Initiative on Hazardous Chemicals (IIHC).

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

Kathlyn Collins, CAIA, VP, Head of Responsible Investment and Stewardship at Matthews, spoke as a panelist at the inaugural IFRS Sustainability Symposium in Montreal in February 2023 on the benefits of the International Sustainability Standards Board standards for smaller businesses and emerging economies.

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

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

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

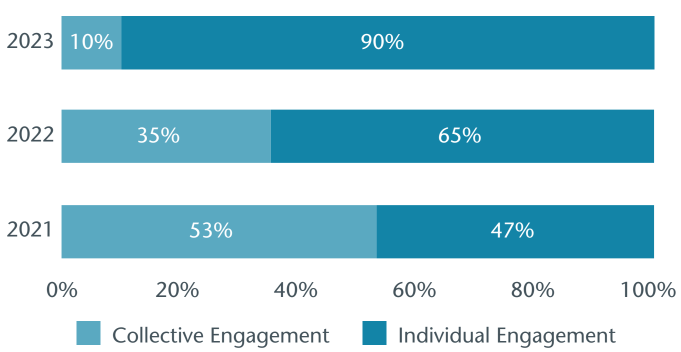
Company Engagement

Our 2023 engagement efforts reflect our commitment to active ownership. During 2023, we conducted engagements with 181 portfolio companies, focusing on more individual engagements and prioritizing a few portfolio companies for collective engagements.

During 2023, our research team members held nearly 280 direct ESG engagement discussions with corporate management and board. Additionally, we also collaborated with other investors via industry groups and conducted 30 engagements with our portfolio companies by means of campaign letters, emails, and group meetings to expand our reach and influence. We engaged both individually and through collective investor initiatives, including on broad market topics with regulators and exchanges.

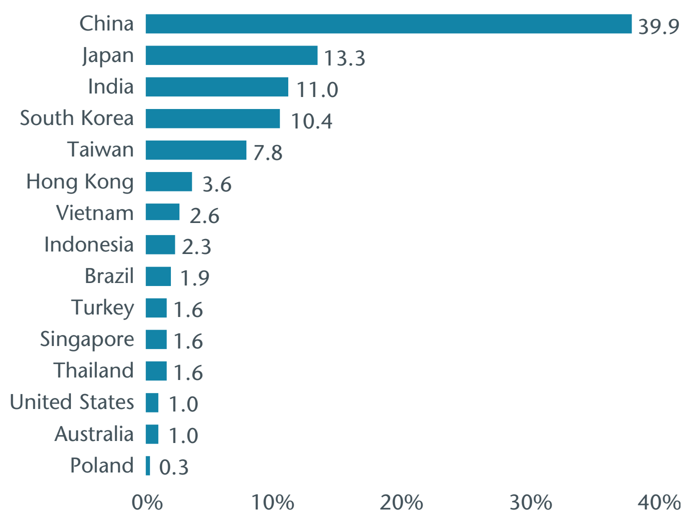
In terms of country/region breakdown of our engagements, we engaged the most with companies in China which made up 39.9% of our total engagement, followed by Japan (13.3%), India (11.0%), South Korea (10.4%), Taiwan (7.8%) and Hong Kong (3.6%).

MATTHEWS—ENGAGEMENTS BY ENGAGEMENT TYPE



Source: Matthews

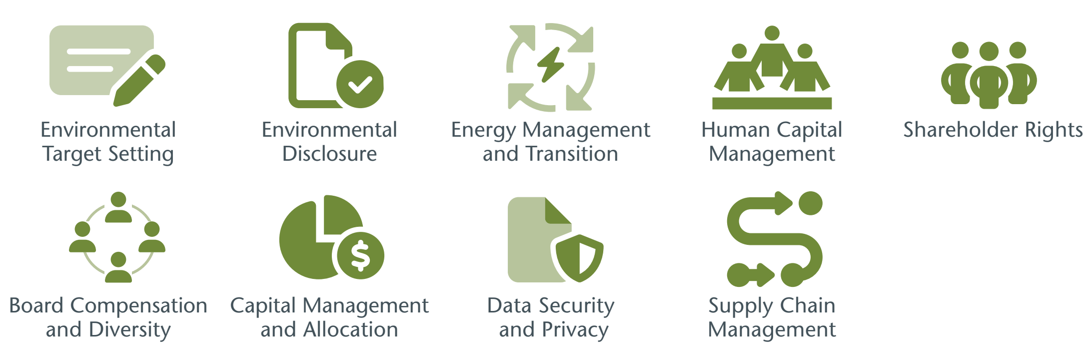
MATTHEWS—ENGAGEMENTS BY COUNTRY/REGION



Source: Matthews

Engagement Topics

The areas of our engagement have centered on a variety of financially material sustainability and governance-related topics including: energy management and transition, water management, waste management, environmental target setting, human capital management, labor rights, data security and privacy, occupational health and safety, board effectiveness, board composition and diversity, remuneration, capital management and allocation, shareholder rights and communication, supply chain management, product quality and safety, disclosure, as well as impacts on environment and society.



Case Studies

The Matthews investment team collaborates when we engage as a company and through collective investor initiatives including on broad market topics with industry participants and exchanges. In the following pages, we highlight some of the engagements we undertook during 2023.

China

China saw a great deal of regulatory changes in 2023. At the climate change level, the National Development and Reform Commission (NDRC) and the Ministry of Ecology and Environment (MEE) launched a number of policy initiatives related to dual-carbon goals and green finance. Meanwhile, the market's attention focused on the process of relaunching the voluntary carbon credit market, known as the Chinese Certified Emission Reduction (CCER) scheme. In October 2023, the MEE and the State Administration for Market Regulation (SAMR) jointly published the final version of the "Measures for the Administration of Greenhouse Gas Voluntary Emission Reduction Trading (for Trial Implementation)," as well as the methodologies for four greenhouse gas (GHG) voluntary emission reduction projects, such as carbon sinks for afforestation, grid-connected photovoltaic power generation, grid-connected offshore wind power generation, and mangrove forest creation, which marked the first step in the restarting of the CCER.

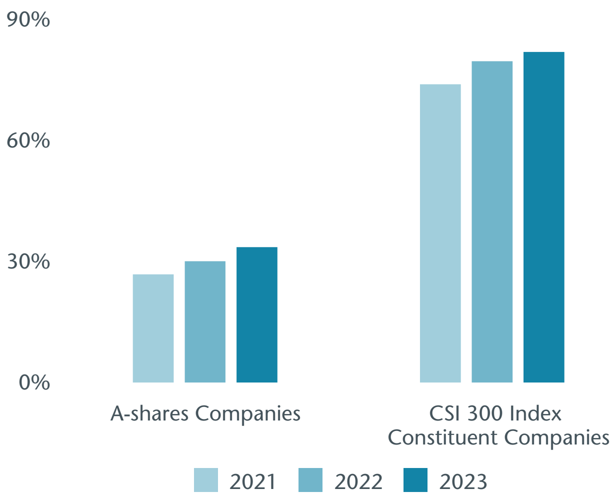
At the corporate governance level, in September, the China Securities Regulatory Commission (CSRC) issued the "Measures for the Management of Independent Directors of Listed Companies ," which aims to clarify the qualifications of independent directors and how they should interact with other board members. Specifically, independent directors should have at least five years of work experience in law, accounting, economics or other related professions, while issuers should provide them with adequate remuneration, resources, access to information and other support to perform their functions.

Independent director reform requires that at least half of the members of the audit committee (as well as the nomination and remuneration committees) be composed of independent directors. On December 29, 2023, the Seventh Session of the Standing Committee of the 14th National People's Congress voted to approve the revised Company Law of the People's Republic of China (Company Law), which will come into effect on July 1, 2024. Under the revised Company Law, companies can elect to set up an audit committee within their board of directors to perform supervisory functions without having to establish a separate board of supervisors or a supervisor. It also required companies with more than 300 employees to include employee representative(s) on its board unless the company has established a board of supervisors with employee representative(s). This is expected to improve companies' governance structure.

Environmental, social and governance (ESG) and environmental disclosure by financial institutions were undoubtedly hot policy areas in recent years. In May 2022, the State-owned Assets Supervision and Administration Commission (SASAC) put forward the goal of full coverage of ESG reports by 2023 for central enterprises and immediately set up a project to research the topic. In July 2023, SASAC issued two circulars: Reference Indicator System for ESG Reporting by State-owned Listed Companies and Reference Template for ESG Reporting by State-owned Listed Companies, which aim to strengthen Chinese Central State-Owned Enterprise (SOE) ESG disclosure. In some places, local SASACs and local SOEs have also been influenced by this trend and have stepped up their efforts to promote ESG reporting.

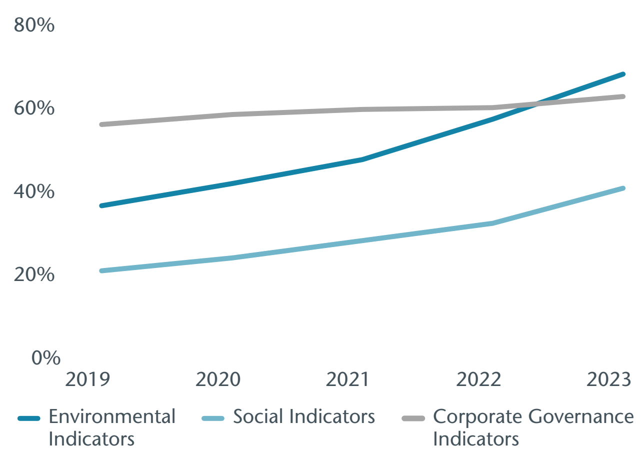
The Matthews Responsible Investment team joined a SOE tour in June 2023. During the tour, we learned that many SOEs pay close attention to the ratings given by globally recognized third-party rating agencies, and some of them also take the rating upgrades as the Key Performance Indicators (KPIs) of their management teams. SOEs also believe that the domestic ESG guidelines are yet to be perfected and that there are numerous rating agencies in the market, which are insufficiently authoritative. In our view, the development of a sound ESG standard in China is imperative.

LEVEL OF ESG REPORT DISCLOSURE (2021-2023)



Source: ZD Proxy, Matthews

DISCLOSURE RATE OF ESG INDICATORS FOR CSI 800 CONSTITUENTS



Source: Syntao Finance, Matthews

In September, CSRC officials mentioned that they were guiding the Shanghai and Shenzhen Stock Exchanges to study and draft guidelines on sustainable development disclosure for listed companies. The officials emphasized several important principles in the drafting process, including voluntary before mandatory, double materiality, and selecting topics based on international consensus as well as domestic concerns. According to ZD Proxy, in 2023, ESG reports were released by 33.58% of A-share companies with the CSI 300 Index constituent companies—consisting of the top 300 stocks traded on the Shanghai and Shenzhen Stock Exchanges—reaching 82%.

As the largest developing market, China has a lot of room for improvement. We regularly engage with our Chinese portfolio companies on key governance and sustainability issues and risks. In 2023, Matthews engaged with 28 companies listed in the A-share market, six mainland-based companies listed in the U.S., two mainland-based companies listed in Taiwan, one mainland-based company listed in Germany and one mainland-based company listed in Singapore, on ESG Data Disclosure, GHG Reduction targets setting, Board Diversity, Data Privacy, Supply Chain Management and Human Capital Management-related issues. Other engagements and conversations were with small and mid-size companies that have only been recently rated by third-party rating agencies—for example, we discussed how to avoid being, in some cases, unnecessarily punished for a lack of disclosure.

Guangdong Haid Group Co.

Engagement Topics: ESG Disclosure, GHG Emissions, CDP Disclosure, FAIRR Introduction, Board Diversity

Outcome and Observation: Guangdong Haid Group is a vertically integrated company based in China with business activities that include animal seedlings, feeds, animal health care and pig breeding. We had our first ESG individual engagement with the company in May 2023, mainly focused on environmental data disclosure and target setting, supply chain management and policy disclosure. We previously engaged with the company via co-signing a CDP letter in 2021 with other investors to ask the company to respond to the CDP Forest questionnaire. We found that Haid had very limited environmental data disclosure in its Social Responsibility Report 2022, which raised our concerns on the company's management of energy, water and pollution. We then strongly suggested to Haid that it needed to improve its environmental data disclosure going forward, GHG emissions, in particular, and setting carbon reduction targets. We also shared our expectation on board diversity. Haid acknowledged our suggestion and stated that it would consider changes for the next Board of Directors (BOD) term.

In July 2023, as a FAIRR member, we connected the FAIRR team to Haid so that it could learn more about local and international peers' ESG and business practices and improve its sustainability management and disclosure, while maintaining its competitiveness. Haid welcomed the knowledge exchange opportunity. In December, with FAIRR's China analyst and biodiversity expert, we visited Haid at its Guangzhou headquarter. This engagement allowed Haid to understand the FAIRR benchmark index, local and international peer practices, and our expectations. The meeting was constructive, and we pointed out the areas for improvements. We also expressed to Haid that the top priority was GHG emissions data disclosure, among all the suggestions. The company responded that the meeting was informative, and it would consider our suggestions. We will continue our dialogue on these issues going forward.

Centre Testing International Group Co.

Engagement Topics: General Disclosure, United Nations Global Compact (UNGC), Board Diversity, Auditor Qualification

Outcome and Observation: Centre Testing International Group (CTI) provides testing and inspecting services for industrial products and consumer products. The company is a key enabler of sustainable development with a focus on inspection and testing particularly around product quality on things like baby strollers to pet food. It has also emerged as a large player in industries such as green and environmental protection.

We have engaged with the company and followed it since 2016. Topics have ranged from organizational changes and KPIs for management, to the company's auditor. Most recently, in 2023, we shared with CTI our proxy voting policy around diversity after changes to the board composition left the company with a fully male board. We also suggested that the company review its auditor selection after noting regulatory concerns related to the work quality. Lastly, we asked the company to consider becoming a signatory to the UNGC. As a company that has long committed to upholding data authenticity and promoting sustainable development, becoming a UNGC signatory would signal further affirmation to these principles.

We noted that CTI released an announcement about the change of signing Certified Public Accountants (CPAs) in December 2023 after we engaged with the company, and the signing accountant who received regulatory warnings in the past three years will no longer serve as the company's auditor.

Full Truck Alliance Co.

Engagement Topics: ESG Data Disclosure, Emissions, Positive Impact to the Environment

Outcome and Observation: Full Truck Alliance (FTA) develops digital freight and logistics platforms. We believe that the company's business has a positive impact on the environment as they can help to reduce the rate of empty trucks on the road. However, third-party data companies often fail to give accurate ratings to the company due to industry misclassification (i.e., it is often classified in Industrial Transportation or Road & Retail Transport), and the fact that FTA does not disclose environmental related data. While we know Scope 3 carbon emissions are the most important part of the company's emissions, we have seen widely different estimates of carbon emissions and intensity among third-party data providers. Not reporting on emissions means market participants could rely on faulty, problematic data for screening as investors seek low-carbon options. We stressed the importance for FTA to disclose its own data.

The company adopted the **'Zero Carbon Conference'** standard for this conference, using specialized technology to account for carbon emissions, offsetting carbon emissions with carbon sinks, and issuing e-certificates to all participants.

We had our first ESG-focused engagement with FTA in June 2023 with the CFO. We asked the company to disclose more ESG data, especially around emissions, to release ESG information and to develop a communication strategy for FTA's avoided emissions based on the specific business model. We also followed up on the amount of coal transported. We followed up again with the company at its headquarters in September in Nanjing, Jiangsu Province during its investor day. The company confirmed that it is currently preparing its ESG report, which is likely to cover much of what we recommended, such as disclosing carbon emissions data and carbon reduction initiatives. The report is expected to be out in 2024. We will be monitoring the company's ESG performance, and following up on the ideas to ask that its annual report include more information on how it is potentially incentivizing the use of lower emissions/ clean energy vehicles.

Yangzijang Shipbuilding Holdings

Engagement Topics: Green Vessels, Energy Transition

Outcome and Observation: Yangzijiang Shipbuilding Holdings (YZJ) builds a wide range of ships, and for context global shipping accounts for about 3% of greenhouse gas emissions. The International Maritime Organization (IMO) recently announced a revised strategy to steer the shipping sector to near net zero emissions around 2050, with an interim goal to cut emissions by at least 20% vs. the 2008 base line by 2030.

We attended an ESG tour of YZJ's Xinfu and New Yangzi shipyards in October. In our view, YZJ is well positioned to capitalize on the shipping industry's green transformation cycle, which is expected to account for more than 80% of its order book by 2030. We also visited YZJ's Liquefied Natural Gas (LNG) training facility, which demonstrated the progress YZJ has made in enhancing learning since receiving its GTT technology license last year.

We also noted that ESG rating providers may be overlooking the role of shipbuilders in the energy transition and their sustainability-related revenues. YZJ is currently rated relatively low by third-party agencies and has the lowest score in the clean tech category. Additionally, other third-party agencies that conducted impact assessment find that YZJ is barely involved in climate action activities. We believe that YZJ is becoming aware of the need to increase its engagement and communication with third-party ESG rating providers, which will help it achieve a higher ESG rating. We also think it can help market participants who are not familiar with the company realize the company's contribution to reducing carbon emissions from transport.

Legend Biotech Corp.

Engagement Topics: Disclosure, Access to Healthcare, Animal Testing, Executive Compensation, Board Committees, Board Governance and Effectiveness

Outcome and Observation: Legend Biotech engages in the discovery and development of novel cell therapies for oncology. The company is a key enabler for lowering the overall cost of health care as it allows for outpatient treatment. We have engaged with Legend Biotech on how its products reduce the overall cost of health care, the percent of patients covered for treatment and programs to expand access. We have also engaged with the company on executive pay KPIs and metrics, including stock-based compensation, employee retention strategies and turnover trends, and board governance and effectiveness, including the skill-sets of directors and future trajectory of the board. On compensation governance, at a past annual general meeting (AGM) we voted against a director serving as a non-independent member of the Compensation and Nominating Committee when she was up for re-election. While we don't have concerns on its compensation arrangement, having a fully independent committee is best practice to ensure effective monitoring of this critical function.

On disclosure, we asked the company to improve its animal testing disclosure by having a formal policy on the website, commitment to limit tests to exclusively those required by

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law for safety and regulatory reasons, and to follow the 3Rs (Replacement, Reduction and Refinement) Principles, a global framework for humane animal research. The company clarified its use of animals in research and provided links to an Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC)-certified contract and research organization (CRO). Most recently, our engagements with Legend centered around improving its overall ESG disclosures. We suggested specific areas where the company could improve its third-party ratings, which we also expect to improve once the agencies digest the company's forthcoming sustainability report. We believe the reason the company's third-party rating dropped a few notches was due to the systematic nature of the model. The company's reporting delays were ultimately due to a change in audit firm from China to a U.S.-based auditor resulting from an American Depositary Receipts (ADR) delisting issue. That, coupled with the increased risk exposure to product quality after its product received the FDA's approval (meaning higher product risk exposure), led to the lower third-party rating. Ultimately, we believe the company's ESG profile has improved.

Hong Kong

In 2023, we saw the governance and sustainability regulatory landscape in Hong Kong continue to develop and we anticipate the rising expectations of regulators and investors will influence companies to make improvements accordingly.

We observed positive progress during the year in enhancing corporate governance practices. With the requirement introduced in 2022 to end single-gender boards by end of 2024, the percentage of single gender board issuers has dropped by 6.1% to 19.4% of all boards according to the Hong Kong Exchanges and Clearing (HKEX)'s repository "Board Diversity & Inclusion in Focus." Also, the percentage of female directors among all directorships in the listed issuers was 17.4% in 2023, an increase of 16.1%. Most new listed issuers in the previous year had at least one female director and 22% of new listed issuers in 2023 had 30% or more female directors. In November 2023, the HKEX also published the findings of its Analysis of 2022 Corporate Governance Practice Disclosure (Review), and a new guide for independent non-executive directors (INEDs). The Review provides guidance to issuers on the improvements they could make in four specific focus areas, which are corporate culture, long-serving INEDs, diversity and risk management and internal controls.

Regarding climate disclosure, in April 2023, the HKEX published a consultation paper proposing mandatory disclosure on enhanced climate-related disclosures by all issuers from January 2024. The proposed disclosure aimed to align with the International Sustainability Standards Board (ISSB) Climate Standard, which includes governance, strategy, risk management and metrics and targets for climate-related risks and opportunities. We responded to the consultation paper in July 2023 to provide our opinions and state the importance of full alignment with the International ISSB Climate Standard. Yet, in November 2023, HKEX postponed the implementation date of mandatory climate disclosure to January 2025 as it intends to consider the recommended approaches in the ISSB Adoption Guide.

We regularly engage with our portfolio companies in Hong Kong on key governance and sustainability issues and risks. In 2023, Matthews engaged with 33 companies listed on the Hong Kong Stock Exchange on issues related to Board Composition and Diversity, Board Effectiveness, Corporate Behavior, Shareholder Rights, Environmental Target Setting, Energy Transition, Waste Management, Supply Chain management, Human Capital Management, Occupational Health and Safety, ESG and Climate Disclosure.

Medlive Technology Co.

Engagement Topics: ESG Disclosure, Data Security and Privacy, Content Quality, Employee Turnover, Board Composition and Skillset, Capital Management, Data Center Carbon Footprint

Outcome and Observation: Medlive Technology is a leading online professional platform for physicians in China, providing medical information such as clinical guidelines, medical conferences, case readings, diagnosis and treatment knowledge base. In 2023, we had several engagements with the company's three representatives—the Chairwoman and CEO, the Executive Director and the IR Director—to discuss both fundamentals and sustainability, and to provide suggestions for improvements in material ESG topics.

In January 2023, we discussed board composition and skillset, data security and privacy, ESG reporting and rating. We followed up with the company on suggestions to improve the disclosure of material issues such as data security and privacy, report against GRI Standards, actively manage and correct the information on third-party ratings. The company welcomed our suggestions and improved accordingly in the ESG Report published in April. We continued the dialogue in June and also helped connect the rating agencies with Medlive so that the rating agencies could use the latest disclosure for assessment. We are pleased to see that the rating agencies also recognized the enhancement in sustainability management and disclosure made by Medlive and upgraded Medlive's ESG ratings.

Minth Group

Engagement Topics: Sustainability Disclosure, Environmental Target Setting, Board Composition, Supply Chain Management

Outcome and Observation: Minth Group is a global auto parts manufacturer which we have engaged since 2021 on ESG topics including board composition and effectiveness, sustainability disclosure and clean tech strategy. In the past few years, we have seen the company's efforts to improve corporate governance practices. For example, the Sustainability Committee was set up in 2022 and three independent directors were appointed in 2023. The board currently has an

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independent majority. We are pleased to see that Minth's ESG rating was upgraded accordingly.

In 2023, we also engaged Minth, focusing on supply chain management and environmental target setting. As one of the important players within the automotive supply chain, we raised our concerns regarding supplier assessment and suggested the company enhance the management and transparency. The company explained the details of supplier management and assessment, as well as the plans going forward. Furthermore, in November 2023, we engaged the company to re-emphasize the importance of having a more holistic carbon reduction strategy and quantitative targets. The company shared its latest plan for sustainability strategy and targets and sought our comments for enhancement. We are pleased to see the company published its Carbon Neutrality White Paper for the first time in January 2024, detailing its carbon neutrality targets and action plans – peaking carbon emissions by 2030, achieving operational carbon neutrality by 2040, and value chain carbon neutrality by 2050. We will continue to monitor and request better supply chain management and disclosure.

Huaxin Cement Co.

Engagement Topics: CDP Climate Change Questionnaire, Emissions Disclosure

Outcome and Observation: Huaxin Cement manufactures and distributes building materials, which includes cements, concretes and aggregates. Total cement production and consumption accounts for around 13% of China's carbon emissions; it is a key industry in supporting China's transition to carbon neutrality in 2060. Matthews, as a lead investor, has requested Huaxin to submit the CDP Climate Change questionnaire for three consecutive years since 2021. Responding to CDP questionnaire would allow Huaxin to benchmark its environmental performance against industry peers and understand the internationally recognized sustainability practices.

In April 2023, we engaged with the management team of Huaxin in person to mainly discuss environmental aspects. In terms of environmental targets, the company set quantitative targets and disclosed them in its White Book of Low Carbon Emission Development in August 2021. The CEO stressed that these targets are closely monitored by senior management as part of their KPIs, and the whole company encourages research and development to further improve carbon emission reduction, use more alternative fuels and raw materials, reduce clinker factor and adopt smart technology. Targets and progresses were also reported in its latest ESG Report. We also asked about the plans for submitting them as science-based targets. The CEO mentioned that this would be considered along with other suggestions on third-party verification on its ESG report, data and targets. After the meeting, we followed up with the company on the request for CDP disclosure. We are encouraged to see that in 2023, Huaxin, for the first time, responded to the CDP Climate Change questionnaire.

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India

India is undergoing a significant transformation in terms of governance and sustainability regulation, with both the government and a next generation of leaders taking the lead. In fiscal year 2023, the Business Responsibility and Sustainability Report (BRSR) became mandatory for the top 1,000 Bombay Stock Exchange/National Stock Exchange listed companies, ensuring transparency by mandating various disclosures related to governance and sustainability. This development is crucial as it provides shareholders with a wealth of information. Additionally, the Securities and Exchange Board of India (SEBI) updated the investment rules for ESG funds in response to the growing demand for green financing. These rule changes address the issue of greenwashing by introducing investment alignment thresholds and disclosure standards.

Corporate governance in India began evolving post-1991 liberalization and is now gaining momentum with a focus on ESG category expansion. The potential for assets under management growth in India is significant, given its position as the second largest mutual fund market in the region after China. One interesting point in the new ESG disclosure rules for funds is that there is a "transition" category as one of the six ESG strategies permitted under ESG fund rules. This focus is likely to be more sensitive to India's large greenhouse gas emissions profile and current economic dependence on fossil fuels as well as being more suitable to its developing country status.

In 2023, the Reserve Bank of India (RBI) introduced guidelines that include climate target setting to facilitate the necessary financing for transitioning. Matthews participated in an event organized by the CDP India on 'Financing for Net Zero: Inspiring Investors with Disclosures' in September, which has highlighted the progress made by over 250 Indian corporates in responding to the CDP. However, there is a need for more action, particularly among small and mid-cap companies, to drive sustainable practices further. While 24 companies in India have either committed to or set science-based targets, this represents only a small percentage of our Indian holdings. The push for greater corporate responsibility and sustainability practices is ongoing, with a focus on encouraging more companies to set ambitious targets for a greener future.

We have also seen India's energy transition present lucrative investment opportunities and ambitious targets for renewable energy, including 280 GW of solar power capacity by 2030 and 500 GW from non-fossil sources, aiming for net-zero emissions by 2070. The country's focus on renewable energy development and new energy transportation is evident in the increasing share of installed renewable capacities from 20% in 2018 to 30% in 2023, driven by growing energy demand, urbanization, and advanced manufacturing. With a population

G20—Event happening all over and India is putting its best foot forward.

Huge opportunity for circularity

of 1.4 billion and a rising economy, India is moving towards a more circular economy to address the challenges of increased consumption, emphasizing the importance of greener supply chains to meet global export standards in a changing economic landscape.

Another area we are seeing changes is at the top of companies. Succession planning is key for good governance. We are seeing a changing of the guard as companies become global, meaning that the practices of corporate governance and sustainability have changed. Transparency has been a big part of that transition to improved governance. In the past, some companies were run as personal and family fiefdoms with their own set of rules. The opening up of the economy and the returning home of a young, educated class—who were sent as children to study overseas—to take over the running of companies is bringing in new views on business.

We note that there have been individuals involved in irregularities at companies where they served as independent directors. Independent directors play a vital part in promoting good governance practices within corporations. To strengthen corporate governance standards, the government has introduced an online proficiency self-assessment test for independent directors, effective from December 2022. We applaud this initiative as it facilitates productive deliberations between the board and the management team, ensuring that independent directors possess the necessary knowledge of company laws, listing rules, and their pivotal roles on the board.

In 2023, Matthews engaged with 19 Indian listed companies on topics mostly related to Environmental Disclosure, Energy Transition, Water Management, Waste Management, Board Composition and Diversity, Board Effectiveness, Executive Remuneration, Occupational Health and Safety related issues.

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Ashok Leyland

Engagement Topics: CDP Disclosure, Board Composition, Transition to EVs, Related Party Transactions

Outcome and Observation: Ashok Leyland is the second largest manufacturer of commercial vehicles in India, the third largest manufacturer of buses in the world, and the 10th largest manufacturer of trucks. The company has a massive auto footprint and is innovating when it comes to fuel efficiency and the transition to lower carbon vehicles. We visited Ashok Leyland in India in 2023 and had multiple governance and sustainability related engagements with the company as well.

As a lead investor, we engaged with the company's head of ESG and requested Ashok Leyland respond to the CDP Climate Change questionnaire. We discussed our expectations around governance and sustainability with the company, especially around Scope 3 emissions, which are most material to the company. We also discussed circularity plans and scrappage facilities, the company's plans for renewable energy, sustainability governance, and the fuel efficiency of the company's exports. At our most recent meeting, we learned that the company signed on to the Science-Based Targets initiative (SBTi).

We have been closely watching the company's EV bus subsidiary especially as it relates to funding guarantees. We suggested that the company provide the utmost transparency in explaining the transaction for shareholder approval as the disclosure was an area noted as lacking by the proxy advisory firms. In addition, we have engaged with the company on the long tenure of independent directors and how they hold management to account. Lastly, we requested that management bring up the possibility of signing onto the UN Global Compact at the next ESG Committee meeting.

Indus Towers

Engagement Topics: CDP Disclosure, Board Composition, Fuel Use and Sustainability Targets

Outcome and Observation: Indus Towers is a provider of telecom tower and related infrastructure solutions which is key to enabling digital inclusion in India. We had an in-person meeting with Indus Towers in Delhi in March 2023, mainly discussing corporate governance, first time user connectivity, green sites and energy costs, reporting and sustainability targets, and contingent liabilities. Energy consumption makes up a major portion of Indus' operating expenditures and the company is constantly focused on reducing its energy footprint and carbon emissions. Its business model of co-locations significantly reduces the cost of setting up more telecom tower infrastructure, enabling faster rollout and lowering emissions considerably.

In 2023, we were the lead investor asking the company to respond to the CDP's Climate Change questionnaire. After the company released its net zero goals, we believed the CDP disclosure would allow the company to thoroughly prepare its plans regarding its management of environmental issues with an eye to net zero. We also facilitated a call with the CDP India team to discuss the reporting process with Indus Towers. The company was graded B-, a great score for a first-time reporter.

The company continues to make progress on increasing the number of and how it defines green sites. On governance, we continue to engage with Indus Towers on requests for increased board independence. We have engaged with the company on this issue and voted in line with our engagement priorities, voting against the election of non-independent nominees.

Pidilite Industries Ltd.

Engagement Topics: ESG Disclosure and Sustainability Reporting, Board Composition, Water, CDP Disclosure

Outcome and Observation: Pidilite Industries is an Indian speciality chemicals company which has been on a journey of transitioning from a family-run to a professionally run organization, and that also means that it is continuously building systems for better governance and oversight. We have engaged with the company on governance and its overall sustainability strategy, as well as disclosure. During recent engagements in 2023 with senior management, we learned that the company established a Sustainability Council at the level of Executive Committee headed by the deputy CEO. We pushed the company to think about developing key sustainability oriented KPIs for senior leaders given the oversight structure.

We signed letters through the CDP's Non-Disclosure Campaign, asking the company to disclose to the CDP's Climate Change and Water Security questionnaires in 2021 and 2022. We had also been requesting more information on the company's overall environmental management as there was a delay in the company's sustainability report. After receiving the latest disclosures, we followed up with another call with the company, specifically focusing on water and the zero effluent discharge units at its manufacturing facilities. In addition, we continued the discussion around board effectiveness given the company's foray into a new business which was associated with a promoter linked company. We probed management on the board's pushback and checks and balances around the decision. Lastly, we told the company about our expectations around independence and provided reasons as to why we voted against three of the directors that were up for re-election.

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Japan

As part of the Japan Working Group of the Asian Corporate Governance Association (ACGA), a nonprofit focused on improving corporate governance in Asia, members of the Matthews' investment team attended meetings in Tokyo in the fall of 2023 with investors, companies and regulators, including the Ministry of Economy, Trade and Industry (METI), the Financial Services Agency (FSA), the Japanese Institute of Certified Public Accountants (JICPA) and the Tokyo Stock Exchange (TSE). We saw firsthand a renewed sense of purpose. At the meetings, we saw a focus on ensuring the standing of Japan's financial markets are preserved and enhanced into the future and pushed for areas where we believe there is continued need for improvement. On-the-ground pressure from asset managers is yielding improvements in board diversity and environmental oversight. In addition, Japan's capital efficiency reforms are a potential game-changer. Japan's government called on companies to improve their capital efficiency—a characteristic of Japanese-listed companies that has been long been criticized. Over the past 10 years, corporate Japan's cash on the balance sheet has ballooned more than five-fold underpinned by strong earnings. However, companies have tended to hold onto this cash and valuations have slumped.

In March 2023, the government instructed listed firms to review and improve capital efficiency, as measured by return-on-equity (ROE) and return-on-invested-capital (ROIC), take "action to implement management that is conscious of cost of capital and stock price," and focus on achieving sustainable growth and increasing corporate value over the mid-to-long-term. Companies trading below a price-to-book (P/B) ratio of one were told to "comply or explain" or face the prospect of being named and shamed. The response to the edict has been remarkable. The volume of share repurchases hit a peak in May and by the end of August, almost a third of Prime Market companies had disclosed some information related to their cost of capital. Disclosure varied across industries—information and communications, services and retail trade were lower but these segments have relatively higher P/B ratios. In contrast, disclosure among lower P/B ratio sectors like banks and materials was higher and these stocks rallied.

The FSA also launched an action program focused on management issues, including an awareness of cost of capital, sustainability, the role of independent directors, board committee effectiveness and investor dialogue. It's also taking on clarifying the Act of Making Important Suggestions rule, especially as it relates to disclosure requirements for shareholders with more than 5% ownership. ACGA has noted that this rule has stifled stewardship and has been contradictory to the principles in Japan's Stewardship Code.

Of course, corporate governance is nothing new in Japan. 2023's reforms are part of a broader, multi-year structural overhaul that can trace its genesis to "Abenomics"—the set of economic policies that former Prime Minister Shinzo Abe launched in the early 2010s aimed at reviving growth and combating the chronic deflation that had plagued Japan since the 1990s.

Corporate governance was a key component of the three arrows of Abenomics—monetary easing, fiscal stimulus and structural reform—aimed at reviving economic growth and eliminating entrenched deflation.

Importantly, Japan's efforts to improve corporate governance should be seen within a broader realm of sustainability development. These developments have spanned issues including gender and diversity, the environment, financial inclusion and equality. For example, in 2022, we saw continued environmental, social and governance momentum. In April 2022, the FSA published a "Draft Code of Conduct for ESG Assessment and Data Providers" and in November 2022, it published and began soliciting opinions on proposed amendments to the Cabinet Office Ordinance on matters to be included in securities reports and securities registration statements.

Japan's progress in corporate governance and sustainability has been closely followed by investor groups, including Matthews, pushing for reform and continuing dialogue. There is still a lot to do. Board demographics, for example, remain a cause for concern. Many Japanese boards are still dominated by older male inside directors, and directors in general are lacking financial literacy and training. The ratio of women on boards in Japan is also considerably lower than other markets. Based on our own analysis, Tokyo Stock Price Index (TOPIX) companies' percentage of women directors was just 11.8% in 2022. And while the share of female executives in Japan has been rising, there is still a considerable gap between Japan and other G7 and Organization for Economic Cooperation and Development (OECD) countries. In 2022, the percentage of female executives on listed companies in Japan was 15.5%, compared to 30%, on average, for OECD countries.

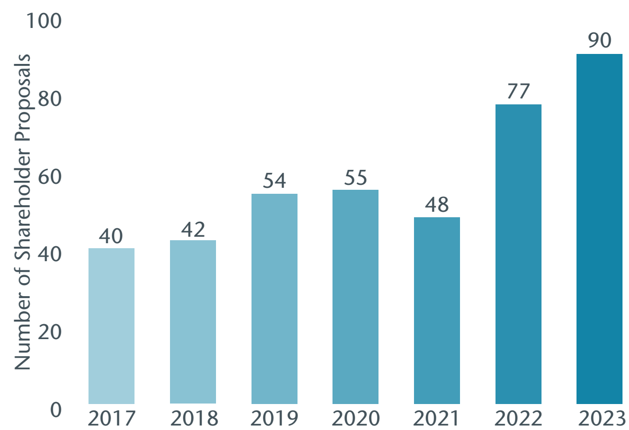
Regulator goals around gender are fairly weak and focus on Prime Market-listed companies but they are moving in the right direction. The government has said all listed companies on the Prime Market should strive to appoint at least one female executive by 2025 and have the ratio of female executives at 30% or more by 2030. Matthews, together with the ACGA and other asset management companies, reached out to the FSA and Japan Exchange Group, operator of the TSE, in September 2022 recommending a series of targets for achieving faster and higher levels of board gender diversity. We also informed the Japanese holdings in our portfolios of our new voting policy for gender diversity which became effective in 2023. From our research and company visits, we can say many boards have upped the pace in searching for female candidates, and search firms and executive recruitment groups are also raising their game.

One of the biggest catalysts for change has been the stewardship activity of asset managers. Domestic managers have increasingly put into place more aggressive proxy voting guidelines than even those used by global proxy advisors. Many Japanese asset management companies have added quantifiable standards regarding strategic shareholdings, ROE and board diversity in their voting guidelines. As a result, they have started to vote against more company proposals than in the past. This is encouraging. Higher bars and stricter voting guidelines will keep the pressure on and arguably be a more effective agent of change on the ground than regulatory intervention.

Activist investors have also exerted their influence in specific areas. For example, they have pushed for fairer guidelines for corporate takeovers as the number of merger and acquisition (M&A) transactions involving Japanese companies has been on the rise yet the bids themselves are much less competitive than in markets like the U.S. and the U.K. On this topic, the government has also responded with guidelines focused on corporate value, shareholder intent and transparency for tender offers.

FEET TO THE FIRE

Shareholder proposals have risen steeply in recent years



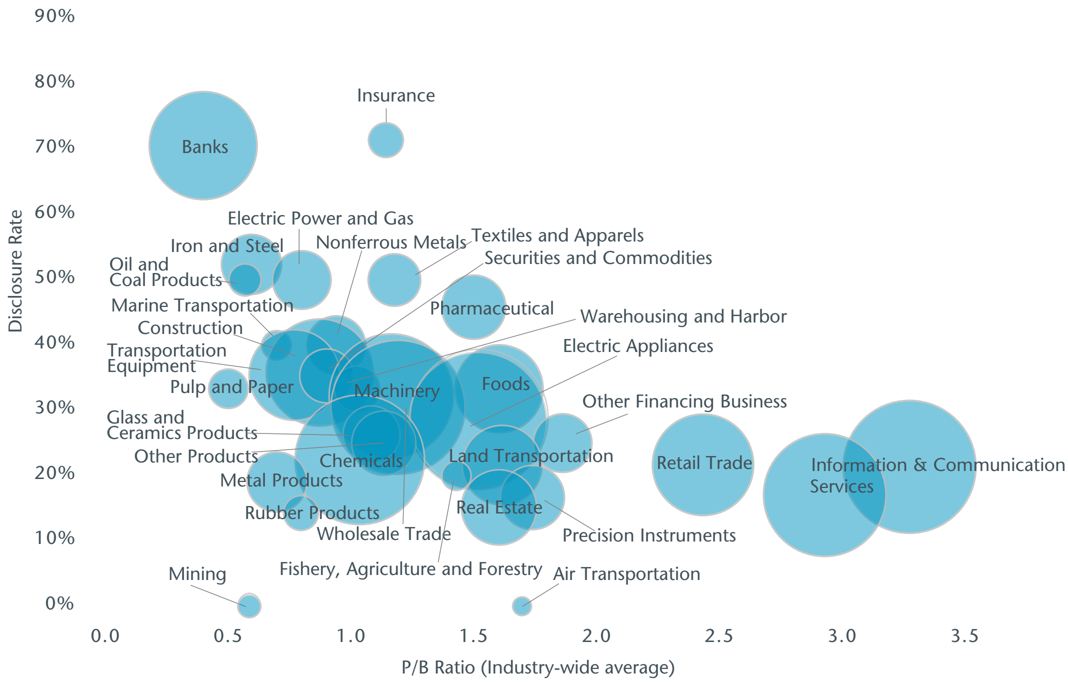
Source: Bloomberg, as of June 2023

Old Japan lingers on in many areas. The biggest issues remain ineffective outside directors, cross-shareholdings, conflicts of interest and gender diversity. Cross shareholdings remain a huge issue. Friendly shareholdings are still extremely high, and companies often feel the need to negotiate with partners before disposing of such shares. While companies have started to shed shares in allegiant companies, progress is slow, and some companies are also shifting the classification of such holdings to where less disclosure is required.

In 2023, Matthews engaged with 28 Japanese companies listed on topics mostly related to Energy Management and Transition, GHG Emissions Reduction Targets, Board Composition and Diversity, Board Effectiveness, Executive Remuneration, Capital Management and Allocation, Shareholder Right and Chemical Safety related issues.

CAPITAL EFFICIENCY PROGRESS REPORT

Industry disclosure rate on TSE's request for Japanese-listed companies to implement plans to improve capital efficiency



Note: Disclosure based on corporate governance reports and other information as of July 14, 2023 for Prime Market-listed companies with fiscal years ending in March. Size of circle represents total number of companies in each industry with fiscal years ending in March. Disclosure rate includes companies disclosing status as under consideration.

Source: Japan Exchange Group 2023

Suzuki Motor Corp.

Engagement Topics: EV Strategy, Product Safety and Quality, Board Composition, Variable Compensation Scheme, Capital Efficiency

Outcome and Observation: Suzuki Motor manufactures automobiles, motorcycles, and their related parts. We have been following the company since 2020 and sensed it may face some risk associated with long-tenured directors, low independence levels, relatively high number of recalls, and in our view, the company seems to lack advantages in new energy vehicles and innovation. We also noted that Suzuki Motors received very low ratings from third-party rating agencies in 2020 due to the above reasons.

Based on our research, we think recalls are somewhat unavoidable as auto original equipment manufacturers (OEMs). Suzuki Motor has undergone pretty rigorous measures to amend improper fuel testing methods and related disclosures. Under-investment in EVs was discussed but the company's recent alliance and technology sharing with Toyota Group alleviates a lot of these issues, in our view. However, the company's relatively weak performance in social factors (particularly regarding labor issues in Manesar, India) and governance factors (particularly related to the long tenure of the chairman and weak board independence) are the deeply rooted issues and remain a concern.

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

We had our first governance and sustainability dedicated engagement call on various topics with the executive director of Suzuki Motor on March 30, 2023. It was clear that the company has revamped its ESG/CSR team. While it's not perfect and more work needs to be done on the governance side— such as whether independent directors can add value to the company's growth—we noted a general ESG momentum. We followed up by email on the directors' compensation scheme, independent director's expertise, capital management, and Environment, Health and Safety (EHS) efforts at its overseas plants (especially India).

We had our second engagement call with Suzuki on October 31, 2023. The company emphasized discussions were ongoing regarding ESG and governance but said the issue of new KPIs and a new compensation scheme will be for the next mid-term plan's agenda. The company also said there is not much change in thinking regarding raising the ratio of independent directors on the board or on the potential split of CEO and Chairman role. We continued to stress the importance of reforms and will seek to engage again before the company implements a new mid-term plan. Despite this limited progress, we did sense the company's acceleration in balance sheet efficiency and in its effort to better communicate with the market. We will follow up on the KPIs, selections of the Board of Directors/management compensation scheme and will press them to take action to enable independent directors to better understand their roles and responsibilities and make a positive contribution to the business.

Toray Industries, Inc.

Engagement Topics: Capital Efficiency, Chemical Safety

Outcome and Observation: Toray Industries (Toray) manufactures fiber products including filament yarns, staple fibers, spun yarns, fabrics of nylon, polyester, and acrylic. The company also makes chemical products such as polyester films, engineering plastics, resin materials, and carbon fiber composite materials. We believe the company could be affected by the increasingly stringent PFAS regulations and wanted to better understand its management of the issue.

We had our first governance and sustainability dedicated engagement meeting with the company in October. As Toray is a Prime market company with relatively low ROE and a P/B ratio below one, it is facing a lot of pressure to improve capital efficiencies. We endeavored to dig into the details of its new mid-term plan and the adoption of ROIC under the company's new leadership. We followed up with Toray to press it on issues including capital efficiency metrics as part of a variable compensation portion. Additionally, we also pushed the company further on unwinding cross-shareholdings.

We also requested the company disclose to ChemSec, which evaluates chemical companies' substitution of toxic chemicals. We think this communication is critical as Toray dropped from sixth place in the 2022 ChemScore to 22 in 2023. We believe the company needs to disclose more information on how it is moving away from hazardous substances to producing safer alternatives. While Toray does produce some per- and polyfluoroalkyl substances (PFAS), known as "forever chemicals," we don't have full visibility on the extent of the toxic materials it produces because only certain countries have disclosure requirements around this.

Mitsui Chemical, Inc.

Engagement Topics: Diversity and Inclusion, Chemical Safety

Outcome and Observation: Mitsui Chemicals manufactures and markets a variety of chemical products. We visited Mitsui Chemical's Tokyo office in September 2023 and engaged with the company on its emissions reduction plans, tightening PFAS regulations, diversity and inclusion, board effectiveness, and cross-shareholdings. We also discussed capital efficiency, including the company's use of treasury shares. On tightening PFAS regulations, we wanted to understand how the company is managing and reviewing its hazardous chemical or chemicals of concern, such as its progress on solvents and additives in manufacturing. We also noticed that the focus on Diversity and Inclusion is there but thought that the company's targets could be stronger. Despite that, a flexible work from home culture has emerged post COVID-19 and most females return to work after childbirth.

Following the visit, we sent a follow-up note to the company and asked it to think about having a female director as the chair of the Nomination Committee. Having an outside female director as the Chair of this committee would send a strong signal regarding the importance of diversity and effective governance. This could also help the company make greater progress on its target for a higher ratio of women in managerial positions. We also asked the company to improve its disclosures as it relates to the ChemSec assessment and to more clearly articulate its commitment to reduce and replace the most hazardous chemicals with clear phase-out plans. This is especially important for the company's joint venture with Chemours as it relates to the PFAS regulations. There could be substantial material risks associated with the production and use of hazardous chemicals, including financial risks derived from loss of revenue from implementation of stricter regulations, loss of licence to operate, litigations and reputational damage.

ChemSec & PFAS

Regulation of PFAS, a group of around 10,000 chemicals, is tightening around the world. In the EU, the European Commission published a roadmap for many incoming bans. If passed, this regulation would apply to both regionally manufactured and imported products. This may impact our investee companies operating in this space. Similar regulations have also appeared in Asia. In Japan, the government recently set new limits for workers' exposure to 154 substances, and PFAS is becoming a prominent issue. In China, the world's largest chemical-producing region, the chemical laws are regularly updated. Companies heavily reliant on hazardous chemicals therefore face significant transition risks. According to research, the global chemical and semiconductor industries will be affected by the regulation directly and negatively, and Japan's electronic components and retail industries, China's food and beverage industry, and Japan and China's cosmetics industry will also be affected to a certain extent.

Manufacturers and users of PFAS chemicals are exposed to deep liability and insurance risks, reminiscent of those historically linked to asbestos, which could materially adversely harm the long-term value of companies involved in their manufacture and sale. There are insufficient PFAS alternatives in the market, and the existing alternatives may increase product costs. Companies at the forefront of such a transition, with good disclosure practices and clear targets, will be well positioned to become the key players of the future, in our view.

In 2023, as a member of the Investor Initiative on Hazardous Chemicals (IIHC), we actively engaged with our holding companies that have exposure to PFAS and collectively sent out a co-signed letter to LG Chem in South Korea and Shin-Etsu Chemical in Japan together with IIHC members requesting data transparency and time-bound phase out plans of products that are or contain persistent chemicals. We will start the engagement with the two companies in 2024.

South Korea

In September 2023, as one of the members of ACGA Korea Working Group, we sent a letter to South Korea's Financial Services Commission (FSC) to address several long-standing corporate governance issues. We provided recommendations that could decrease the persisting "Korea discount." We discussed areas such as canceling long-held treasury shares, unwinding cross-shareholdings, enhancing executive compensation disclosure requirements, requiring lead-independent director in cases of non-independent chairs and revising tenure limits and directorships of independent directors.

South Korea has implemented some new regulations and legislation aimed at addressing systemic issues over the past two years, including mandatory English disclosure for large firms starting in 2024, and the provision of appraisal rights for minority shareholders during split-offs. However, in October 2023, the FSC announced it would postpone the requirement of mandatory ESG disclosures for listed companies, originally set for 2025, until after 2026. This was an area we had engaged in during an investor delegation in 2022.

In 2023, Matthews engaged with 22 Korean companies listed on topics mostly related to Environmental Disclosure, Energy Management and Transition, Board Composition and Diversity, Board Effectiveness, Executive Remuneration, Capital Management, Supply Chain Management and Human Capital Management related issues.

Hyundai Motor Co.

Engagement Topics: Corporate Governance, External Board Evaluations, Board Composition, EV Transition, Labor & Supply Chain

Outcome and Observation: Hyundai Motor is principally engaged in the manufacture and distribution of automobiles. The company is part of a conglomerate with several affiliated companies. We began engaging more formally with Hyundai Motor in 2019. We have engaged with the company collaboratively as a member of the Korea Working Group of the ACGA to South Korea, as well as individually. We have engaged with the board members, Investor Relations professionals and with the company on broad-group governance, external board evaluations, board diversity, capital allocation, EV and lower carbon vehicle strategy, and supply chain-labor standards.

On board effectiveness, we continue to push the company to pursue third-party board evaluations. On composition, the company appointed its first female independent director in March 2021, and appointed another in March 2023. We had suggested the company appoint a woman on the company's Nominations Committee and the second female director is now a part of the company's Recommendation Committee on Candidates for Outside Directors, which shows progress.

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We are also encouraged to see that the company has made some progress on ESG management. In 2021, Hyundai Motor expanded and reorganized its Transparent Management Committee into the Sustainability Management Committee, a group dedicated to formulating ESG policies and activities. In 2022, we wrote to the company after concerns related to labor issues with subcontractors in the U.S. We supported calls for an independent, third-party human and labor rights risk audit and assessment of Hyundai and its supply chain with the results released publicly, and with ongoing monitoring and annual updates. We have been monitoring the company's progress with its timeline for auditing global and domestic suppliers and getting updates from the management team. During a trip to India, we visited Hyundai's facilities and had an opportunity to discuss its EV plans as well as the local working conditions. Product quality issues and labor conditions, specifically related to wages and union demands in the U.S., are other areas we have discussed.

Lastly, we have been actively engaging with Hyundai Motor on capital allocation and shareholder returns to further unlock value. There has been some progress around the cancellation of treasury shares and the payment of dividends. We will continue to engage with the company on these issues in 2024.

EcoPro BM Co.

Engagement Topics: Board Diversity, Disclosure of Health & Safety, Environmental Metrics

Outcome and Observation: EcoPro BM engages in the manufacture and sale of battery constituents, including cathode active materials used as lithium ion secondary battery materials and precursors as intermediate product prior to synthesis of cathode materials. It is a key enabler in the sustainable transport supply chain and we have engaged with this company in recent years, largely around health and safety, compliance enhancements, environmental disclosure, and board composition. As it relates to the board, the company appointed a female director in March 2023. We had been engaging with the company on the issue since 2021. The board has transformed over the last few years and now includes a majority of independent directors after wholesale governance changes and the removal of the former Chairman.

The company has significantly upped its spending on health and safety as well, tripling the amount of spend after an industrial accident. This, coupled with much improved disclosure of environmental metrics, points to substantial willingness and ability to change. We first asked the company to disclose metrics on health, safety and environmental (HSE) issues in 2021 when the company was setting up an ESG team to oversee these matters. Since our engagement, it has updated its website with information on investment in HSE, environmental information, including performance indicators for emissions, energy, waste and water. The company also disclosed its third-party certifications. Lastly, we continue to follow up on the company's expansion project in Eastern Europe, including the environmental standards for the project.

Other Emerging and Frontier Markets

Taiwan

Andes Technology Corp.

Engagement Topics: Board Diversity, Employee Turnover, Sustainability Disclosure

Outcome and Observation: Andes Technology is a central processing unit (CPU) intellectual property (IP) supplier, designing and developing high-performance/low-power 32/64-bit embedded processors and corresponding system-on-chip (SoC) development platforms. We started engaging Andes in May 2022 to request having at least one female director on the board, and we sent the board a diversity letter again in March 2023.

In May, we engaged Andes to understand the status of the female director candidate searching and we learned that the company has a candidate and will consider her for board election in 2024. During the meeting, we also asked about employee turnover and the company's first Sustainability Report plan and we encouraged Andes to update the corporate governance disclosure on its website. We followed up with Andes to recommend reporting against GRI Standards and SASB Standards for its first Sustainability Report. Andes welcomed our suggestions and invited us to participate in its materiality assessment survey for the Sustainability Report in July 2023. We were pleased to see Andes updated the corporate governance section on its website following our request and published its first Sustainability Report which reported against GRI Standards, SASB Standards and the Task Force on Climate-Related Financial Disclosures TCFD framework. We are encouraged by the company's progress on enhancing disclosure and expect further improvements in board diversity.

Vietnam

Nam Long Investment Corp.

Engagement Topics: Environmental Metrics and Disclosures, Board Diversity

Outcome and Observation: Nam Long Investment develops land banks and housing projects in Vietnam and is a key enabler of affordable housing. We have engaged with Nam Long for many years specifically related to board diversity, timely dissemination of AGM materials, ESG disclosures, exposure to, and measurement of, affordable housing, and having a standalone corruption and anti-bribery policy. We visited the company in Vietnam in 2023 to further push our engagement priorities.

We were pleased to see that the company finally has provided much more governance and sustainability related information in its 2022 Annual Report, including alignment with the GRI framework. We saw a great deal of progress in disclosure, especially around the affordable housing segments, water use, energy and emissions. The company also sent its first sustainable development report and asked for our comments. We followed up with the company asking for CO2 emissions breakdown by Scope analysis, the extent of the green certifications for its developments, more information on renewable energy and where sustainability fits into the overall organization chart. Lastly, we continue to follow up with the company on our expectations regarding board diversity.

Turkey

Ford Otomotiv Sanayi A.S.

Engagement Topics: EV Strategy, Labor

Outcome and Observation: Ford Otomotiv Sanayi, doing business as Ford Otosan, is an automotive manufacturing company based in Turkey. The company is leading the charge on electrification of commercial vehicles in Europe and sees sustainability as integral to the company's mission. Investment team members visited the company in Turkey and we had our first dedicated governance and sustainability call in June 2023. We discussed its EV strategy as well as workforce and labor issues. We were specifically concerned with news articles related to working conditions and sought the company's comments to better assess the management of its workforce and labor unions. The company explained collective bargaining agreement processes and addressed our questions in detail. We will continue to engage with the company in 2024.

Brazil

Nu Holdings

Engagement Topics: ESG Disclosure

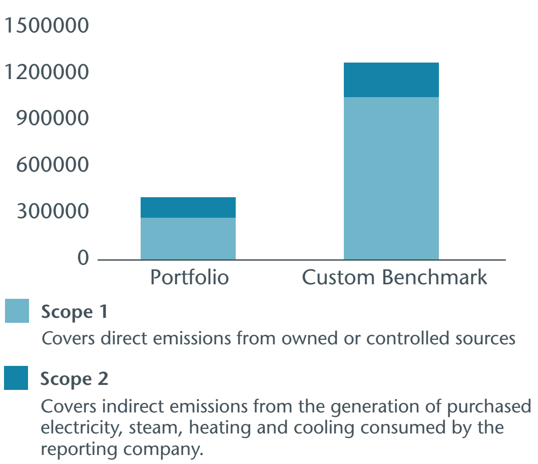
Outcome and Observation: Nu Holdings serves over 70 million people in Latin America, supporting individuals in their daily lives with one of the world's largest digital financial services platforms. We engaged with the company on compensation and unequal voting rights, financial inclusion and education across the markets, the company's disclosure in its ESG report, and diversity and inclusion internally as well as the company's image externally. We provided specific feedback to the company on its report on disclosing more information related to financial inclusion outside of Brazil, including to first-time customers, Net Promoter Score tracking data over time, cybersecurity and data management certifications or standards used, and more detail on the types of carbon credits purchased. We look forward to continuing to engage with the company in 2024.

Climate Change

"To accelerate decarbonization and transition to a low-carbon economy, we encourage portfolio companies to pursue setting science-based targets "

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

MATTHEWS—EMISSIONS EXPOSURE (tCO_2e)



Note: The aggregate Matthews portfolio carbon emission data is from ISS ESG and Miotech. The share of reported GHG emissions in our portfolio is 84.5% and the shares of modelled emissions by ISS ESG and Miotech and lack of disclosure are 15.5%.

Source: ISS ESG, Miotech and Matthews

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

For the past five years, we have conducted carbon footprinting for the aggregate Matthews portfolio versus a custom benchmark based on our portfolio positions and corresponding benchmarks to assess the emissions of assets held in the strategies we manage. The climate analysis showed that over the period of 2019 to 2023, the aggregate Matthews portfolio was overall much less carbon intensive versus the custom benchmark (utilizing the weighted-average benchmarks used for all portfolios managed). This reflects the nature of the aggregate Matthews portfolio, which tends to be more consumer focused and less resource intensive than the average benchmark in Asia and Emerging Markets.

At the end of 2023, the aggregate Matthews portfolio had a weighted average carbon intensity of 111.1 tCO2e/Millions of USD Revenue verse the custom benchmark of 279.4 tCO2e/Millions of USD Revenue. This compares to a weighted average carbon intensity of 91.0 tCO2e/Millions of USD Revenue verse the custom benchmark of 266.1 tCO2e/Millions of USD Revenue at the end of 2022, 152.5 tCO2e/Millions of USD Revenue verse the custom benchmark of 276.3 tCO2e/Millions of USD Revenue at the end of 2021, and 153.6 tCO2e/Millions of USD Revenue verse the custom benchmark of 256.4 tCO2e/Millions of USD Revenue at the end of 2020.

In terms of sector contributions to carbon intensity, utilities was the largest sector, contributing 33% of the aggregate portfolio's carbon intensity, followed by materials at 14%, consumer discretionary at 11% and information technology at 11%. Matthews has relatively less exposure to carbon intensive sectors such as energy, utilities and materials versus the custom benchmark which resulted in the Matthews aggregate portfolio being 54% less exposed to greenhouse gas (GHG) emissions on a sector basis versus the benchmark.

The top 10 contributors to the aggregate Matthews portfolio emissions comprise 52% of the portfolio's total emissions, but only 11% of the portfolio by weight. We encourage any relative laggards on climate to improve management and disclosure of the companies' strategies, including through the CDP's Non-Disclosure Campaign (NDC) initiative. At the end of 2023, the aggregate Matthews portfolio included 84.5% of holdings—a rise from 64.8% in 2022—which disclosed carbon metrics, such as greenhouse gases, which was more than the benchmark.

To accelerate decarbonization and transition to a low-carbon economy, we encourage portfolio companies to pursue setting science-based targets (SBT). The Science Based Targets initiative (SBTi) is a global body enabling businesses to set ambitious emissions reduction targets in line with the latest climate science. As of December 31, 2023, Matthews has 24% of the portfolio's AUM invested in companies either committed to or set SBTs, up from 16% a year earlier.

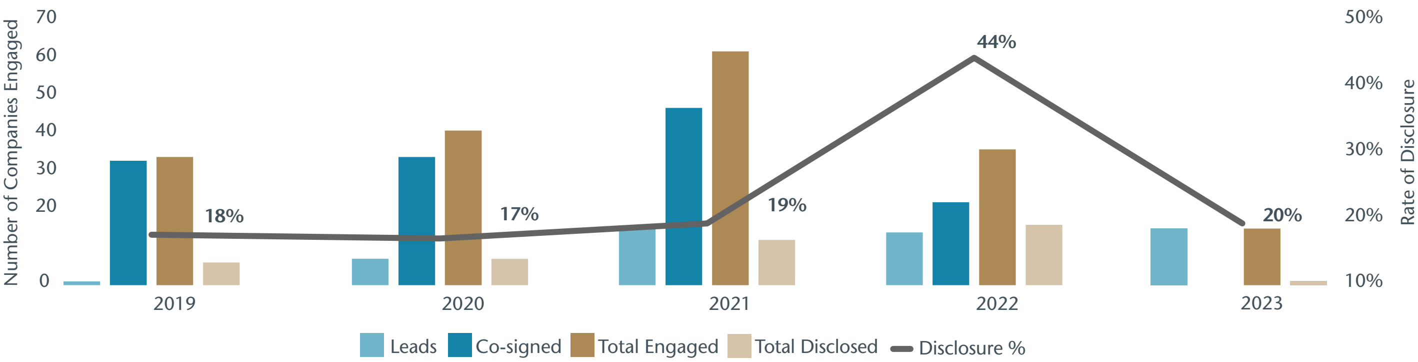
As part of our ESG integration process, Matthews' investment team members receive training on how to incorporate governance and sustainability factors, including those related to considering climate risks and opportunities in the decision-making processes.

CDP

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

The results of the 2023 NDC highlighted the impact of direct engagement on companies' environmental actions, in this case, disclosure through CDP. Following this year's iteration of the campaign, companies were overall 2.2 times more likely to disclose if they were engaged by financial institutions and three times more companies in Asia (excluding Japan) disclosed after being engaged through the 2023 NDC than in the control group. CDP has seen that once companies disclose for the first time the vast majority continue to do so, making this initial engagement vital. From this stage, companies can begin to monitor their impacts and progress, set SBTs and develop transition plans.

MATTHEWS—CDP NON DISCLOSURE CAMPAIGN RESULTS (2019-2023)

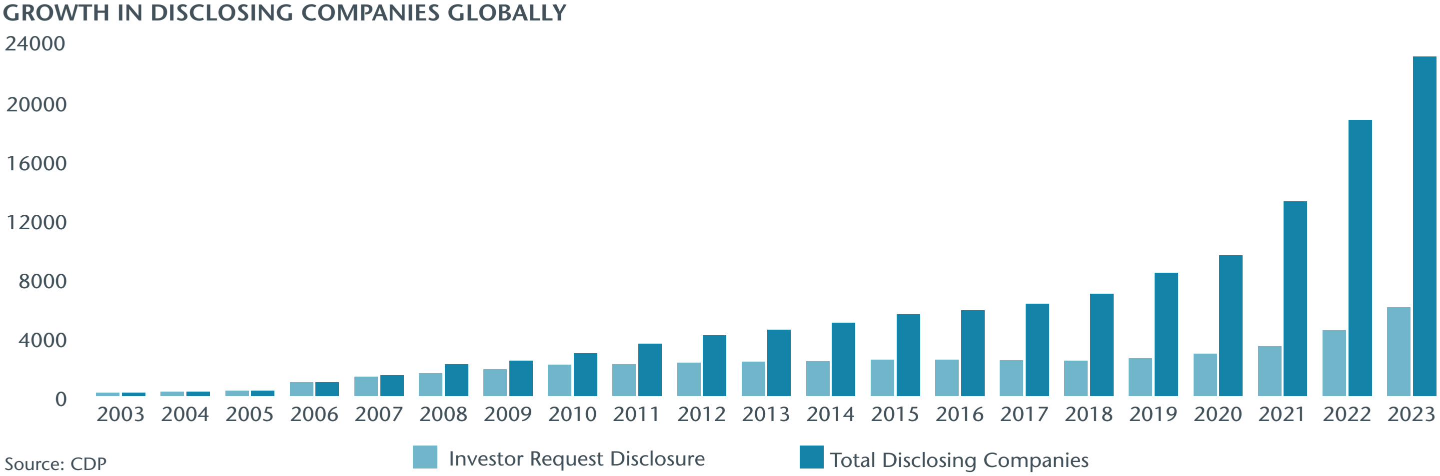


Note: CDP changed its co-signer policy for its 2023 campaign. In order to focus engagement efforts, Matthews participated in only lead campaigns in 2023.
Source: CDP, Matthews

In 2023, Matthews was one of a total of 288 investors representing US$29 trillion in assets who participated in CDP's NDC to engage companies that have never responded to CDP or have not responded in recent years to help drive further transparency. Of the 1,590 companies, 317 disclosed data on their impact across at least one of three areas: climate change, deforestation and water security.

Matthews regularly engages with our portfolio holdings, including through collaborative investor initiatives such as those organized by CDP. Our journey to CDP's NDC can be traced to 2019. We actively selected the names from our holdings where we saw the most room for improvement in disclosure on climate, water, or deforestation risk. In 2023 particularly, we changed our selection target to a more focused list. We were a lead investor on 15 company letters. As a result, 20% of the targeted companies made disclosures to CDP after our engagement in 2023. We will continue our participation in CDP's 2024 NDC to encourage our holding companies to disclose to CDP to help them better understand their own climate position which will also enable us to do the risk tracking.

GROWTH IN DISCLOSING COMPANIES GLOBALLY



Source: CDP

Board Diversity

"An individual's career is a continuum and we need more mid-level representation so that female workers can grow into senior positions and become board members. Many Emerging Markets are making progress having more women on corporate boards but there is still a lot to be done."

Inbok Song
Portfolio Manager

PERCENTAGE OF WOMEN ON BOARD, MATTHEWS CONSOLIDATED PORTFOLIO

	Portfolio Companies	Benchmark
China	20.3%	19.2%
India	20.8%	19.4%
Japan	17.9%	13.1%
South Korea	13.7%	6.6%

As of December 2023

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

Sources: FactSet, MSCI ESG, Bloomberg and Matthews

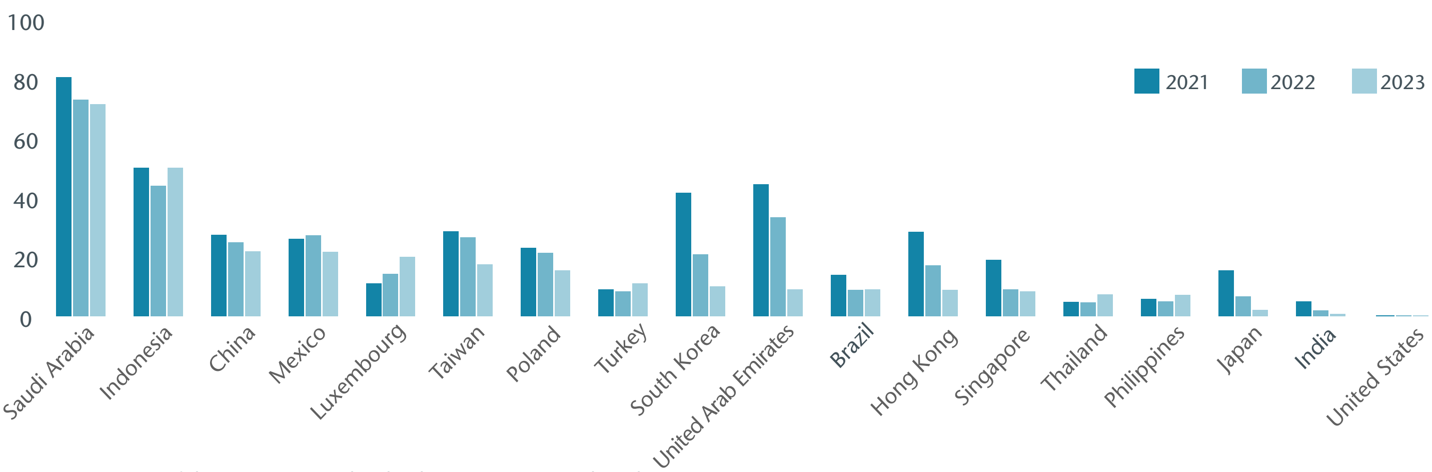
We view board diversity as a key part of good governance, particularly at senior levels. Research and data indicate that companies with greater diversity and inclusion outperform their peers. Leveraging a diverse workforce to grow market share requires leadership with both inherent and acquired diversity.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

Matthews Sustainable Future Strategies, which adopt a more expansive, sustainability lens focused on positive sustainability outcomes, adopted a stricter voting policy at companies with a lack of gender diversity on boards in 2020. We have been writing engagement letters to portfolio companies made of single gender boards to inform them of our intention to vote against the Nomination Committee chair or Corporate Governance Committee chair and other members of the equivalent committees on their boards of directors. In the case that there was no Nomination or Corporate Governance Committee (or equivalent), we generally voted against both the re-election of existing board directors and also election of new board members. The Matthews Sustainable Future Strategies asked all portfolio companies with no women on their boards of directors or trustees to adopt policies to consider women for every open board seat and to commit to a gender diversity policy as part of board recruitment process.

In 2022, we decided to extend this voting policy to Japanese portfolio holdings and notified them the policy would take into effect beginning in 2023. Starting in 2024, this policy will be effective across all markets where we invest. In 2023, we sent 68 letters to portfolio holdings, informing them of this policy.

At the end of 2023, our portfolio companies in China, India, Japan and South Korea have higher percentages of women on Boards compared with their benchmarks. Over the years, we have seen a decreasing trend in the proportion of companies with no women on their Board across many countries and regions, but there is still a lot of progress to be made in Asia and Emerging Markets.

PERCENTAGE OF COMPANIES WITH NO WOMEN ON BOARD FOR SELECTED COUNTRIES/REGIONS



Note: Constituents of the MSCI ACWI Index that have no women on board.
Source: MSCI

2024 and Beyond

As we look to 2024 and beyond, we believe Asia and Emerging Markets will remain at the forefront of issues such as energy transition, board diversity and composition, climate change, social and financial inclusion, poverty elimination and protecting global water sources and communities. We will continue to seek to engage with companies where we have seen limited progress on governance and sustainability-related items. In 2024, the entire Matthews investment team will work closely together and aim to expand our governance and sustainability research scope and conduct more focused and substantive engagements not only with existing but also potential portfolio companies.

More About Matthews Corporate Citizenship and Sustainability Committee

Corporate Citizenship and Sustainability Committee

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

Responsible Investment and Stewardship (RI&S) Sub-Committee

Established to oversee matters related to corporate engagement—in particular stewardship and active ownership—that pertain to the firm and its direct and indirect subsidiaries. Chaired by Matthews' Head of Responsible Investment and Stewardship with representation across the organization, the RI&S Sub-Committee is also responsible for overseeing Matthews' RI&S Policy, which includes monitoring adherence to the Policy as it relates to ESG integration in the investment process, as well as monitoring and reviewing engagement outcomes. Together with the Matthews Investment Operations team and the Head of Responsible Investment and Stewardship, the RI&S Sub-Committee also oversees the proxy voting process.

Diversity and Inclusion Sub-Committee

Responsible for raising awareness of and promoting the firm's diversity and inclusion efforts. It was formed in 2019 to deepen our commitment to creating a diverse and inclusive organization and to help foster an environment where all employees feel able to succeed. The group has representatives from all parts of the business and focuses on four broad areas:

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

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

Sustainability Sub-Committee

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

- Obtained Gold LEED certification for the firm headquarters in 2014
- Created a carbon emission offset program for business travel; offset over 8,500 metric tons of carbon since 2016 with almost $120,000 purchased in offsets, linked to various projects ranging from cookstoves in Cambodia, to forest preservation efforts in Brazil and Zimbabwe and biodiversity projects in Indonesia.
- Volunteered with San Francisco Baykeeper— one of the local environmental organizations that Matthews supports through our Charitable Giving Program—to clean up the San Francisco Bay

The Sustainability Sub-Committee continues to explore additional opportunities to contribute to sustainability.

One of Matthews's greatest strengths is the diversity of our employee population. Our employee base was as follows (as of February 1, 2024):

	Male	Female	White	Black	Hispanic/ Latinx	Asian	Two or more races	Other	Not disclosed
All employees	56.8%	43.2%	35.2%	0.8%	2.4%	53.6%	3.2%	1.6%	3.2%
Senior roles	61.9%	38.1%	47.6%			47.6%	4.8%		
Leadership roles	72.7%	27.3%	63.6%			27.3%	9.1%		

*Senior roles are defined as people leaders and/or individual contributors with significant business or functional responsibility.

Corporate Social Responsibility

At Matthews, our commitment to active, long-term investment extends to the communities around the globe in which we live and work. Through our corporate responsibility and philanthropic efforts, we strive to help our local communities and the reach their full potential. Our local involvement weaves sustainability and giving back to the communities we live in and through our philanthropy, we support charitable organizations with grants and a generous matching program on employees' contributions. During 2023, Matthews proudly supported the following organizations focused on education, poverty alleviation and economic opportunity:

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

Coral Tree promotes education in Cambodia, and is one of the groups that we support through the Matthews charitable giving program. We welcomed the founder of Coral Tree to a lunch and learn session in April 2023.

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

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

Important Information

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Matthews