
2020 Annual
UK Stewardship Code Report



Reporting Period:
1 January 2020 - 31 December 2020

Introduction from the Co-Chief Executive Officers

We are pleased to share the 2020 Annual UK Stewardship Code Report for Dimensional Fund Advisors Ltd. ("Dimensional UK"). As governance, environmental and social factors become increasingly important issues for investors, we recognize that we play an important role as investment managers with respect to the investments that are in the portfolios we manage.

This report is intended to provide investors with greater transparency regarding our investment stewardship activities and highlight outcomes from our efforts to add value for shareholders. In this report, you will find data and commentary pertaining to our stewardship activities for the calendar year ending 31 December 2020. As you will see in more detail in the pages that follow, Dimensional¹ continued to represent shareholder interests by conducting more than 600 calls and meetings with portfolio companies and dissidents, sending nearly 500 letters to portfolio company boards, and voting over 140,000 distinct proposals at over 16,000 meetings globally. We continued to emphasize portfolio company engagements as an effective tool for advocating for shareholder interests, including many discussions on key issues such as board composition, executive compensation, and oversight of material environmental and social risks. In particular, we highlight specific votes that illustrate Dimensional's approach to these types of issues. We also continue to enhance our systematic approach to prioritizing engagements in order to focus our time on discussions we believe can have the greatest impact. You can find more information about our policies and approach under the Investment Stewardship section of our public website, or you can contact our Investment Stewardship team directly at corporategovernance@dimensional.com.

We have continued to invest a significant amount of time and resources on ESG training, research and communication, both internally and externally. In July 2020, we hosted an internal sustainability conference with several leading climate scientists and an economist on the drivers behind climate change, as well as climate policy and economic tradeoffs. This conference was then repeated in October 2020 for clients, financial advisers, wealth managers and consultants, and was attended by over 500 people. Concurrent with our October sustainability conference, we published papers on the economics of climate change as well as the results of our own research on the relation between emissions and expected returns. We also continued our collaboration with our Sustainability Council, a group of US-based financial advisers, wealth managers and consultants focused on sustainability investment solutions who provide us with valuable feedback on the sustainability issues that are of key importance to their clients. In total, we hosted four events with the Sustainability Council in 2020. In December 2020, we rolled out a formal ESG training curriculum for our investment professionals and client service teams. For 2021, we expect to continue our efforts on all of these fronts. For instance, we plan to establish an EMEA-based Sustainability Council, comprised of financial advisers, wealth managers and consultants from across the region, to further improve our understanding of local client expectations around sustainability issues.



John Romiza
Co-Chief Executive Officer



Nathan Lacaze
Co-Chief Executive Officer

Table of Contents		
	The UK Stewardship Code 2020	4
	Purpose and Governance	5
	Principle One: Purpose, Strategy and Culture	5
	Principle Two: Governance, Resources and Incentives	9
	Global Stewardship Activities	11
	Principle Three: Conflicts of Interest	14
	Principle Four: Promoting Well-Functioning Markets	17
	Principle Five: Review and Assurance	22
	Investment Approach	24
	Principle Six: Client and Beneficiary Needs	24
	Principle Seven: Stewardship, Investment and ESG Integration	27
	Principle Eight: Monitoring Managers and Service Providers	30
	Engagement	32
	Principle Nine: Engagement	32
	Principle Ten: Collaboration	40
	Principle Eleven: Escalation	43
	Exercising Rights and Responsibilities	47
	Principle Twelve: Exercising Rights and Responsibilities	47

The UK Stewardship Code 2020

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

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

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

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

Purpose and Governance

PRINCIPLE ONE

Purpose, Strategy and Culture

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

Dimensional Fund Advisors Ltd. (“**Dimensional UK**”) is an investment management firm authorized and regulated by the UK Financial Conduct Authority (“**FCA**”). Dimensional UK provides investment management services to Undertakings for Collective Investments in Transferable Securities funds (“**UCITS**”) domiciled in the UK and Ireland, as well as managing a number of segregated portfolios.

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

Dimensional operates under the following guiding principles:

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

The foregoing principles guide our business strategy.

Dimensional’s services comprise the management of commingled investment vehicles as well as customized separate mandates for institutional investors. We work primarily with institutional asset owners, fee-only registered investment advisors (RIAs), and other intermediaries that use our funds for their clients. We intentionally focus our efforts primarily on these groups because this allows us to spend a significant amount of effort on education on our investment philosophy and approach before clients invest. We believe this approach results in trust and long-term relationships, which we believe are critical to our clients’ investment experience.

Culture

As described in more detail under Our Investment Philosophy and Approach, Dimensional uses financial science to implement systematic, value-added investment solutions. This has particular relevance to our firm's culture—the systematic nature of our investment approach means that we do not have a 'star manager' structure; rather, all portfolios are managed in a team-based approach. Accordingly, portfolio managers are compensated based on their experience, ability to work collaboratively to implement portfolios, the quality of their work efforts, overall contribution to the firm and other factors, rather than the performance of the portfolios that they manage. This aligns well with our firm's culture, which emphasizes collaboration and teamwork over individual competition and also reduces incentives for unauthorized risk taking.

Another part of our culture which is informed by our guiding principles is to create opportunities for our people to contribute both to our success and to their own. Dimensional continues to invest heavily in its employees, from recruiting to training and development and retention.

In particular, we are committed to creating and fostering an environment that attracts, develops, and retains the most talented, qualified employees from different backgrounds—from both inside and outside the financial services industry. We take active measures to continually expand the depth and breadth of our professional talent pool. For example, in 2019 and 2020, approximately 38% of our campus recruiting events focused on diversity.

In addition to targeted outreach, Dimensional also aims to provide an inclusive experience for those candidates who seek out the firm themselves. We use gender-neutral language and focus on specific qualifications in job descriptions to help ensure applicants from diverse backgrounds are not dissuaded from applying. In 2019, Dimensional began using software to analyse job descriptions to ensure neutral and inclusive language. Online training for interviewers and hiring managers also includes anti-bias training and interview best practices for consistent and equitable evaluation across all candidates. We conduct ongoing reviews of new technologies and platforms that help reach diverse audiences, such as focusing on women returning to the workforce or other underrepresented populations.

Additionally, we remain focused on fostering a meritocratic, inclusive environment that further helps us attract and ultimately retain top talent from all backgrounds. In September 2019, Dimensional created a Diversity and Inclusion Executive Council under the sponsorship of its Co-CEOs. The Council is comprised of senior-level executives across Dimensional's global organization and is chaired by our Deputy Head of Global Human Resources. The Council is charged with assessing the firm's needs, examining best practices, and helping form a strategy that aims to identify means of increasing awareness and ensuring an inclusive work environment. Our gender statistics:

- 42% of global hires in 2019 and 2020 were female
- As at 31 December 2020, females represented 35% of our total population, 39% of employees with <5 years tenure, and 42% of all managers

Furthermore, in June 2020, we launched an internal website dedicated to Diversity and Inclusion. The site provides regularly curated and updated educational resources, a strategic roadmap for our enterprise initiatives, links to media recognition on our D&I efforts, personal statements from the Council, as well as upcoming D&I events

Our Investment Philosophy and Approach

Dimensional's purpose is to create investment solutions that meet the needs of our clients. To accomplish this purpose, Dimensional puts financial science to work for investors by translating compelling research into real-world investment solutions. This approach does not seek to time markets or repeatedly select a concentrated portfolio of securities in an attempt to outperform markets. Rather, we use a systematic approach to pursue higher expected returns and structure broadly diversified portfolios that emphasize the dimensions of higher expected returns while addressing the trade-offs that arise when executing portfolios.

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

- Markets quickly incorporate material information into prices. This means that market prices reflect the aggregate expectations of market participants, including information about a company's strategy, resources, expected financial and non-financial performance, capital structure, risks, governance practices and social and environmental impact.
- Expected returns are driven by prices investors pay and cash flows they expect to receive.
- Diversification can increase the reliability of systematic investment approaches as well as facilitate cost-effective implementation.

As a result, our equity portfolios are broadly diversified and generally have a higher focus on companies with smaller market capitalizations, lower relative prices and higher profitability. Our fixed income portfolios are also broadly diversified and are based primarily on information in yield curves and credit spreads rather than on views about prospects for specific companies. We pay particular attention to implementation for all portfolios, including portfolio design, buy-sell decisions and trading.

In addition, we integrate environmental, social, and governance ("ESG") considerations with the same philosophy and scientific rigor that guides our investment process, drawing on insights from both financial and ESG-related research. Below is how we view the role of ESG within our investment process:

- We believe ESG-related information that can improve returns or manage risk should be considered in managing portfolios for our clients. ESG encompasses a broad range of issues. We seek to understand the research and available data on these issues to assess which ones are relevant to consider in our investment strategies.

- We believe that ESG risks and their potential impact on the future cash flow of portfolio companies are reflected in current market prices.
- Our investment stewardship approach advocates for improved portfolio company oversight of material ESG-related risks. This may improve realized returns through higher future cash flows to investors or a lower discount rate applied by the market.

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

Examples of our activities and related outcomes for 2020 include:

- We provided quarterly updates to our global and local Investment Committees on the decisions of the Investment Stewardship Committee
- We held quarterly Investment Stewardship Committee meetings that included the most senior executive officers and directors of Dimensional, as well as senior members of the investment team
- We significantly revamped our Responsible Investment Statement to include not only investment-related activities but also corporate initiatives
- We integrated Sustainability Accounting Standards Board (“SASB”) data and additional Institutional Shareholder Services (“ISS”) data on board oversight and disclosure of material ESG risks into our engagement process
- We increased the universe of fixed income securities screened for our sustainability strategies by using sustainability data to evaluate securities issued by agencies and supranational issuers
- Dimensional joined the list of public supporters of the Taskforce for Climate-Related Financial Disclosures
- We enhanced our global proxy voting policy guidelines to include board refreshment, assessment and diversity considerations and our expectations regarding disclosure of oversight of environmental and social risks
- We updated and enhanced our annual stewardship report, incorporating feedback from clients following our inaugural 2019 report

We believe the foregoing approach has served our clients well. Our first guiding principle is to act in the best interests of clients and we believe we have been successful in implementing this principle. We continue to seek ways to serve our client base, and the financial advisors and wealth managers who support them, by providing support for their various needs. For instance, we organize and host a number of local study groups for financial advisors, we provide free educational conferences with leading financial economists, investment professionals and industry experts, and we plan to expand our dedicated Sustainability Council groups.

PRINCIPLE TWO
**Governance,
 Resources
 and Incentives**

Signatories’ governance, resources and incentives support stewardship.

As described in Principle 1, Dimensional’s purpose is to create investment solutions that meet the needs of our clients. Our stewardship efforts are conducted with this purpose in mind, which is why our stewardship efforts receive both executive-level oversight and the input of a variety of internal stakeholders. Dimensional continually looks for opportunities to enhance the effectiveness of our governance structures and processes in supporting our stewardship efforts. In 2020 we added to our dedicated Investment Stewardship Group headcount and in early 2021 we added a representative from Dimensional UK to the Investment Stewardship Committee responsible for overseeing Dimensional’s stewardship efforts.

Dimensional’s stewardship efforts are integrated into our overall investment process and involve members of our dedicated Investment Stewardship Group as well as portfolio managers and other members of our investment team. These efforts are overseen by our Investment Stewardship Committee, which includes Dimensional directors and executive officers. Consistent with our global, team-based investment management approach, we leverage investment personnel across Dimensional to implement our global stewardship process. These include personnel of Dimensional affiliates based in North America, Europe, Australia and Asia. Coordinating and sharing information across entities allows us to speak and act consistently. Therefore, although this Report pertains to Dimensional UK, the processes and information described herein apply equally to stewardship activities performed by Dimensional US and other Dimensional affiliates.

The current structure of Dimensional’s Investment Stewardship Group goes back over a decade. Building on this strong base, we have expanded our team over the last three years, focusing on adding people with a range of skills and backgrounds, representing diverse fields such as corporate governance, investments, law, and economics.

The stewardship function at Dimensional is overseen by the following groups:

- **The Investment Committee** is responsible for setting Dimensional’s proxy voting policy and guidelines for voting and overseeing each Dimensional entity’s proxy voting process. The Investment Committee has formed the Investment Stewardship Committee as described below.
- **The Investment Stewardship Committee (the “Committee”)** is responsible or recommending changes to Dimensional’s proxy voting policy, considering complex proxy voting cases, and overseeing the Investment Stewardship Group. In January 2021, we added a Senior Portfolio Manager from Dimensional UK to the Committee, bringing the total number of Committee members to twelve.

- **The Investment Stewardship Group** implements stewardship efforts by conducting engagements, instructing proxy votes, and may make recommendations to the Committee on potential enhancements to the firm's stewardship policies, procedures, and operations. During 2020 we hired two additional dedicated stewardship professionals, bringing the total membership of the Stewardship Group to 4.
- **Stewardship-Focused Portfolio Management Professionals** provide the Investment Stewardship Group with insight into region-specific investment and client considerations that may impact our stewardship activities, as well as undertake engagements with our portfolio companies around the globe. Currently, fourteen portfolio management professionals in six offices assist with stewardship efforts.

Global Stewardship Activities

Global stewardship activities are supported by a global staff of over 30 in seven offices and cover thousands of portfolio companies across more than 40 countries.



- THE INVESTMENT COMMITTEE
- THE INVESTMENT STEWARDSHIP COMMITTEE
- THE INVESTMENT STEWARDSHIP GROUP
- STEWARDSHIP-FOCUSED PORTFOLIO MANAGEMENT PROFESSIONALS:

The Investment Committee

Responsible for setting Dimensional's proxy voting policy and guidelines for voting and overseeing each Dimensional entity's proxy voting process.

The Investment Stewardship Committee

Responsible for recommending changes to Dimensional's proxy voting policy, considering complex proxy voting cases, and overseeing the Investment Stewardship Group.

The Investment Stewardship Group

Implements stewardship efforts by conducting engagements, instructing proxy votes, and making recommendations to the Committee on potential enhancements to the firm's stewardship policies, procedures, and operations.

Stewardship-Focused Portfolio Management Professionals

Provide the Investment Stewardship Group with insight into region-specific investment and client considerations that may impact our stewardship activities, as well as undertake engagements with our portfolio companies around the globe.

The membership of the Investment Stewardship Committee reflects the involvement of our global senior leadership in stewardship matters as well as the importance of bringing a variety of internal stakeholders to the table. Both the Co-CEOs and Executive Chairman of Dimensional US, our parent company, serve on the Committee, alongside members of the board of directors of the general partner of Dimensional US (who are leading academics in the field of financial economics) and senior members of the global portfolio management team, including Dimensional's global Head of Responsible Investment and global Head of Investment Stewardship.

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

In 2020, the Committee:

- Recommended revisions to Dimensional's proxy voting policy (see Principle 5 for more detail on the formulation of our policy).
- Reviewed votes involving either an actual or potential conflict of interest (see Principle 3 for details on the management of conflicts of interest).
- Approved the purchase of additional data for use in engagement and voting (see Principles 8, 9, and 12 for a discussion of how data is used in various parts of our stewardship process).
- Approved voting in additional countries for certain funds (see Principle 12 for more details on the considerations involved in voting proxies).
- Oversaw due diligence on the capacity and competency of our proxy advisors (see Principle 3 for details on the management of conflicts of interest and Principle 8 for more information on the oversight of proxy advisors).
- Reviewed and discussed an annual report on Dimensional's voting activities for the year, including the frequency with which Dimensional voted against management on management and shareholder proposals.

As noted above, senior members of the portfolio management team serve on the Committee. This is important as Dimensional views stewardship as part of the investment process. Therefore, we believe it is important to have integration and coordination across portfolio management. To this end, Dimensional's Head of Responsible Investment and Head of Investment Stewardship work together with the portfolio management team to incorporate stewardship throughout the portfolio management process. For more information, see Principle 7.

The Heads of Responsible Investment and Investment Stewardship also worked closely together during the reporting year to develop comprehensive multi-day training for members of portfolio management and client-facing teams. This training covers ESG broadly, with more in-depth topics for select individuals. This training will be required for most of our firm's client-facing and investment personnel and participants will be assessed on their readiness to discuss Dimensional's approach following the course.

Several members of the global portfolio management team, in addition to their portfolio management responsibilities, have been designated as stewardship specialists and work closely with the Head of Investment Stewardship on Dimensional's stewardship priorities. These individuals use their local market knowledge to supplement the efforts of the Investment Stewardship Group by conducting engagements, making voting recommendations, and monitoring regulatory developments and industry trends. Other members of the portfolio management team as well as our Investment Analytics and Data team use their data and technical skills to work with the Investment Stewardship Group to integrate portfolio management and stewardship data and build tools to increase the effectiveness of Dimensional's stewardship activities. These members of the portfolio management team report to Portfolio Management department leadership in their offices, with oversight and coordination from the Deputy Head of Portfolio Management North America and the Head of Responsible Investment. Part of the variable compensation for these individuals is based on an assessment of their performance and reflects their contributions to Dimensional's stewardship activities.

The Investment Stewardship Group, a dedicated group of professionals tasked with implementing Dimensional's stewardship priorities, resides within the portfolio management team. Members of the Investment Stewardship Group receive specialized training and are compensated based on the effective performance of their duties which include oversight, execution, and enhancement of Dimensional's stewardship policies, procedures, and operations. These individuals report to the Head of Investment Stewardship, who represents the Group on the Committee and reports to the Chair of the Committee.

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

See Principle 1 for more details on the steps Dimensional is taking to create a more diverse and inclusive organisation.

PRINCIPLE THREE

**Conflicts
of Interest****Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first**

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

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

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

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

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

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

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

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

During 2020, there were certain occasions when voting decisions were escalated to the Investment Stewardship Committee due to an actual or potential conflict of interest being identified. The majority of such potential conflicts of interest concerned proposals to elect directors to the boards of portfolio companies that were prospective clients of Dimensional. After a thorough review of the proposal, including a consideration of the overall corporate governance profile of the company, and consultation among the members of the Stewardship Group and certain Stewardship Committee members, it was proposed to vote in favour of the proposed directors at all but one portfolio company. In respect of one portfolio company, it was proposed to vote against the director seeking election. On each occasion, Dimensional presented the facts concerning the proposal to the full Investment Stewardship Committee and obtained prior approval from the full Committee to proceed with the proposed vote pursuant to the method outlined for handling conflicts issues in the proxy voting policy and procedures.

To assist with internal evaluation of proxies and operational processing of proxy voting, Dimensional utilises services from leading third-party proxy advisory firms. Dimensional monitors the services provided by these proxy advisory firms to consider whether they (a) have the capacity and competency to adequately analyse proxy issues and provide the proxy voting services they have been engaged to provide, and (b) can make their recommendations in an impartial manner, in consideration of the best interests of Dimensional's clients, and consistent with Dimensional's voting policies. Monitoring of proxy advisory firms includes, amongst other things, a review of those aspects of the proxy advisory firm's policies, procedures, and methodologies for formulating voting recommendations that Dimensional considers material to the services provided to Dimensional, including those relating to the proxy advisory firm's efforts to identify, address and disclose actual or potential conflicts of interests. Dimensional also requires that proxy advisory firms notify Dimensional if there is a substantive change in their policies and procedures, including with respect to conflicts of interest.

PRINCIPLE FOUR
**Promoting
 Well-Functioning
 Markets**

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

Dimensional's Approach to Risk Management

Dimensional has adopted a firmwide, integrated risk management approach. Risk management has long been a key component of Dimensional's operational and investment processes. At the core of our approach, the Board of Directors of the general partner of Dimensional US is responsible for overseeing risk policies and assessments. The Board has delegated important aspects of risk identification, policy implementation, and oversight functions to the Global Risk Review Committee ("Global Risk Committee"). In addition, there is a separate Global Operational Risk Committee. Dimensional's Head of Risk Management oversees the risk management program and chairs both committees. These teams work closely with Dimensional's global and local Investment Committees, Portfolio Management and Investment Stewardship groups, as well as with Dimensional's Compliance group to manage risk firmwide.

- **The Global Risk Committee**, which includes the Co-CEOs of Dimensional US along with other senior management personnel, has as a key objective the review and evaluation of risks, including marketwide risks, systemic risks and emerging risks. The Global Risk Committee reviews risk reports, considers risk priorities, helps to evaluate broader risk monitoring and control measures, and analyzes risks across the global organization in a consistent manner. The Global Risk Committee plays a critical role in communicating information to the boards of Dimensional entities to assist in the boards' decision-making responsibilities.
- **The Global Operational Risk Committee** has been established to support the Global Risk Committee in the oversight of operational risk at Dimensional. The primary purpose of the Global Operational Risk Committee is to provide a forum for risk identification through involvement of a separate cross-section of the firm that may be able to identify risks relevant to day-to-day operations and serve as risk and control advocates for their departments. Additional areas of risk that are identified by the Global Operational Risk Committee may then be reported to the Global Risk Committee for consideration. The Head of Risk Management chairs the committee and reports to the Global Risk Committee on the discussions of risks identified by the Global Operational Risk Committee.
- **Regional Risk Committees** in Singapore, Sydney, London and Tokyo perform a similar function as the Global Risk Committee with a focus on local issues and regulatory requirements related to risk management.

Broadly, these groups, working with firm leadership and teams across Dimensional's business and investment units, address Dimensional's risk management efforts across investment, operational, and regulatory risk.

To accommodate the fluid nature of risk management, Dimensional has an Enterprise Risk Management Framework, which creates a system for Dimensional to recognise, analyse, and take appropriate action on identified risks. The Framework is based in part on various global risk management standards and is intended to provide a construct for how Dimensional manages its risks in accordance with its stated risk appetite and in pursuit of its business objectives and opportunities.

Once a risk is identified, assessed and measured, the risk is classified according to three risk groupings: strategic, investment and operational. These risk groupings are further broken down into risk categories and risk areas, collectively comprising Dimensional's Risk Taxonomy. Classification of risks is an important tool in helping Dimensional review and discuss risks and aggregate similar risks. The Risk Taxonomy is subject to ongoing review and adjustment as business conditions and the associated risks change. The Risk Taxonomy considers strategic risks that arise from external issues or events. Systemic risks such as climate change, social responsibility or geopolitical risk are considered to the extent they have a near-term impact on Dimensional's strategic objectives.

Dimensional actively participates in the Investment Company Institute's Chief Risk Officer Forum and the Global Association of Risk Professionals' Buy Side Risk Managers Forum. These forums regularly include presentations and discussions on climate risk and other global systemic risks.

Managing Investment Risks

One of Dimensional's core investment beliefs is that markets take all risks—whether idiosyncratic risks or systemic risks—into account in setting prices for securities. Put another way, risk and return are related. We seek to address idiosyncratic risks by using broad diversification in all of our strategies. For this reason, virtually all of our strategies hold hundreds, if not thousands, of securities, as we believe this approach mitigates idiosyncratic risks associated with individual securities, as well as increases the reliability of expected returns and facilitates cost-effective implementation.

Similarly, with respect to marketwide or systemic risks, we believe that market participants are compensated for taking on exposure to these risks. Strategies that seek to time markets or hedge against marketwide risks are generally unable to successfully outperform the general market over time. For this reason, our strategies generally remain fully invested so that market premiums are more reliably captured. With that said, we also recognize the importance of monitoring systemic risks, and we seek to identify and monitor those risks where possible. For instance, our Investment Committee regularly reviews risks related to liquidity, counter party exposure, as well as other market-related risks.

We believe the aforementioned approach has served our clients well. Over the four decades that Dimensional has been managing assets, we have sought to continue to meet the needs of our clients, particularly during times of market stress. We believe our systematic approach, that seeks to remain fully invested across broadly diversified strategies, has provided a competitive advantage over other approaches.

Stewardship During the COVID-19 Pandemic

Dimensional's stewardship activities have continued throughout the COVID-19 pandemic. While there were some immediate, practical adjustments due to the pandemic—such as the shift to virtual shareholder meetings—Dimensional continued to focus on our stewardship priorities as well as incorporate additional considerations specific to the impact of COVID-19 in our ongoing engagements and in setting stewardship priorities for 2021. In 2020, over 175 of our engagements addressed some aspect of COVID-19, including the impact on employee health and safety practices, changes to remuneration plans, and the adoption of anti-takeover devices.

Since the outbreak of COVID-19, we have observed a marked increase in the number of poison pills adopted at portfolio companies. Dimensional believes that market prices are real-time and forward-looking, and therefore that current valuations are fair estimates of value. Dimensional also believes that the market for corporate control, which can result in acquisitions at a premium to current valuations, is beneficial for shareholders and should be able to function without undue restrictions. Takeover defenses such as poison pills can lead to board entrenchment and reduced accountability at the board level. Dimensional has long viewed the adoption of poison pills without shareholder approval as not in line with shareholder interests. In 2015, for instance, Dimensional conducted a portfolio company letter campaign addressing the issues of poison pills.

Climate Change

Dimensional's investment approach is grounded in scientific and economic theory and backed by decades of empirical research. We have a history of working with and learning from experts in various fields to understand the issues that are relevant to investing and investors. Dimensional has conducted research to explore whether ESG-related risks are reflected in market prices, including performing research on the relationship between greenhouse gas emissions and expected return, and surveying academic research and consulting with industry and academic experts on climate change and carbon risks.

We believe that some issues, such as climate change, have the potential to impose significant costs on current and future generations. We base our approach to climate change issues on scientific foundations, and this has led us to spend a significant amount of time and effort understanding the drivers of climate change and developing and analyzing data related to climate change, in particular, on carbon emissions and fossil fuel reserves. We believe that material, company specific risk and broad systematic risks that can impact the economy are priced by capital markets. These risks include both physical and transitional risks associated with climate change. As with other material risks, it is important for management and boards to have oversight of material

climate change risks to their business and to provide adequate disclosure of such risks to shareholders. One focus of our research has been improving our understanding of climate change related disclosures. These metrics tend to be correlated with the types of firms that are typically referenced as being sensitive to the physical or transitional risks of climate change.

We engage with climate scientists and experts in related fields to understand the science and drivers of climate change and the challenges related to ESG data. Over the past decade, we have innovated processes that allow us to systematically integrate ESG data, such as emissions data, into our investment process for dedicated sustainability strategies. In addition, through our stewardship efforts, we seek to demand that portfolio company boards address material risks presented to their business by climate change because doing so effectively can protect and enhance shareholder value.

Dimensional continues to engage with researchers, data providers, and regulators to improve our understanding of these issues and to advocate for tools that can help market participants understand such risks. One example of this is our support for the Taskforce for Climate-Related Financial Disclosure, which we believe reflects the need for better and more consistent disclosures on climate related issues.

Industry Participation and Public Policy Advocacy

As a global investment manager, Dimensional leverages its position to engage with our peers, regulators, industry groups, and business service providers on a variety of topics related to risk identification and risk management. We also seek to promote governance best practices that we believe can benefit investors through wider adoption by participating in industry group, events and surveys. Additionally, we look for opportunities to improve internal processes through our participation in industry events and from our own research efforts. We regularly participate in discussions through our membership in organizations and participation in working groups and roundtables. For more information, please see response to Principle 10. Dimensional also looks for opportunities to engage directly with regulators, such as engagements with US regulators related to a proposed pilot program to delay reporting of certain bond transactions in TRACE. Dimensional highlighted in our letter to the regulator that our research indicated that delayed reporting would be harmful to everyday investors and create information asymmetry in the market without improving overall liquidity.

Engagement with Policy Makers

Dimensional engages with regulators, policy makers, and advocacy groups on key stewardship issues in order to advocate for practices and market structures that we believe promote well-functioning markets that benefit investors' best interests.

Through these advocacy efforts, we believe we can encourage positive developments that will benefit our clients and investors around the world. In addition to our engagement with the US Securities and Exchange Commission (SEC) (detailed below), in 2020 we also participated in surveys with NASDAQ and the Malaysian Stock Exchange on ESG disclosure and practices.

Proxy Advisor Letter (SEC)

In November 2019, the SEC proposed amendments to the rules governing proxy advisors. The stated goal of the proposed amendments was “to help ensure that investors who use proxy voting advice receive more accurate, transparent, and complete information on which to make their voting decisions.” (<https://www.sec.gov/rules/proposed/2019/34-87457.pdf>) This rule was aimed primarily at the ability of issuers to obtain and comment on proxy advisor research.

Dimensional submitted a letter to the SEC raising concerns with the part of the proposal which would allow issuers to review and comment on a proxy advisory firm’s draft advice before proxy advisory firm clients, like Dimensional. One of our primary concerns was that the proposal, if adopted, could undermine the delivery of accurate, transparent, and complete proxy voting advice without undue delay or cost to firms like Dimensional. Ultimately, this could lead to a diminished voice for investors and less rigorous oversight of management at issuer companies. Dimensional also echoed concerns raised by the SEC Investor Advisory Committee that such a review framework could risk the independence of proxy voting advice provided by proxy advisors. Finally, Dimensional also raised concerns that proposed changes would increase the cost of proxy advisory services, which would be detrimental to investors.

The SEC released its final rules on July 22, 2020. We were pleased to see that the final SEC rules provide for the release of research to companies and proxy advisor clients at the same time, rather than requiring prereview by issuers. We believe this concurrent review will allow clients to continue to receive independent and timely research.

PRINCIPLE FIVE
Review and Assurance

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

Proxy Voting Policy

Our proxy voting policies are developed by our Investment Stewardship Committee and updated at least annually, taking into account information from academic research, industry participation, client feedback, and portfolio company engagement. The guidelines are subject to annual review and approval by the Investment Stewardship Committee, the Dimensional Fund Advisors LP Investment Committee, as well as the board of Dimensional UK.

Specific steps involved in developing our proxy voting policies may include:

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

In 2020, following discussions with internal stakeholders, clients, proxy advisors, and portfolio companies, Dimensional updated its proxy voting policy to provide more transparency on i) our approach to board refreshment, assessment, and diversity and ii) our expectations for disclosure of the management of environmental and social risks.

Dimensional’s Compliance team has established and maintains a risk-based compliance monitoring program, which includes a periodic review of proxy voting activities, policies, and procedures. Output of the compliance monitoring program is presented to various boards and committees, including Dimensional UK’s Compliance Committee. Additionally, Dimensional UK’s Compliance Committee is informed of and discusses recent errors or incidents on a monthly basis. If issues were noted as part of the compliance monitoring program, they would be reported and discussed at these meetings on an ad hoc basis.

Engagement Practices

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

In 2020, the Investment Stewardship Committee:

- Approved the purchase of data from SASB and ISS ESG to assist in monitoring material environmental and social risks at portfolio companies and related oversight and disclosure. By incorporating this data into the processes used by the Investment Stewardship Group to identify and prioritize engagement opportunities, Dimensional is better able to target companies with poor oversight and disclosure of material environmental and social risks for engagement.
- Approved two portfolio company letter campaigns, one on board assessment and refreshment and one on board oversight of climate change risk.

Stewardship Reporting:

Dimensional publishes an Annual Global Stewardship Report that includes statistics related to engagement and proxy voting as well as case studies, activities, and outcomes.

Following our inaugural Annual Global Stewardship Report in late 2019, Dimensional solicited feedback from internal and external stakeholders and made a number of enhancements to our Annual Global Stewardship Report for 2020, including greater focus on the outcomes of our stewardship activities and our approach to environmental and social issues. We include examples where our stewardship activities were unsuccessful as well as examples where we believe companies have made positive changes. To make our report understandable to a wide audience, we involve non-subject matter experts in the development of the Annual Global Stewardship Report. The report is reviewed by Dimensional's global Co-CEO, Legal and Compliance, and approved by a group which includes the heads of Research, Investment Solutions, and Responsible Investment. The report was published in October 2020 and is available [here](#).

PRINCIPLE SIX
Client and
Beneficiary
Needs

Investment Approach

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

Dimensional is a global investment firm with a commitment to clients that spans nearly forty years. Dimensional has developed a wide array of investment solutions to help address investment challenges for our clients around the globe.

Dimensional's clients include commingled funds and other institutional investors such as pension and sovereign wealth funds for whom Dimensional manages segregated accounts. Dimensional may also provide sub-advisory services to other advisors. Dimensional's commingled funds are recommended to investors by independent financial advisors. Dimensional generally does not have retail clients. Dimensional UK's clients are primarily based in the UK. In 2020, other regions where Dimensional UK worked with clients included, the European Economic Area and Switzerland.

Dimensional has developed an array of investment solutions across a broad range of asset classes and geographic regions, all based on a single philosophy and implemented through an integrated, process driven approach.

Data as of 31 December 2020 (GBP Millions)

Balanced	2,831.9
Commodities	3.4
Developed ex US Equities	2,654.4
Emerging Market Equities	3,994.9
Fixed Income	8,100.0
Global Equities	9,428.0
REIT-Global	6.8
REIT-US	20.1
US Equities	476.0

In general, Dimensional's equity strategies are designed for cost-effective implementation of broadly diversified portfolios that are consistently exposed to securities with higher expected returns—securities with smaller market capitalizations, lower relative price and higher profitability. Securities with these characteristics have been shown to outperform over longer periods of time. As the probability of realizing outperformance increases with the investment horizon, we generally hold securities for long periods of time—usually for four or more years. This approach also decreases turnover costs for our clients and positions us to integrate environmental, social, and governance (ESG) considerations in a manner consistent with helping investors achieve their long-term goals. We therefore emphasize the benefits of a long-term investment horizon with our clients. Similarly, our fixed income strategies are designed for cost-effective implementation of broadly diversified portfolios that are consistently managed using information in yield curves and credit spreads. Research has shown that using this approach consistently over time increases the reliability of better outcomes for our clients. We believe these approaches are further validated by our long-term track record managing equity and fixed income strategies.

Dimensional's goal is to be trustworthy, transparent, and a reliable fiduciary for our clients. We strive to be transparent in our efforts to promote good corporate governance practices, both through a sensible investment stewardship philosophy and regular public reporting. On our public website, we provide a database of Dimensional's proxy voting records searchable by individual item, portfolio, and issuer (<https://eu.dimensional.com/en/about-us/investment-stewardship>). We also publish an Annual Global Stewardship Report, which summarizes stewardship activities, priorities, and ongoing initiatives in order to inform clients of our holistic approach to investment stewardship. We welcome feedback from clients on this report, and we plan to incorporate suggestions into our ongoing efforts to enhance the report each year.

Dimensional offers sustainability portfolios in various asset classes that are designed to offer a transparent and measurable approach to help investors reduce the exposure of their investments to greenhouse gas emissions and potential greenhouse gas emissions from fossil fuel reserves. Dimensional's sustainability portfolios, in addition to promoting good corporate governance practices as described above, incorporate environmental considerations important to many sustainability-minded investors.

Dimensional frequently engages with financial advisers, wealth managers, consultants, and other stakeholders to understand their needs as well as to further enhance our understanding of ESG in the industry. For example, in 2020 Dimensional ran a structured survey of 14 EMEA based consultants and institutions where we conducted in-depth interviews to understand their ESG priorities and how Dimensional can best help them achieve their sustainability goals. In 2015, we established the Dimensional Sustainability Council, a group of consultants and wealth managers not affiliated with Dimensional whose clients have a specific focus on sustainability. The Dimensional Sustainability Council continues to meet with Dimensional to discuss evolving investor

expectations around sustainability, and their insights have helped inform the sustainability focus of Dimensional's commingled sustainability funds. In 2021, Dimensional plans to establish an EMEA Sustainability Council to further improve our understanding of local client expectations around sustainability issues.

In addition, Dimensional regularly communicates with clients, financial advisers and wealth managers on both stewardship and investment activities and outcomes through meetings, conferences and reports. For example, during 2020, portfolio managers conducted over 270 meetings with clients, financial advisers and wealth managers. Topics often included portfolio design, investment performance and reporting on investment stewardship activities. In February and April 2020 Dimensional also ran a series of six regional conferences on ESG investing for financial advisors and wealth managers which incorporated a dedicated session on investment stewardship activities. In November and December 2020 Dimensional hosted an ESG webinar series for EMEA-based clients, consultants, financial advisers and wealth managers with dedicated sessions on ESG data, ESG research and investment stewardship activities.

For Dimensional's sustainability strategies, we provide public, quarterly reporting on both the greenhouse gas emission intensity of each portfolio and the potential emissions from fossil fuel reserves at the portfolio and industry sector level, relative to their benchmarks. Dimensional's equity sustainability strategies also evaluate environmental proxy proposals in a manner consistent with their stated sustainability objectives. A record of these votes, and an explanation if the vote was a dissent, are provided on the Investment Stewardship section of Dimensional's public website.

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

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

Dimensional integrates environmental, social, and governance (ESG) considerations into broadly diversified, value-added systematic investment solutions. Consistent with our investment approach, we focus significantly on science and data to help inform our investment activities, including from an ESG perspective. We see this as particularly relevant to ESG considerations as we believe there is a lack of consensus in the industry about the materiality of specific ESG factors and the role they should play in an investment strategy. For this reason, we spend a significant amount of time and effort to analyse ESG data to determine how ESG considerations might be used for risk management purposes as well as potential relationships between ESG considerations and expected returns.

Based on our research, we believe ESG considerations can be useful for risk management purposes. As a result, we undertake a number of ESG-related activities that help inform our investment decision process, including:

- **Security-level reviews.** We review individual securities for structural, governance-related issues such as closely-held portfolio companies and exchange eligibility. Closely-held portfolio companies may not have adequate risk controls to protect the interests of minority shareholders against abusive practices by portfolio company insiders. As a result, we may exclude portfolio companies from eligibility if they are closely-held by portfolio company insiders. We also assess exchange listing requirements against certain standards, for example, accounting standards and level of shareholder protection offered. We may exclude portfolio companies from eligibility if they are listed on exchanges whose listing requirements fail to meet these standards. In calendar year 2020, we reviewed approximately 4,000 equity securities as part of this process.
- **Daily News Checks.** As part of our investment processes, we have been running newschecks on securities in our eligible universe for several decades. During the reporting year, the Heads of Responsible Investing and Investment Stewardship worked with members of the Portfolio Management and Investment Stewardship teams to continue to enhance our daily newscheck process, which helps identify companies involved in significant controversies, including ESG-related controversies. If we believe it is likely that these controversies may have a material impact on a portfolio company's financials, we may temporarily exclude these portfolio companies from purchase and may also refer the portfolio company to our Investment Stewardship team for engagement to determine whether the portfolio company has appropriate risk oversight over the issue. Examples of ESG controversies include, but are not limited to, those related to worker safety, environmental impact, consumer lawsuits and fraud.

We believe the foregoing activities benefit our clients by helping to reduce risk in our portfolios. We also believe that governance activities have the ability to enhance returns which in turn may benefit our clients. For instance, by helping companies improve their governance practices, we expect that companies may benefit from higher valuations resulting from a combination of increased cash flows or lower discount rates being assigned by the market.

We also integrate our portfolio management activities with our proxy voting, so that we are better able to exercise our proxy voting in a manner that we believe maximizes returns for investors. For instance, our Portfolio Management team works closely with the Investment Stewardship team on corporate actions, particularly those related to mergers and acquisitions. The Investment Stewardship team and Portfolio Management team exchange information on these types of corporate actions, which is then considered for both proxy voting and investment decision making purposes.

We have also spent a significant amount of time and effort on sourcing and developing ESG data. We regularly assess new ESG data vendors as well as monitor existing vendors for new ESG data that may be used either in our investment processes or by our research department. We may purchase similar data from multiple vendors to compare and validate datasets and we also develop our own proprietary data from various sources of information. In addition, our research department conducts internal research on the relationship between ESG considerations and expected returns as well as reviews third-party research on this topic. This research extends to both equity and fixed income securities. In 2020, we added an additional vendor for climate-related data and incorporated SASB data into our engagement process. In general, we have over 20 personnel regularly involved with daily processing of ESG data and portfolio management ESG-related processes.

In addition, for clients interested in incorporating specific social and environmental criteria that are not already integrated into our standard investment approach, we offer dedicated strategies that incorporate an additional level of ESG integration. As an example, for strategies focused on environmental concerns, we have spent significant effort engaging with climate scientists and data experts to better understand the primary drivers of climate change and to inform the design of investment portfolios with higher exposure to portfolio companies with less environmental impact. Based on these engagements for these strategies, we address climate change issues by focusing primarily on reducing exposure to portfolio companies with high levels of greenhouse gas emissions intensity and fossil fuel reserves, including reducing exposure to portfolio companies with coal exposure.

As part of our continuing process to assess the potential use of ESG criteria in our investment process, we regularly analyse and evaluate ESG issues and available ESG data. Depending on the outcome of this analysis, we may use ESG criteria to exclude securities from purchase in specific strategies or use ESG criteria in our stewardship efforts. During 2020, we evaluated methane emissions, board diversity, and levels of corporate disclosure on climate and other material risks, among other ESG issues.

Our integration of ESG considerations does not end once we purchase a security. Rather it is only the beginning, as we are often long-term holders and have a long investment time frame in which to exercise our active ownership activities. From an ESG standpoint, our investment stewardship approach advocates for improved portfolio company oversight of material ESG-related risks, which we consider may benefit clients and/or beneficiaries by leading to improved realized returns through higher future cash flows to shareholders or a lower discount rate applied by the market. Furthermore, we track our engagements on ESG issues and follow up with portfolio companies on outcomes. If we believe that portfolio company boards have not adequately addressed shareholder concerns, we may determine to exercise our proxy votes against the appropriate board members. See Principle 11 for examples. While rare, on occasion where companies have not been willing to engage and communicate with us, our Investment Committee will consider this lack of communication and may take further action, such as divesting from their securities.

PRINCIPLE EIGHT
Monitoring
Managers
and Service
Providers

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

Proxy Advisory Firms

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

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

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

Each year, we provide our Investment Stewardship Committee with a report on the outcome of our monitoring efforts. For 2020, these efforts included:

- On a monthly basis, Dimensional conducted pre-and-post vote analysis to confirm that votes were cast in line with Dimensional’s custom proxy voting policy and account set-up instructions.
- Dimensional required that each proxy advisory firm complete a due diligence questionnaire that Dimensional had developed to evaluate their capabilities and performance. Dimensional also conducted a due diligence meeting with each proxy advisory firm to review the firm’s policies and procedures, with a particular focus on those relating to identifying and addressing conflicts of interest and ensuring that current and accurate information is used in creating recommendations, as well as the firm’s compliance with relevant regulatory regimes, including the European Union Shareholder Rights Directive II.
- Dimensional participated in ISS’s annual policy formulation processes, including a roundtable on executive compensation issues related to the ongoing COVID-19 pandemic.

ESG Data Providers

Dimensional leverages Environmental, Social, and Governance (ESG) data from a number of vendors for use in our stewardship, portfolio management, and research activities. These vendors include MSCI, ISS, Standard & Poor's (S&P), Trucost, Bloomberg, and Sustainability Accounting Standards Board (SASB), from whom Dimensional procures various data sets. These ESG data sets include raw metrics such as greenhouse gas emissions, total potential emissions, coal utilization, revenues earned from alcohol production, revenues earned from tobacco production, etc by issuer. Additionally, Dimensional receives scoring metrics such as child labour controversy scores, involvement in the production of cluster munitions, sustainability focused industry codes, and other related measures by issuer.

Vendors deliver updates to their respective data sets on monthly or quarterly basis, depending on the data set. Dimensional's Investment Analytics & Data team (part of the Research function) handles the integration and curation of these data sets within our internal systems, as well as the integration of data sets into the portfolio construction process. This team actively monitors data quality through a variety of automated validations, including period to period data changes, comparisons of data between multiple vendors, and more manual quality assurance mechanisms.

Issues which surface in the quality controls are escalated to the relevant vendors, as necessary, and tracked through remediation. Strong relationships with these vendors result in their being responsive to Dimensional's requests as well as continual improvements with respect to service levels and data quality.

As part of our monitoring of our ESG data and service providers, in 2020 Dimensional:

- Loaded tens of thousands of data records into our internal data systems each month.
- Derived data points to classify each portfolio company in the equity and fixed income universes according to various metrics (e.g. Greenhouse Gas (GHG) scores per revenue within industry).
- Escalated over 150 individual data exceptions to our service providers for review and correction.
- Evaluated multiple potential new data sets and vendors to fulfil client demand, provide new portfolios, and/or formulate new research.

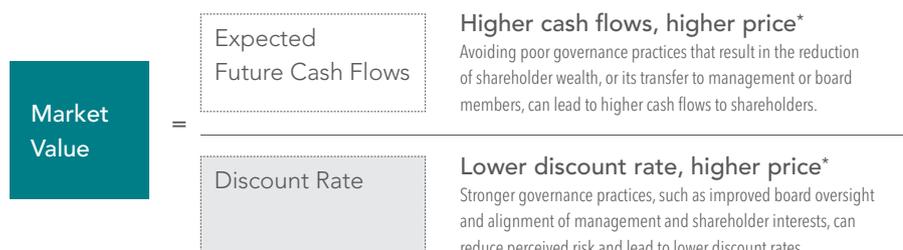
PRINCIPLE NINE
Engagement

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

Dimensional engages with company management and board members at portfolio companies through phone calls, in person meetings, or written correspondence². Dimensional’s engagement efforts are conducted by members of Dimensional’s Investment Stewardship Group located in the US and London as well as stewardship-trained portfolio management professionals located in London, Tokyo, Singapore, and Sydney. Engagements are divided amongst offices based on the location of the portfolio company; however, each office uses the same engagement framework and follows the same practices and processes. Generally, when conducting an engagement, Dimensional represents the interests of all of the equity portfolios it manages.

The issues discussed vary by company, but frequently include compensation, anti-takeover provisions, board composition and effectiveness, and material social and environmental risks. Consistent with our belief that corporate governance practices are reflected in price, our engagements efforts are centred on the issues we think are most likely to impact shareholder value. For instance, we frequently engage on executive remuneration and anti-takeover devices because of their impact on expected future cash flows. Similarly, we engage with companies to encourage the adoption of robust policies and procedures for managing risk (including environmental and social risk) and effective board oversight as strong risk management may have a positive influence on the discount rate assigned by the market. The goal of our engagement efforts is to encourage companies to improve their corporate governance in these areas, which may result in increased valuations through a combination of lower discount rates and higher cash flows.

Stronger Governance Practices Can Improve Returns



*All else equal. Not guaranteed.

In 2020, we continued to expand the reach, scope and impact of our engagements. We increased the number of engagements to 647 in 2020, from 584 in 2019, and also added processes to enhance the identification of companies where engagement may be more impactful.

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

Prior to each engagement, Dimensional identifies the specific concerns to be discussed during the engagement. Dimensional's record of the engagement is recorded in a third-party software system. This information is then incorporated into the proprietary database discussed above.

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

Activities and Outcomes

Global Engagement

647

Engagements³

499

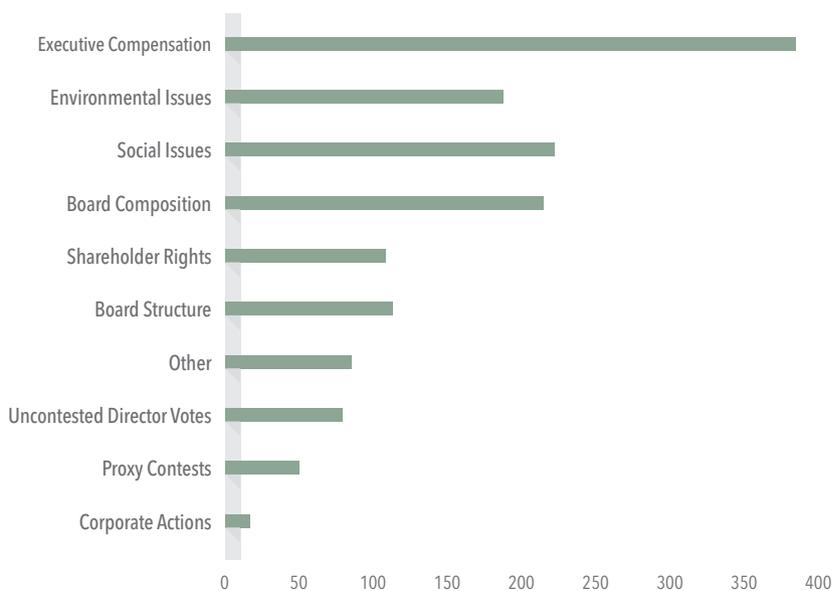
Letters Sent

Dimensional discusses governance matters with portfolio companies to represent client interests; however, Dimensional on behalf of its clients, regardless of such conversations, acquires securities solely for the purpose of investment and not with the purpose or intended effect of changing or influencing the control of a portfolio company. Dimensional engages with shareholders and other dissidents as part of its diligence of specific shareholder proposals.

Company Engagements

Common topics of engagement in 2020 reflect Dimensional's investment stewardship priorities. Executive compensation, board composition, or issues related to oversight and disclosure of environmental and social risks are discussed in more than a third of engagements.

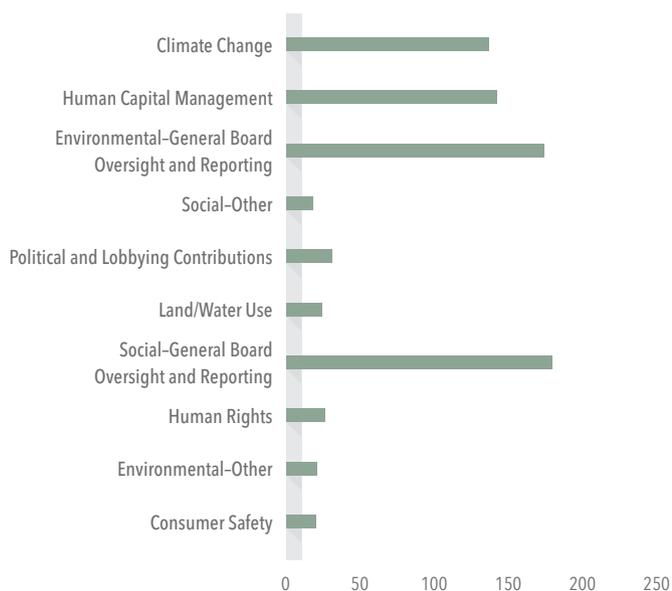
ENGAGEMENTS BY TOPIC



262 Engagements on Environmental and Social Oversight and Disclosure

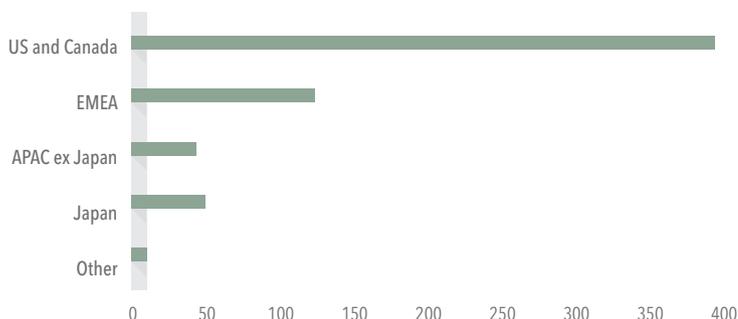
Dimensional held over 100 discussions on climate change and 100 discussions on human capital topics with portfolio companies in proxy year 2020.

ENVIRONMENTAL AND SOCIAL ENGAGEMENTS



Engagements outside of North America represented 35% of total engagements in 2020.

ENGAGEMENTS BY REGION



2020 Letter Campaigns

Board Assessment and Refreshment

CAMPAIGN GOAL: Advocate for disclosure and improvement of board assessment and refreshment mechanisms at companies where practices are not disclosed or may be insufficiently robust.

240

Letters sent to US companies

87

Letters sent to EMEA companies

Climate Change

CAMPAIGN GOAL: Advocate for disclosure of board oversight of climate change risks at companies in industries likely to face physical or transitional risks from climate change.

59

Letters sent to US companies

38

Letters sent to EMEA companies

67

Letters sent to APAC companies

8

Letters sent to companies in other regions

Note: Engagements may cover multiple topics. Total number of topical discussions will exceed total number of portfolio company discussions due to many discussions covering multiple stewardship topics.

Engagement with Digital Realty⁴

Goal

Understand the portfolio company's response to a letter campaign we conducted in late 2019 and its approach to disclosure of board oversight of political and lobbying and spending.

Background

As part of Dimensional's letter campaign, we contacted Digital Realty, a US REIT, in order to raise our concerns about their current practices and disclosures related to political lobbying and oversight. We believed that shareholders would benefit from improved disclosure on this issue in order to evaluate whether there was appropriate oversight of these expenditures.

Engagement

In June 2020, Dimensional engaged with Digital Realty in order to discuss the letter and any progress the company had made in responding to the concerns we voiced related to political and lobbying expenditure oversight. The company noted that their Investor Relations team had shared the letter with senior executives. The company agreed that the policy and spending related to these activities should be overseen by the board.

Outcome

The company added specific language in its 2020 proxy statement stating that the board adopted a policy that provides a governance framework for the company's contributions. The board has oversight and control of the company's engagements with federal, state, and local governments in the US on public policy issues essential to their business.

The company shared with Dimensional that this new disclosure and the adoption of this policy around oversight was in direct response to Dimensional's letter.

Board Assessment and Refreshment Letter Campaign

Goal

Advocate for disclosure and improvement of board assessment and refreshment mechanisms at portfolio companies whose practices are not disclosed or may be insufficiently robust.

Background

In March 2020, Dimensional sent letters to portfolio companies regarding their board refreshment process. The campaign covered portfolio companies based in the US and Europe. Dimensional sent out two rounds of letters: the first to companies that lacked, or failed to disclose, a board assessment process, and the second addressing companies with comparatively weak assessment practices. The letters encouraged companies to improve disclosure and mechanisms related to board assessment and refreshment.

Outcomes and Observations

Dimensional received a range of responses from portfolio companies that received letters as part of this campaign. In some cases, companies expressed a willingness to consider our policies and priorities, as they evaluate their own practices. For example, one company said that they would be changing their director evaluation process from bi-annual to annual. In the case of companies who were not responsive to our concerns, we will continue to monitor their practices and policies with regards to board assessment and refreshment and consider future voting action.

126 Letters

Round 1

Addressing Lack of Disclosure

Dimensional sent 126 letters to portfolio companies in the US and Europe without disclosure on their refreshment process or without assessment.

201 Letters

Round 2

Addressing Insufficient Mechanisms

Dimensional sent 201 letters to portfolio companies in the US and Europe with the least rigorous mechanisms.

Greenhouse Gas Emissions Shareholder Proposal at Total SE

Goal Assess the portfolio company’s current handling of risks from greenhouse gas emissions and determine whether additional disclosure is necessary.

Background Total SE, a French oil and gas company, received a shareholder resolution requesting an amendment to the portfolio company’s articles of association to disclose greenhouse gas (GHG) emissions in line with the Paris agreement. The portfolio company recognizes climate change as a material risk in its annual financial report.

Voting Considerations

Current Portfolio Company Efforts
Current Disclosures
Board Oversight of Climate Risks

Engagement Dimensional engaged with the Total SE to discuss the portfolio company’s opposition to the shareholder proposal. The portfolio company shared that it has board-level oversight of climate issues through its Strategy and Corporate Social Responsibility Committee and discloses its Scope 1, 2, and 3 emissions, as well as a carbon intensity measure. Further, the portfolio company has recently announced that it intends to achieve net-zero emission on its worldwide operations by 2050 (Scopes 1 and 2), achieve carbon neutrality on its production and energy products used by its customers in Europe by 2050 (Scopes 1, 2 and 3), and achieve 60% reduction in the average carbon intensity by 2050.

Outcomes and Observations

After engaging with the portfolio company and reviewing publicly available materials, we believe the portfolio company has disclosed adequate information on the role of the board in overseeing climate change risks. The company also discloses sufficient emissions and carbon intensity metrics. We also considered that the portfolio company had announced plans to reduce emissions to net zero by 2050. In light of these considerations, Dimensional voted against the proposal. The proposal failed to receive majority support.

Shareholder Rights Plan at Synalloy Corporation

Goal

Protect shareholder value by educating board members about our opposition to mechanisms that may block takeover bids that may improve shareholder value.

Background

In April 2020, the portfolio company adopted a shareholder rights plan. The announcement followed several notable events, including the COVID-19 crisis, a decrease in the company's share price, and the nomination of a slate of directors by dissident shareholders. At the time the plan was announced, portfolios and accounts advised by Dimensional held in aggregate approximately 5% of shares outstanding in the company. In June 2020, the company announced ahead of its annual meeting that three management directors would resign, effective after the annual meeting on June 30.

Engagement

Dimensional engaged with the dissident shareholder to discuss the contest, including the impact of the resignation of three management directors, and the shareholder rights plan. Dimensional also engaged with the portfolio company to discuss the contest and to inform them of our proxy voting policy with regard to poison pills adopted without shareholder approval. We shared that, in addition to voting against directors at firms who adopt poison pills, we may also vote against those directors at other portfolio company boards on which they serve.

Outcomes and Observations

The portfolio company terminated the poison pill shortly before the shareholder meeting. Dimensional voted for five of the eight management directors up for election. Dimensional voted against the three management nominees who had committed to stepping down after the meeting. These resignations created vacancies for the dissident nominees. Ultimately, the five management nominees seeking re-election were elected, along with three of the dissident nominees.

PRINCIPLE TEN Collaboration

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

Dimensional is a member of various organizations that work to improve transparency and accountability regarding ESG issues by both investors and portfolio companies. Dimensional is also a signatory to the United Nations-supported Principles for Responsible Investment, and the Japan Stewardship Code⁵, and a public supporter of the Task Force on Climate-related Financial Disclosures⁶, which is intended to promote consistent climate-related financial risk disclosures by companies. Dimensional is also member of the Council of Institutional Investors (CII), the International Corporate Governance Network, and the Harvard Institutional Investor Forum (HIIF), which are organizations dedicated to promoting good corporate governance, and the Investment Company Institute (ICI), the Global Investment Company Institute, and the UK Investment Association (UKIA), which are industry organizations that represent the interests of investment companies and investment managers and regularly are involved in commenting on the development of new laws and regulations that impact investment companies and issuers including those that relate to ESG issues. Over the last year, Dimensional has participated in a number of working groups, advisory councils, and roundtables hosted by these organizations and others, including:

- **UKIA Working Group on Stewardship Reporting:** During 2020, Dimensional representatives participated in the UKIA's Stewardship Reporting Working Group. The objective of this group was to share current best practices for reporting on stewardship outcomes in light of the implementation of EU Shareholder Rights Directive II and the UK Stewardship Code 2020.
- **CII Corporate Governance Advisory Council:** Dimensional's Head of Investment Stewardship is a member of the CII Corporate Governance Advisory Council for 2020. The CII Corporate Governance Advisory Council provides input to the CII board and staff about CII activities that promote effective corporate governance.
- **HIIF Advisory Council:** Dimensional's Deputy Head of Portfolio Management, North America is a member of the HIIF Advisory Council. The HIIF Advisory Council consists of leading governance officers from the institutional investor community and provides the HIIF with input on events and topics that could add value to the community of investors.
- **SEC Working Groups on Proxy Plumbing:** The U.S. Securities and Exchange Commission (SEC) helped to facilitate the creation of five working groups that are intended to focus on improvements relating to various proxy voting issues. Dimensional personnel are members of the OBO/NOBO Working Group, the Universal Proxy Working Group, the Proxy Distribution Fees Working Group, and the Long-Term Proxy Reform Working Group. Other members include issuers, partners of leading law firms and representatives of proxy service providers, institutional investor industry organizations, other investment managers, and investor communications companies.

- **ICI Proxy Voting Working Group:** In early 2019 and continuing into 2020, the ICI invited Dimensional representatives to participate in a working group that discussed recommendations to be included in written submissions from the ICI to the SEC concerning potential improvements to the proxy voting process. This response to the SEC followed a SEC-held staff roundtable in late 2018 that discussed market participants' views on key aspects of the U.S. proxy system. Examples of topics discussed at the roundtable meeting included proxy advisory regulation, proxy voting mechanics and technology, submission and resubmission thresholds for shareholder proposals, and ways to increase voter participation. In 2020, Dimensional representatives regularly attended working group calls to discuss similar proxy voting issues, including recent proxy voting regulatory changes promulgated by the SEC.
- **Asset Manager Roundtable on European ESG Disclosure Regulations:** A representative of Dimensional UK participates in a monthly call with approximately 10 other asset managers to discuss the interpretation and implementation of the new European ESG Disclosure regulations.
- **ICI ESG Working Groups:** In 2020, Dimensional representatives participated in several working groups facilitated by the ICI that discussed recommendations to be included in written submissions from the ICI to regulators in response to ESG-related proposals in various jurisdictions. As part of these working groups, Dimensional representatives attended numerous calls and provided written comments regarding such proposals. Dimensional representatives also participated in an ICI working group's development of a publication, "Funds' Use of ESG Integration and Sustainable Investing Strategies: An Introduction," that encourages ICI member firms to use consistent terminology when describing their funds' use of ESG integration and common sustainable investing strategies. The working group's objective was to improve the public's understanding of ESG investing and inform those who are interested in ESG investing about the many choices that funds provide.

Dimensional also comments on proposed rules promulgated by the SEC and other regulators regarding corporate governance and other matters to the extent it deems it appropriate. For instance, in February 2020, Dimensional provided the SEC with a comment letter expressing concern that proposed rules regarding proxy advisory firms (particularly the requirement that issuers be given the opportunity to review and provide feedback on draft proxy advice before it is completed) may compromise the independence and timeliness of proxy voting advice, and increase costs for proxy advisory firms, which may then be passed on to their clients.⁷ The final rules issued in July 2020 ultimately did not include the requirement that proxy advisors "pre-review" reports with issuers noted above. This comment letter is discussed in further detail under Principle Four.

In addition, in October 2020 the U.S. Department of Labor (DOL) proposed regulation related to proxy voting and the exercise of shareholder rights by fiduciaries for benefit plans subject to the U.S. Employee Retirement Income Security Act of 1974 (ERISA). Dimensional personnel participated with other members in the industry and representatives of the Investment Company Institute (ICI) in developing the comment letter that the ICI submitted to the DOL to assure that Dimensional's principal concerns were incorporated into the ICI's letter. In the final regulation the DOL addressed many of the concerns expressed in the ICI letter.

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

PRINCIPLE ELEVEN Escalation

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

The escalation strategy used by Dimensional with a portfolio company will vary depending on the facts and circumstances of each case. Escalation may involve i) engagement with portfolio company management and board members, through phone calls, in person meetings, or written correspondence, ii) voting action including voting against directors or for shareholder proposals, iii) internal escalation within Dimensional to the body responsible for investment decision-making (for example, the relevant board or investment committee), and iv) in cases where the issue may be relevant to other portfolio companies, the escalation of concerns to industry groups and regulators.

Dimensional does not have a set list of specific issues that are subject to escalation; however, certain types of portfolio company behaviours are likely to result in escalation. Common reasons for escalation include a lack of responsiveness to concerns raised by Dimensional or other shareholders, sustained poor governance practices, inadequate disclosure, and unwillingness to engage with shareholders. As a first step Dimensional seeks to engage with portfolio company management and board members. In these instances, our goal is to clearly communicate our policy, provide an explanation of how that policy applies to the situation at the portfolio company, and advise of the potential for voting action should issues remain unaddressed. We generally limit voting actions taken as a method of escalation to situations where escalation through engagement has proved unsuccessful.

The above framework is applicable to all equity portfolios.

Shareholder Rights Plans (Poison Pills)

Takeover defenses such as poison pills can lead to entrenchment and reduced accountability at the board level. We have long viewed the adoption of poison pills without shareholder approval as not in line with shareholder interests. In 2015, for instance, Dimensional conducted a letter campaign addressing the issues of poison pills at US companies. At US companies, we oppose pills where submitted on the ballot and maintain a list of directors that serve on boards of companies that adopt pills without shareholder approval. We may vote against these directors any time they are up for election, including at other companies where they serve as directors. Since the outbreak of COVID-19, we have observed a marked increase in the number of pills adopted at US companies. As of December 31, 2020, there had been 69 poison pills adopted without shareholder approval year to date. Over the past 12 months, Dimensional has voted against 515 directors due to the adoption of poison pills without shareholder approval.

Voting Considerations at Royal Caribbean Group

Goal	Assess the portfolio company's lack of response a letter campaign we conducted in late 2019 and determine appropriate voting action.
Background	<p>In November 2019, Dimensional sent a letter to Royal Caribbean, a US-based cruise company, expressing our concerns about its disclosure on political and lobbying expenditure oversight. While the portfolio company already disclosed a political contribution policy, it was unclear to Dimensional whether the policy covers lobbying expenditure and membership in trade associations and other groups that may engage in political activity on behalf of members. Furthermore, the policy only detailed management oversight of political contributions and did not identify any board-level oversight mechanisms. As part of Dimensional's original letter, we encouraged the portfolio company to disclose board oversight of political and lobbying contributions and noted that we reserve the ability to vote against directors if the portfolio company is unresponsive to shareholder concerns.</p>
Engagement	<p>Dimensional did not hear from the portfolio company following receipt of our letter. We subsequently followed up with the company on several occasions, through both additional letters and phone inquiries. The company was unresponsive.</p>
Outcomes and Observations	<p>As 2020 progressed, the travel industry was particularly hard hit by the COVID-19 crisis. Given that 2020 was an election year in the U.S. and the travel industry would be impacted by a range of public policy decisions related to economic relief and health and safety regulations, we anticipated that political and lobbying spending could increase, making robust board oversight even more important to protecting shareholder interests.</p> <p>Given the insufficient information provided by the portfolio company to assess board oversight of political and lobbying contributions and the unresponsiveness of the portfolio company to Dimensional's letter and subsequent inquiries, we voted against members of the board's Audit Committee, which is responsible for risk oversight. The Audit Committee members were re-elected. Dimensional continues to monitor for disclosure of board oversight of political and lobbying contributions and may take further voting action in the absence of such disclosure.</p>

Next DC

Goal	Address concerns with the company's recent share placement.
Background	<p>An Australian data centre provider conducted a share placement in April 2020. During the allocation process, the company issued stock to new investors at the expense of existing shareholders. Dimensional was concerned with the actions taken by the portfolio company, which led to the dilution of existing shareholders' economic and voting interests. Dimensional believed these governance practices by the company failed to protect or enhance shareholder value.</p>
Engagement	Dimensional engaged with the portfolio company to share our concerns and stated that we will take the company's handling of this issue into account when voting on director re-election proposals at the company's 2020 annual general meeting.
Outcomes and Observations	<p>To try to avoid similar situations in the future, Dimensional engaged with the Australian Securities and Investments Commission (ASIC) and the Australian Securities Exchange (ASX), as well as other bodies including investment banks, proxy advisers and investment representative groups, on the topic of Australia capital raisings. As capital raisings conducted by way of placements can be harmful to investors due to the potential to dilute existing shareholders' economic and voting interests, Dimensional advocated for enhanced disclosure requirements aimed at improving transparency and fairness in the market and promoting good corporate governance.</p> <p>At the company's 2020 annual meeting, Dimensional voted against the incumbent board member up for election and against the grant of performance rights to the CEO given his role in the problematic capital allocation. Both proposals passed. Dimensional continues to monitor the company's governance practices surrounding capital raisings and will consider future votes against incumbent directors both at Next DC and at outside boards.</p>

Nabors Industries

Goal	Address concerns with the continued board service of directors who received less than majority support from shareholders.
Background	<p>A member of this portfolio company's Compensation Committee received less than majority support at the company's 2019 annual shareholder meeting due to persistent concerns with the company's executive compensation plan. Per the company's policy, the director tendered his resignation. The board rejected the resignation, citing the value and experience the director brings to the board. The board had previously rejected the resignations of three other current board members who had received less than majority support at the company's 2017 annual meeting. Dimensional sent a letter to the portfolio company stating that failure of the board to accept these resignations undermines director accountability to shareholders.</p>
Engagement	<p>Dimensional engaged the portfolio company at the end of 2019 to discuss the letter Dimensional had sent and the company's rationale for rejecting the director's resignation. The company reiterated the importance of the director's board membership given the director's insight and visibility into the company's safety performance. The board stated that it would generally only accept a director's resignation in the event that the director takes actions that are against the principles of the company. On compensation, Dimensional encouraged the company to move away from a single trigger change-in-control provision in the CEO's employment agreement. The company stated that Compensation Committee would consider the issue.</p> <p>In May 2020, Dimensional conducted a follow-up engagement with the portfolio company's board in advance of the company's shareholder meeting. The company shared that it made a few improvements to its compensation program based off shareholder feedback in the past year but did not make changes to the single-trigger change-in-control provision discussed in our prior engagement.</p>
Outcome	<p>Dimensional voted against all incumbent directors at the company's 2020 annual meeting, including the director that failed to receive majority support. The directors were re-elected. Dimensional also flagged these directors for potential votes against at their outside boards, subsequently voting against the director that failed to receive majority support at an outside board (the director was re-elected). Dimensional continues to monitor the governance and compensation at Nabors Industries and will consider future votes against incumbent directors both at Nabors Industries and at outside boards.</p>

PRINCIPLE TWELVE

Exercising Rights and Responsibilities

Signatories actively exercise their rights and responsibilities.

Equity

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

Dimensional has established a proxy voting policy which is reviewed annually. The policy is accompanied by standard voting guidelines which apply to most of our portfolios, but also allow for Dimensional to implement custom voting guidelines for sustainability and social portfolios. As discussed in Principle 5, Dimensional has a rigorous approach to developing our proxy voting policy and guidelines, taking into account the views of a number of internal stakeholders, including portfolio managers. As such, all of Dimensional's commingled vehicles follow the proxy voting policy and one of the three voting guidelines depending on the objectives of the portfolio. The voting arrangements for separate and sub-advised portfolios are generally determined by the relevant client's investment management agreement; however, if voting authority is delegated to Dimensional, clients typically agree to follow Dimensional's proxy voting policy and one of the three voting guidelines.

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

As discussed in Principle 8, Dimensional leverages the services of ISS to implement our proxy voting policies and execute votes; however, Dimensional retains final discretion on how to vote on all proposals. Dimensional leverages the research and recommendations of ISS, Glass Lewis, and Ownership Matters. The extent to which the recommendations of the various proxy advisors are followed depends on the issue being voted on as well as the market in which the vote is being cast.

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

- In 2020, we voted 80 percent of the total value of listed equity holdings held in accounts that we had voting authority for.

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

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

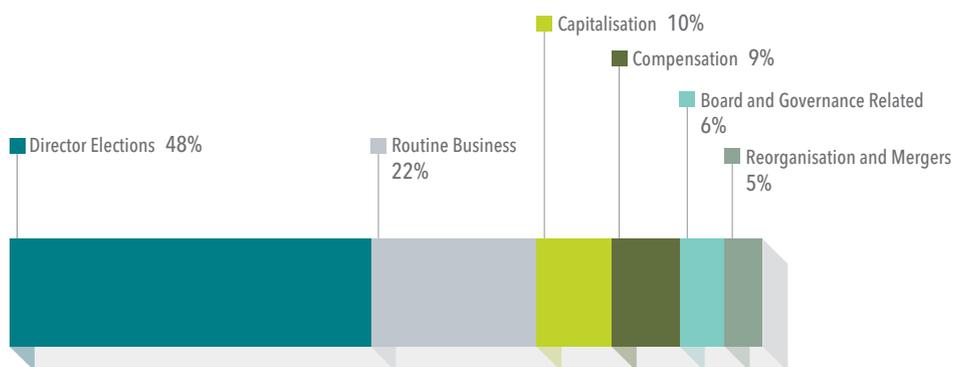
A complete history of our voting for Dimensional's mutual funds, Irish UCITS, UK OEICs, as well as for the Canadian funds and Australian trusts, is disclosed on our regional websites.

Rationales for specific votes deemed significant by Dimensional can be found in the [Vote Rationale Disclosure Report](#) available on our website.

Activities and Outcomes

Dimensional votes proxies at shareholder meetings globally to hold boards and management of portfolio companies accountable to shareholders and promote governance best practices. In calendar year 2020, Dimensional voted 148,633 distinct proposals at 16,750 meetings globally.

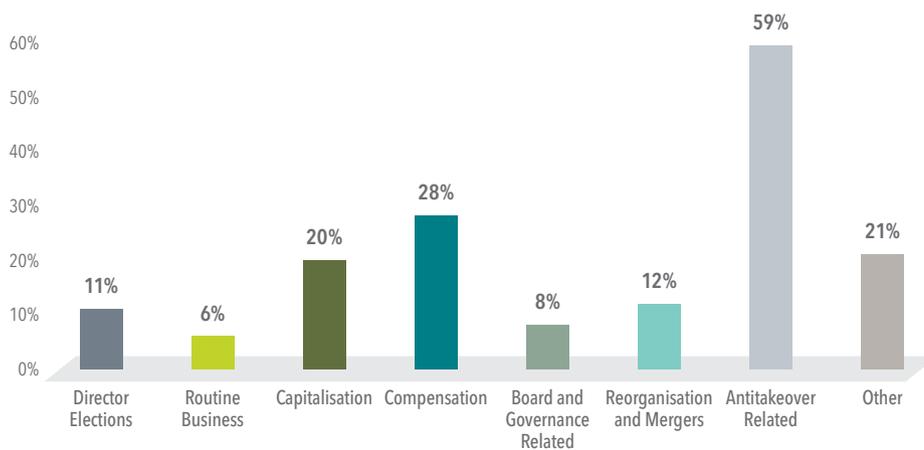
PROPOSALS VOTED BY TOPIC



Our views and voting guidelines on antitakeover devices and executive compensation have led to a high relative percentage of votes against management proposals on these issues.

VOTES AGAINST MANAGEMENT BY TOPIC

Dimensional votes proxies in accordance with internal guidelines, which are designed to encourage portfolio companies to maintain governance policies consistent with maximising shareholder value.



Board Diversity Shareholder Proposal at National HealthCare Corporation

Goal Assess the portfolio company’s board assessment and refreshment practices and whether additional disclosure related to board diversity would benefit shareholders.

Background In spring 2020, Dimensional’s Investment Stewardship Group reviewed a shareholder proposal on the ballot at National HealthCare Corporation, a US-based nursing home operator. The proposal requested that the portfolio company produce a report on its efforts to enhance board diversity and consider enhancing its disclosure of board diversity.

Voting Considerations

- Research raised concerns with the rigor of the annual board assessment.
- The portfolio company’s board tenure averaged over 20 years and lacked independence and diversity.
- The proposal was not overly prescriptive and afforded board discretion in implementation

Outcomes and Observations

Dimensional voted in favour of the shareholder proposal. This vote came after careful consideration of the portfolio company’s current board refreshment and assessment practices, the nature of the proposal, and the current state of the board, including its high average tenure and lack of diversity, both of which may indicate an inadequate refreshment process. The proposal passed with approximately 59% support.

Additionally, Dimensional voted against two directors who were on the board’s Nominating Committee due to the concerns raised above. Voting results demonstrated that our concerns were mirrored by other shareholders, with the directors receiving only 62.4% and 67.4% support. In February 2021, the company published a board diversity statement which indicated that the board intends to appoint at least one female director to the board prior to the company’s 2022 AGM.

Risk Oversight Following Dam Collapse at Vale SA

Goal	Evaluate board oversight of material environmental and social risks from the portfolio company's operations.
Background	<p>In 2015, a mine co-owned by Vale collapsed, after which the company pledged to improve safety at other dams; however, in 2019, Vale experienced another mine collapse, which caused significant harm to surrounding communities and the environment. Following the collapse, we observed a meaningful decline in the portfolio company's stock price, and there were threats of regulatory and legal action against the portfolio company.</p>
Engagement	<p>Dimensional engaged with Vale SA in September 2019 to discuss its response to the dam collapse. During the engagement, the portfolio company shared an update on the steps it was taking to improve its risk management and reporting processes. Dimensional stressed the importance of disclosing to shareholders the actions taken in response to the incident and the policies and procedures in place to identify and mitigate risk in the future. The portfolio company shared that disclosure is a major focus moving forward and pointed to a new ESG section on its website.</p> <p>Ahead of the 2020 shareholder meeting, Dimensional engaged again with Vale. The portfolio company highlighted the appointment of two new directors with significant technical expertise related to mining to the board following the resignation of two directors in November 2019. The portfolio company also noted the recent creation of an audit committee and plans to establish a formal nominating committee. Dimensional raised concerns with the overall level of board independence, which, although in compliance with listing standards, was still relatively low. The two new directors appointed in December 2019 were classified as non-independent.</p>
Outcomes and Observations	<p>One of the most important measures aimed at ensuring that portfolio company shareholders' interests are represented is an independent board of directors, who can effectively oversee management and manage risk. We do not believe the addition of two new non-independent directors contributed to the level of independent oversight needed to appropriately manage risk in light of the recent environmental controversies at Vale. Therefore, we voted against the bundled election of directors at the Vale 2020 shareholder meeting. The proposal to elect directors passed. In March 2021, the company submitted to shareholder vote a proposal to require a majority of the board be independent. Dimensional supported the proposal, which passed.</p>

Human Rights Report Shareholder Proposal at Pilgrim’s Pride Corporation

Goal Assess the portfolio company’s current handling of human rights risks and determine whether additional disclosure is necessary.

Background Pilgrim’s Pride, a large poultry producer, received a shareholder proposal requesting that the company prepare a report on its process for assessing, identifying, preventing, and mitigating actual and potential adverse human rights impacts.

The portfolio company recognized human capital management, including worker safety, and supply chain management as material risks in its annual report. SASB (Sustainability Accounting Standards Board) has also identified that workforce health and safety is a material risk for companies in the meat production industry. Dimensional’s research showed this portfolio company had a long history of controversies related to human rights, including numerous OSHA citations and a recent worker fatality.

The portfolio company did not disclose board or management oversight of risks related to human or labour rights. Additionally, the company had failed to act upon a similar proposal in the prior year, which ultimately received the support of the majority of independent shareholders.

Voting Considerations

Recent Health/Safety Incidents
Current Portfolio Company Efforts
Lack of Board Oversight
Responsiveness to Shareholders

Engagement Given the severity of the portfolio company’s recent human rights issues, Dimensional engaged with the company to discuss this shareholder proposal and the company’s handling of human rights risks.

Outcomes and Observations In light of the company’s history of worker health and safety controversies, the lack of board and management oversight of the issue, and lack of responsiveness to shareholder concerns on these topics, Dimensional supported the proposal. The proposal failed because it did not receive sufficient shareholder support to meet the necessary threshold, despite receiving the support of a majority of independent shareholders. Dimensional continues to monitor the company’s management of human rights risks and related disclosure.

Climate Change Report Shareholder Proposal at J.B. Hunt Transport Services

Goal Assess the portfolio company’s current handling of climate change risk and determine whether additional disclosure is necessary.

Background J.B. Hunt, a US-based transportation company, received a shareholder proposal requesting that it report on how it plans to reduce its contribution to climate change and align operations with the Paris Agreement. In its annual report, the portfolio company recognized climate change as a material risk. The company also stated it was exploring low carbon alternatives as part of its long-term goals. However, the company did not disclose any targets or provide any explanation of how it planned to measure its success in addressing climate change risk.

Voting Considerations

Responsiveness to Shareholder
Current Portfolio Company Efforts
Peer Disclosures
Proposal Characteristics
Current Disclosures

Engagement Dimensional discussed the shareholder proposal with the portfolio company and sought to better understand the company’s current disclosure of practices related to climate change risks and what the company was doing to oversee climate risk, as well as the company’s response to similar proposals in prior years.

Outcomes and Observations Dimensional considered whether increased disclosure about oversight of material environmental risks may be beneficial to shareholders. We also considered the specifics of the shareholder proposal, which were general in nature and allowed company management some discretion in creating effective disclosure. Though the company identifies climate change as a material risk, our research and engagement indicated that the portfolio company lagged industry peers in environmental disclosure. In addition, we considered the portfolio company’s response to past shareholder proposals on similar topics.

Based on these considerations, Dimensional voted for the climate change report proposal. The proposal received majority support.

Governance Concerns at TENMA Corporation

Goal Evaluate dissident case for board change following significant governance failures.

Background TENMA Corporation, a Japanese chemicals company, notified the Japanese government in April 2020 that an official of its Vietnamese subsidiary, TENMA Vietnam, had made payments to the Vietnamese government in 2017 and 2019 in order to receive tax penalty relief. A third-party committee arranged by the portfolio company to investigate these concerns found that there were significant corporate governance issues at the portfolio company, including the bribery reported at the Vietnamese subsidiary and a persistent failure to share critical information with the portfolio company's auditor. The third-party committee advised the portfolio company's president to resign and also named three directors as responsible for the failures of oversight that led to the bribery. The culpability of these three directors was echoed by the portfolio company's audit committee. Nevertheless, the company nominated these three directors for re-election at the portfolio company's meeting. After the announcement of the bribery, Osamu Tsukasa, a member of the portfolio company's founding family and the former representative director and chairman of TENMA, nominated a competing slate of director candidates to the board.

Engagement Dimensional engaged with representatives of the Tsukasa slate to understand their perspective on the reported governance shortfalls and hear their views on how leadership and oversight practices could be better aligned with shareholder interests. Dimensional also attempted to engage directly with TENMA in order to discuss our concerns and better understand the portfolio company's position on these issues. TENMA did not respond to our request to engage. We conducted further independent research to assess the skills, experiences, and competencies of the dissident's proposed director candidates and to further evaluate the portfolio company's governance concerns.

Outcome Based on our engagement efforts and our research, we believed that there was evidence of a pattern of governance concerns at TENMA. Dimensional voted against the three incumbent management nominees and supported several members of the dissident slate of director candidates. The three incumbent nominees, whom Dimensional voted against, were not elected to the board.

Fixed Income

What drives governance improvements and sets up leverage with which investors can hold boards and management accountable is the important mechanism of proxy voting at shareholder meetings. Dimensional broadly incorporates governance considerations into the investment management process through its proxy voting, as well as communicating with portfolio companies to share Dimensional policies and areas of focus with regard to governance practices. In general, creditors are not entitled to an annual vote, and therefore, do not have such a mechanism to influence a company's governance. In addition, different rights held by bondholders and shareholders can not only introduce potential conflicts of interest, but also different governance priorities when it comes to certain issues like capital allocation and distribution policies. This said, Dimensional's corporate governance approach promotes best governance practices in areas such as board effectiveness, executive compensation, and corporate integrity, where interests between equity and debt holders are closely aligned. Dimensional also continues to engage with industry groups, such as the International Corporate Governance Network (ICGN), to identify whether there are other investment stewardship activities relevant to fixed income assets that we believe would add value to our clients.

Dimensional employs a systematic review process of fixed-income securities in order to act in the best interests of the funds and accounts we manage. Prior to investing in any fixed-income security, Dimensional analyses information from the security's prospectus, official statement, escrow agreement, or certain other relevant documents. The types of information analysed include the security's payment rank, covenants, call provisions, and tax-exempt status. Each of these securities goes through an initial automated review process of pulling key words and characteristics from official documents, and screening out securities with various embedded options, covenants, or terms that would lead to the security being ineligible for all of our portfolios. Following this initial review, for each security a portfolio manager will review information from relevant official documents in order to confirm the security's eligibility. Additionally, relevant characteristics of each of these securities are pulled into our trade management platform, and these characteristics are checked against guidelines established for the portfolios potentially eligible to transact in the security. As part of this process, we may seek to gain clarification of those terms and conditions in cases of questions over eligibility, but we generally do not seek to alter the terms or conditions applicable to fixed income securities.

In 2020, Dimensional reviewed over 3,000 fixed income securities.

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1. "Dimensional" refers to the Dimensional separate but affiliated entities generally, rather than to one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., Dimensional Ireland Limited, DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd., Dimensional Japan Ltd., and Dimensional Hong Kong Limited. Dimensional Hong Kong Limited is licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) regulated activities only and does not provide asset management services.
 2. Dimensional does not, on behalf of its clients, acquire securities with the purpose or intended effect of changing or influencing the control of a portfolio company and is an investment-only investor.
 3. Includes calls with portfolio companies and dissident and shareholder proponents.
 4. The case studies in this Stewardship report reflect the outcomes as of the date the engagement activity was completed, and do not incorporate or reflect changes in portfolio company governance subsequent to that time.
 5. Dimensional Fund Advisors LP is a signatory of the Japan Stewardship Code.
 6. Dimensional Fund Advisors LP is a supporter of the Task Force on Climate-related Financial Disclosures.
 7. The comment letter is available at <https://www.sec.gov/comments/s7-22-19/s72219-6744334-207885.pdf>.

This material has been issued by Dimensional Fund Advisors Ltd., registered address 20 Triton Street, Regent's Place, London NW1 3BF, Company Number 02569601, which is authorised and regulated by the Financial Conduct Authority – Firm Reference No.150100.

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