



Engagement and Stewardship Report

For the Year to 31 December 2024

31 January 2025

1. Introduction

Mori Capital Management Limited ("Mori", "the Company", "we", "us") is an investment management company incorporated in Malta specialising in emerging markets. The Company is currently authorised and regulated by the Malta Financial Services Authority ("MFSA"), license number MORI-IF-10972

None of the funds under Mori's management promote environmental or social objectives nor do they have a sustainable investment objective. Therefore, for the purposes of the Sustainable Finance Disclosure Regulation ("SFDR"), the funds fall within the remit of Article 6 and are out of scope of level 2 SFDR Taxonomy RTS disclosure requirements. At the same time, we have been tasked with the responsible allocation, management and oversight of capital, seeking to create long-term value for our investors while creating sustainable benefits for the economy, the environment and society.

Responsible investment and sustainability is an active choice for Mori, whereby the Company approaches its investment activities with a focus on fostering sustainability and ethical practices whenever possible. We believe that a responsible investment approach leads to better-informed financial decisions and benefits society. As such, Mori aims to avoid making any investments which we, or our clients, deem unsuitable. Our core values of integrity, collaboration and excellence are central to how we deliver for our clients, supported by an open and transparent culture. We pursue a zero-tolerance approach towards any conduct that could harm our clients, reputation or employees.

Stewardship is a central pillar of our approach to business and enables us to build conviction in our investment thesis, enhances our understanding of how ESG¹ factors impact company valuations and builds our awareness of risk and reward. This report describes how these principles have been implemented in practice by the Company through 2024.

2. Mori's Investment Beliefs

- The key to successful investment management is a blend of robust and thoughtful management of the assets and the wider relationship with our clients.
- Economic and business cycles are key drivers of capital markets.
- The balance between risk and return, diversification, income and good corporate management are primary considerations for long-term investors. At the same time, whilst our focus may lie on the long term prospects of our investments, we also consider short term opportunities if they fit within our risk appetite.
- We favour high quality companies that think beyond sole shareholder value creation and have strong balance sheets.

¹ Environmental, Social and Governance

- Attractively valued, prudently run companies will outperform in the long term.
- Engagement is a key tool to obtain a more accurate picture of a company's corporate culture and future prospects.
- Markets do not immediately reflect in their pricing all known information about investment issues, providing us with opportunities to outperform.

3. Mori's Approach to Engagement

- Our investment team keeps the companies that make up our investment universe under constant review.
- We engage several external research providers to support the investment process and our ESG work.
- Our investment team aims to meet the management of the companies in which we invest regularly and at least annually. When possible, meetings are held face to face.
- Meeting with company managers is an essential tool to find out about their business plans and strategies, perform due diligence on a number of critical aspects and establish a robust engagement process.
- We consider current and prospective income streams, market trends and changes in the geopolitical landscape.
- We are not speculative investors looking to cash in on short term market movements or stock price fluctuations. We look for sustainable long-term growth and include an assessment of ESG risks and opportunities in our research analysis process.

4. Engagement via the Investment Process

We believe that active managers have a particular role to play in engaging with company management teams, since our fundamental research process involves engagement with companies and issuers on a wide range of topics, including long-term strategy, capital allocation, and financially material ESG issues. This type of engagement is an integral part of our investment strategy and reflects our belief that the value we provide for clients is linked to thorough research and gaining a clear understanding of long-term business fundamentals.

This "engagement through the investment process" philosophy helps us to more accurately evaluate risk and identify opportunities. It requires communicating directly, and sometimes privately, with company management and directors, as this type of engagement leads to the most effective and candid communication, is most additive to our research process and mosaic of information gathering, and offers the greatest benefit to our clients.

We aim to bring a long-term investment perspective and an understanding of specific business context to our discussions with corporate leadership teams. We engage on issues that are material and financially relevant for the specific company and industry. We do not view our engagement as a platform for advocacy beyond these issues.

Because our engagement is ongoing and typically focused on long-term strategic issues, it can be difficult to draw a direct link to tangible short-term outcomes. When we do identify specific outcomes, they are often indicators of longer-term progress regarding financially material ESG issues. For example, some companies in our portfolios have started publishing sustainability reports, increased communication and disclosure of relevant ESG metrics, or made significant progress in identifying and managing material sustainability issues after working with multiple stakeholders, including our team.

5. Mori's Direct Engagement Activity

Our direct engagement process follows the guidelines established in Mori's ESG Policy, Mori's Engagement & Stewardship Policy, the United Nations-backed Principles for Responsible Investment (PRI), the Task Force on Climate-related Financial Disclosures (TCFD) and many other industry initiatives which we support. We focus in particular on the ESG themes we consider to be most material to our investors when managing our investments.

In 2024, the sanctions and countersanctions imposed by western and Russian governments, continued preventing foreign managers of Russian assets, such as Mori, from trading those companies. In order to protect the investors' best interests, the board of MUF maintained the suspension of dealing on the funds managed by the Company. Face-to-face meetings with the management team of those companies was, sadly, not possible.

In spite of these challenges, our investment team attended 2 investor conferences in 2024, where they met with the management board of over 50 companies. In addition, the investment team held individual in-person and online meetings with the management of 15 additional companies. Mori's long-standing commitment to a strong compliance culture, corporate governance and business integrity helped facilitate the engagement process as these were topics that Mori has encouraged with investee companies for years.

Mori is a committed, active, long-term investor in Emerging Europe. These characteristics underpin our role as responsible investors too. The fallout of the breakout of the Russian-Ukraine war has introduced a new and extremely challenging business environment. However, our commitment to the region and its extraordinary long-term potential, as well as our dedication to responsible investment remains resolute. Our portfolio managers are well known professionals having spent well over 20 years investing in the Emerging Europe space. They have earned a well-deserved reputation for professionalism and

know-how which gives them a level of influence that they exert with care. For us, engagement can help protect our clients from ESG risks right now – and help drive industries towards a sustainable future in which we can all thrive.

6. Mori's Collective Engagement Activity

We believe collective engagements are valuable since our influence is sometimes limited as we do not take significant holdings in investee companies. By joining forces with other investors with the same objective, we can increase our chances of securing a positive outcome. Potential collective engagement may come from various sources; for example, UN PRI via our client (Mori Umbrella Fund Plc).

Collective engagement opportunities are assessed with care, evaluating the expected benefit of the engagement with the work it will require, to ensure our resources are being used as efficiently as possible. To that end, we prioritise opportunities based upon the size of our holding in the company in question, and the materiality of the issue on which the engagement is based.

7. Voting

Whilst Mori does not incorporate voting rights in the Investment Management Agreement governing the services it provides to its client, the Company has been granted discretionary voting authority by Mori Umbrella Fund Plc. To exercise its voting rights, Mori retains the services of an external proxy voting and advisory services organisation.

Mori is not a major institution with hundreds of employees. The size of our investment limits our ability to promote our principles via voting. However, we believe that direct, regular contact with management teams is just as effective a strategy, if not more, to encourage ESG values in our investee companies. Therefore, our voting activity is usually restricted to acting on tender offers and other corporate actions put forward by our investee companies.

8. Controversial Holdings and ESG Activity

Whilst we believe that engagement is generally more powerful than divesting, sometimes selling is the only option. Our ESG Policy describes the industries and sectors into which our funds will not invest, as their activities are not aligned with our ESG concerns. As a result, for example, in 2020 we divested from Philip Morris's listing in Prague, as tobacco's damaging effect on human health has been widely proved and documented by the scientific community. Since then, our portfolios have not invested in any of the sectors prohibited by the terms of our ESG policy.