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# Responsible Investment Report

2023



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## Letter from Our Heads of Responsible Investment

We are pleased to present Dimensional's Responsible Investment Report.<sup>1</sup>

Responsible investment is often defined in terms of incorporating environmental, social, and governance (ESG) issues into the investment process. As described further in our column "What is a Responsible Investor?" Dimensional believes that responsible investment is far more than ESG. We want to be a responsible investor on behalf of all our clients. We believe this means respecting their priorities, striving to help them achieve their financial goals, and being a careful steward of their assets.

Investment stewardship continues to be an important pillar of our approach to responsible investment. We seek to judiciously use our equity funds' voices and votes to protect and enhance shareholder value. Over the 12-month period from July 1, 2022, to June 30, 2023, we conducted over 900 engagements with portfolio companies around the world and cast over 183,000 proxy votes.<sup>2</sup> We also continue to advocate for sensible, investor-friendly regulation and policy through our public policy outreach and advocacy efforts. This report contains highlights and case studies illustrating our investment stewardship and public policy advocacy activities during proxy year 2023.

Dimensional continues to be committed to operating sustainably. We seek to lessen our environmental impact by reducing our operational emissions and offsetting our residual carbon footprint. Details of our research and implementation behind our operational sustainability efforts are discussed in this report.

Finally, we continue to seek out ways to better align our dedicated social and sustainability strategies with the values of investors in these funds. We have also updated our sustainability voting guidelines to reflect the expectation of sustainability investors that heavily emitting public companies are taking steps to address their emissions. We are also actively searching for new ESG datasets we can use to add value for our clients. Over the past year, our Research team has conducted due diligence on EU Taxonomy and green revenue datasets. Although we found these datasets still lacking, we expect them to mature rapidly as disclosures of public companies improve.

Overall, we believe this report illustrates Dimensional's ongoing commitment to being a responsible investor and demonstrates how we continue to evolve and improve our efforts for the benefit of our clients.

Sincerely,



**Jim Whittington**  
Head of Responsible Investment



**Lacey Huebel**  
Head of Responsible Investment, North America

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1. "Dimensional," "our," "us," or "we" may refer to the Dimensional separate but affiliated entities generally, rather than one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd., Dimensional Ireland Limited, and Dimensional Japan Ltd. Dimensional may vote proxies on behalf of the funds it manages and separate account mandates where clients have given us authority to vote.
  2. Dimensional from time to time may discuss governance matters with portfolio companies to represent client interests; however, regardless of such conversations, 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.



**Dave Shore**

February 13, 1953–January 20, 2024

Sustainability Council member and beloved husband, father, friend, advisor, and adventurer.

## In Memory of Dave Shore

We are sad to share that on January 20, 2024, following a short illness, Dave Shore passed away. Dave was a respected member of Dimensional’s US Sustainability Council. His experience, insights, and energy will be deeply missed.

Prior to his financial career, Dave was a professional adventure guide. Dave led white water rafting expeditions in remote regions of the world and was on the teams of several first and uncharted descents, including a first descent of the Zambezi River.

Dave, a graduate of Stanford University, retired from professional adventure guiding and in 1988 founded Marin Financial Advisors (MFA), a wealth management advisory business. In his financial career, Dave continued to venture into uncharted territory; he was passionate about environmental protection and an early advocate of sustainability investing. Dave was an inaugural member of Dimensional’s US Sustainability Council, which over the last nine years has been influential in helping Dimensional understand its clients’ values and develop its sustainability strategies.

Dave was a deeply valued member of the US Sustainability Council, both for his insightful comments and for his support and mentorship. As another council member said: “He has had a profound influence on us. We will miss his infectious and positive spirit.”

# Responsible Investment Overview

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## Introduction

Since our founding in 1981, Dimensional has been dedicated to translating the great ideas of financial science into investment solutions that help our clients meet their long-term goals.<sup>3</sup> The assets we manage represent the savings, commitments, and resources of the clients we serve around the world. Careful stewardship of our clients' assets, in line with their objectives, is a responsibility we take extremely seriously.

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## Principles and Philosophy

### Guiding Principles

Dimensional operates under the following guiding principles and applies them to our approach to responsible investment.

1. Act in the best interests of clients.
2. Act in a way that is ethical and legal.
3. Compete aggressively to succeed.
4. Base our investment strategies on scientific methodology.
5. Emphasize financial sustainability.
6. Create opportunities for our people to contribute both to our success and to their own.

We believe these principles have allowed us to serve our clients well. In our view, they have been foundational to creating client satisfaction and, consequently, our success.

### Investment Philosophy

Dimensional's investment philosophy is based on the belief that current market prices contain information on expected returns. We believe prices reflect market participants' expectations about a portfolio company's strategy, financial and nonfinancial performance, risk, capital structure, social and environmental impact, and corporate governance. Competitive forces and supply and demand set prices of securities to reflect the aggregate risk and return expectations of investors.

Dimensional's goal is to create research-driven investment solutions that meet the needs of our clients. To accomplish this purpose, Dimensional puts financial science to work for investors in real-world investment solutions. Our systematic approach pursues premiums identified through rigorous academic research and is implemented through broadly diversified portfolios. Our core investment philosophy guides how we seek to improve outcomes for our clients using long-term research and efficient processes. We also advocate for free and fair markets that can benefit all investors.

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<sup>3</sup> "Dimensional," "our," "us," or "we" may refer to the Dimensional separate but affiliated entities generally, rather than one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd., Dimensional Ireland Limited, and Dimensional Japan Ltd. Dimensional may vote proxies on behalf of the funds it manages and separate account mandates where clients have given us authority to vote.

## Responsible Investment Teams and Resources

### Key Statistics



Investment professionals contribute to ESG initiatives<sup>4</sup>

Consistent with our team-based approach to all investment processes, we also apply a team-based approach to responsible investment. Our Head of Responsible Investment, Jim Whittington, coordinates environmental, social, and governance (ESG) activities globally across these various groups. Our Head of Responsible Investment, North America, Lacey Huebel, works closely with the Head of Responsible Investment to coordinate ESG initiatives specific to the US and Canada.



Contributors to ESG Research, Data, Portfolio Management, and Thought Leadership

#### RESPONSIBLE INVESTMENT



**Jim Whittington**  
Head of Responsible Investment and Senior Portfolio Manager



**Lacey Huebel**  
Head of Responsible Investment, North America, and Senior Portfolio Manager

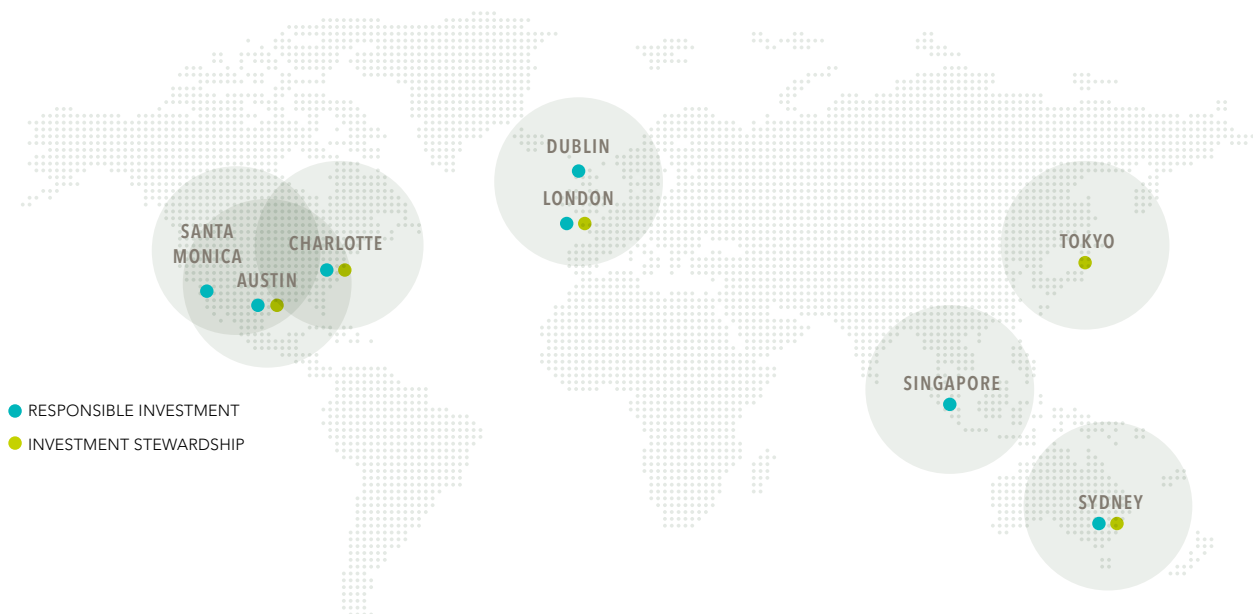


Contributors to Investment Stewardship Activities

#### INVESTMENT STEWARDSHIP



**Kristin Drake**  
Head of Investment Stewardship



## **Responsible Investment and Stewardship Teams**

Dimensional's team-based ESG approach combines a dedicated Responsible Investment team and a dedicated Investment Stewardship Group with ESG specialists and contributors throughout Dimensional.

The Responsible Investment team sits within the Portfolio Management team, and the Head of Responsible Investment reports to Dimensional's Global Head of Portfolio Management. The Responsible Investment team coordinates Dimensional's ESG strategy across areas such as ESG product design, data, regulatory requirements, research, and thought leadership. The team's efforts are supported by Dimensional's ESG Steering Committee and regional ESG working groups.

The Investment Stewardship Group manages Dimensional's global stewardship activities. The group sits within Dimensional's Portfolio Management department and consists of dedicated stewardship personnel who work closely with Portfolio Managers. The group implements policies through proxy voting and by communicating directly with boards and management of portfolio companies, monitors day-to-day proxy voting operations, and conducts research on governance-related matters under the supervision of Dimensional's Investment Stewardship Committee.

The work of Dimensional's dedicated ESG functions is supported by cross-functional resources embedded across Dimensional's Research, Portfolio Management, and Investment Analytics and Data teams. As of December 31, 2023, more than 60 investment professionals contribute to ESG initiatives across our global offices.

## **Investment Stewardship Committee**

Dimensional's stewardship efforts are overseen by the Investment Stewardship Committee, a subcommittee of Dimensional's Investment Committee. To learn more about the Investment Stewardship Committee, see the [Investment Stewardship](#) section.

## **ESG Steering Committee**

Dimensional's ESG Steering Committee is a collaborative group composed of key contributors to ESG-related initiatives across departments and regions, including representatives from Portfolio Management, Research, Investment Solutions, Legal, and Corporate Services. The ESG Steering Committee's role is to strategically coordinate and communicate Dimensional's efforts across business functions to deliver a cohesive approach to ESG that is informed by our clients' needs.

## ESG Network of Academics and Researchers

Dimensional has a long history of working closely with leading academics and researchers. Dimensional established a network of scientists, academics, and other notable contributors in ESG-related fields to consult with Dimensional on matters related to ESG research, data, and environmental science. In addition to helping inform Dimensional's approach to ESG investing and research, this group contributes to educational events for clients and prospects as well as internal training for Dimensional employees.

### David Victor

University of California, San Diego



- Professor of Innovation and Public Policy, School of Global Policy and Strategy at UC San Diego
- Co-Director of the Deep Decarbonization Initiative, UC San Diego
- Adjunct Professor of Climate, Atmospheric Science, and Physical Oceanography, Scripps Institution of Oceanography
- Senior Fellow, Brookings Institution
- Co-Chair of the World Economic Forum's Global Future Council on the Future of Energy Transition

### Michael Gillenwater

Greenhouse Gas Management Institute



- Co-Founder, Executive Director, and Dean, Greenhouse Gas Management Institute
- Lead author, four Intergovernmental Panel on Climate Change (IPCC) reports
- Advisor, World Resources Institute and World Business Council on Sustainable Development, on revised edition of Greenhouse Gas Protocol

### Lucian A. Bebchuk

Harvard Law School



- James Barr Ames Professor of Law, Economics, and Finance, Harvard Law School
- Founding Director, Harvard Law School Program on Corporate Governance
- Elected Fellow, American Academy of Arts and Sciences
- Research Associate, National Bureau of Economic Research
- Inaugural Fellow, European Corporate Governance Institute
- Director, SSRN Corporate Governance Network

### Christian Leuz

University of Chicago Booth School of Business



- Charles F. Pohl Professor of Accounting and Finance, University of Chicago Booth School of Business
- Research Associate, National Bureau of Economic Research
- Research Fellow, Center of Economic Policy Research
- Research Fellow, European Corporate Governance Institute



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## Responsible Investment Process

### Research

A desire to use the best ideas from financial science guides Dimensional's investment philosophy, processes, and strategies. Our responsible investment activities stay true to this effort. We seek to understand the best thinking from academic, empirical, and theoretical research and apply it to practical investment solutions for our clients.

In addition to working closely with leading academic researchers, such as those in Dimensional's ESG Network of Academics and Researchers, Dimensional's Research department conducts research on a range of responsible investment and ESG-related topics.

We approach ESG considerations with the same philosophy that guides our investment process. One important example of this is that we conduct in-house research and work with external academics and researchers to understand the available research and data on ESG matters. We believe that ESG-related information may be material to the performance of portfolio companies. However, we believe publicly available ESG information is quickly incorporated into market prices, meaning that investors cannot generally gain an advantage over the market by considering such information. Our investment approach, which uses information in current market prices about expected returns, is an effective way to harness the market's ability to process complex information about ESG-related issues every day.

Because information about a portfolio company's governance practices is reflected in the company's market price, improved governance practices may improve valuations through higher future cash flows to shareholders or a lower discount rate applied by the market. Once invested in a portfolio company, we seek to improve its governance practices through investment stewardship activities, such as proxy voting and engagement, with the goal of adding or protecting value for shareholders.

### Risk Management

Dimensional believes that the market's aggregate assessment of a public company's ESG risks is incorporated into security prices. Dimensional Portfolio Managers monitor markets and news feeds for changes that could indicate rapidly changing risks, including those related to ESG. Dimensional's portfolios are broadly diversified, often holding thousands of securities across a number of different industries and countries, in the case of global strategies. This diversification helps mitigate ESG risks associated with individual securities, industries, or regions.

Recent Responsible Investment Research Highlights  
Available on SSRN

▶ [Greenhouse Gas Emissions and Expected Returns](#)<sup>5</sup>

▶ [The Economics of Climate Change](#)<sup>6</sup>

▶ [The Economics of Corporate Governance](#)<sup>7</sup>

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5. Wei Dai, "Greenhouse Gas Emissions and Expected Returns" (research paper, Dimensional Fund Advisors, October 19, 2020). Available at SSRN: [papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3714874](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3714874).

6. Joseph Chi, Mathieu Pellerin, and Jacobo Rodriguez, "The Economics of Climate Change" (white paper, Dimensional Fund Advisors, October 20, 2020). Available at SSRN: [papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3715848](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3715848).

7. Mathieu Pellerin, "The Economics of Corporate Governance" (research paper, Dimensional Fund Advisors, July 19, 2022). Available at SSRN: [papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4165764](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4165764).

In addition, Dimensional believes that portfolio company boards have ultimate responsibility for overseeing ESG risks at companies. Strong boards representing shareholders' best interests should carefully consider all categories of risks. Through its proxy voting and engagement with portfolio companies, Dimensional promotes good corporate governance practices. Dimensional also monitors standards for corporate governance at portfolio companies.

### **Investment Stewardship**

Our Investment Stewardship team advocates for good governance practices, as we believe that if governance practices at portfolio companies are improved, this may lead to higher prices and higher realized returns. Our stewardship efforts include engagement, proxy voting, and participation in industry events and organizations. See our [Investment Stewardship Statement](#) and the [Investment Stewardship](#) section of this report for further information.<sup>8</sup>

### **ESG-Focused Strategies**

Dimensional's ESG-focused strategies are designed to allow investors to align their investments with their values through strategies that are based on research-driven investment principles. We have been working with clients who seek to align their investment portfolios with their values in dedicated ESG commingled funds for over 15 years and have been incorporating ESG considerations in separate account investments for over 30 years. Dimensional has established regional Sustainability Councils that are comprised of financial advisors, consultants, and wealth managers whose clients have a specific focus on sustainability. The feedback from these Councils helps us to further understand clients' sustainability priorities and goals. Our broadly diversified, systematically designed and managed strategies can provide an effective foundation for clients who would like to avoid or emphasize certain issuers for ESG reasons. We offer focused sustainability and social strategies in a range of solutions. We also work with institutional investors and financial advisors to design values-aligned investment strategies for custom account solutions.

### **Operational and Corporate Initiatives**

Dimensional seeks to cultivate a respectful and inclusive work environment and to operate responsibly in our local communities, environment, and industry. To learn more about Dimensional's efforts, see the [Dimensional Corporate and Community Initiatives](#) section of this report.

## What Is a Responsible Investor?

In my household, the concept of responsibility is often, sometimes even urgently, invoked. “Who is responsible for this mess?” or “Why can’t you be more responsible, like your brother?” When I ask my two young boys what they think my job—Head of Responsible Investment—entails, they say, “It means you are responsible for other people’s investments,” or, “It means people trust you with their money.” “Good boys,” I say.

They aren’t wrong. “Being responsible” is commonly defined as “having a duty of care” or “exercising good judgment.”<sup>9</sup> But definitions of “responsible investment” usually go beyond purely fiduciary considerations. According to the United Nations Principles for Responsible Investing (UN PRI), “Responsible investment involves considering environmental, social and governance (ESG) issues when making investment decisions and influencing companies or assets.”<sup>10</sup>

But when considering the impact of investments on people and the planet, we shouldn’t forget the traditional meaning of “responsibility.” There are almost endless ways to integrate ESG issues in portfolios whilst exercising bad judgment or neglecting a duty of care. Examples include charging excessive fees on ESG funds, being overly reliant on poor quality ESG data, or allowing an ESG focus to result in an overly concentrated portfolio with inferior investment characteristics.

The marketing of ESG funds can also be irresponsible. Obvious examples include misleading or inaccurate claims—say, promising that investing in portfolio companies with good ESG scores will automatically lead to higher returns, or implying that aligning a portfolio with sustainable development goals will directly finance sustainable development. But other examples are more subtle, such as cherry-picking favorable examples to disclose, having unclear or insufficient explanations of the ESG approach, or simply including so many pictures of rainforests or wind farms that it gives clients a misleading overall impression of how sustainable a strategy truly is.

It therefore feels like a good time to clarify what it means to be a *responsible* responsible investor.

For Dimensional, being a responsible investor means putting clients first. “Act in the best interest of clients” tops our list of firmwide guiding principles. We never forget that the assets we manage represent the savings, commitments, and resources of the investors we serve around the world. Helping our clients achieve their long-term goals is a responsibility we take extremely seriously.



**Jim Whittington**

Head of Responsible Investment and  
Senior Portfolio Manager

9. *Cambridge Dictionary* (Cambridge University Press and Assessment, 2024), s.v. “Responsible”.

10. “What is responsible investment?” Lead contributors: Eilidh Wagstaff and Toby Belsom. Principles for Responsible Investment.

For many investors, their goal is a secure retirement. We believe the best way to help achieve that is by harnessing the insights from financial science. One such insight is the power of market prices. Numerous studies show that investors have a poor track record of second-guessing current market prices. Rather than attempt to identify stocks the market has mispriced, either based on their ESG profile or otherwise, we believe the responsible way to invest is to leverage the information in market prices. We do this by building broadly diversified portfolios that maintain focus on the systematic drivers of return whilst carefully managing costs.

Other clients hire us to go beyond financial goals. They care deeply about environmental and social issues and want to reflect these values in their portfolios. For these clients, we have developed a range of sustainability and social strategies. Clients in these strategies tell us that they still want to have great investment outcomes; they still need to achieve their financial goals. As a responsible investor, we believe our role is to focus these strategies on the environmental and social issues that matter to these clients, be cognizant of tradeoffs between financial and nonfinancial goals, and strive to maintain sound investment principles.

Lastly, we endeavor to be responsible in how we communicate our social and sustainable investment approach, including the potential tradeoffs and uncertainties. As economist Thomas Sowell once said, "When you want to help people, you tell them the truth. When you want to help yourself, you tell them what they want to hear." There are plausible channels through which social and sustainability investors may have an impact in the real world, but we cannot generally say how much impact an individual investor is having. As a responsible investor, we prefer to be circumspect about the impact claims we make.

It is common in ESG circles to talk about corporate purpose. These days, even humble household products may have one.<sup>11</sup> But we mustn't forget that as an industry, we already have a very important purpose. As my boys recognize, our clients have entrusted us with their financial future. As we consider the impact of investments on people and the planet, we mustn't forget that our primary purpose is to help our clients achieve their long-term financial goals.

11. Hellman's Mayonnaise's purpose was controversially revealed as "fighting food waste."  
See "*Purpose, product and innovation: Hellmann's recipe for success*," Unilever, April 29, 2022.

# Industry Participation and Public Policy Advocacy

Dimensional participates in industry groups with the goal of improving the structural and regulatory environment in a way that benefits the industry, the market, and our clients. We believe that certain matters are best addressed at an industry or regulatory level because it is important to establish level playing fields across all publicly traded companies in a market. Our participation in industry events and groups can also spark our own innovation and application of best practices. We also consider industry-wide standards and guidelines set by bodies such as the Japan Stewardship Code, United Nations Principles for Responsible Investing, and Sustainability Accounting Standards Board.

Industry Group	Dimensional Participant
International Corporate Governance Network	Dimensional Fund Advisors LP
Council of Institutional Investors	Dimensional Fund Advisors LP
The Investment Association (UK)	Dimensional Fund Advisors Ltd.
Program on Institutional Investors at Harvard Law School	Dimensional Fund Advisors LP
Investment Company Institute	Dimensional Fund Advisors LP
ICI Global	Dimensional
Responsible Investment Association Australasia (RIAA)	DFA Australia Limited
Asia Corporate Governance Association	Dimensional Fund Advisors LP

## Stewardship Codes

As part of our commitment to encouraging strong governance, Dimensional Fund Advisors LP is a signatory to the Japanese stewardship code, and Dimensional Fund Advisors Ltd. has been a signatory to the UK Stewardship Code 2020 since 2021.

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## Public Policy Advocacy

Dimensional advocates for public policies that we believe will promote fair and transparent markets, improve the investor experience, and appropriately balance the costs of regulatory compliance with the benefits to investors. Through our engagement with regulators and participation in industry groups, we believe we can encourage positive regulatory developments that may benefit our clients and investors. Between July 1, 2022, and December 31, 2023, Dimensional submitted 22 letters to 12 different regulatory bodies around the world on a variety of topics impacting investors, asset managers, funds, and the market. Selected topics are described below.

[Read Dimensional's letters here.](#)

[Letter to the SEC on Equity](#)

[Market Structure](#)

[March 31, 2023](#)

[Letter to FINRA on Shortening the](#)

[Reporting Timeframe](#)

[September 26, 2022](#)

[Letter to the Department of the](#)

[Treasury on Additional Transparency](#)

[in the Treasury Market](#)

[August 26, 2022](#)

## Policy Spotlights

### Fair and Transparent Markets

At Dimensional, our investment approach is based on our enduring belief in the power of markets, and we advocate for policies that support fair and efficient markets. Dimensional strongly believes that market transparency fosters a fair and efficient market and that market participants are best served when public information is disseminated evenly to all market participants.

### US Equity Market Structure Reform

In December 2022, the US Securities and Exchange Commission (SEC) proposed four rulemakings that, if adopted, would significantly alter equity market structure in the US. One proposal would require certain orders of individual investors to be exposed to competition in open auctions before such orders could be executed internally by any trading center that restricts order-by-order competition. The SEC also proposed changes to tick sizes, a new best-execution rule, and additional order-execution disclosures.

In March 2023, Dimensional submitted a comment letter expressing our concerns that adopting the proposed reforms could disrupt the orderly functioning of US equity markets and have unintended negative consequences for investors. Many aspects of the SEC's proposed rules are very complex, and the extent to which the proposals would affect the markets—particularly if implemented simultaneously—is unpredictable. For example, in the tick size proposal, the SEC would replace the current one-penny tick size with a variable approach that would assign different tick size increments to different stocks based on the time-weighted average quoted spread. We noted that in 2016, the SEC conducted a tick size pilot program that was extremely costly for investors, and we urged the SEC to consider a more incremental approach that would give the SEC time to observe the impact of its changes on the market and on costs to investors.

### US and UK Fixed Income Market Transparency

Dimensional has advocated for increased transparency in the fixed income market for a number of years. In the US, transparency in the fixed income market is largely made possible by the Trade Reporting and Compliance Engine (TRACE), which provides public access to reliable bond information by requiring the reporting of over-the-counter transactions in eligible fixed income securities within 15 minutes of execution. TRACE has set the global standard for bond market transparency; however, we believe there is room for improvement. For example, the types of securities required to be reported through TRACE could be expanded, data could be disseminated more quickly, and additional specificity of large trade sizes could be provided.

Over the reporting period, Dimensional submitted five letters to regulators in support of greater transparency in the fixed income market. In August 2022, the Financial Industry Regulatory Authority (FINRA), which administers TRACE, and

the Municipal Securities Rulemaking Board, which runs a system similar to TRACE for municipal bonds, proposed shortening the reporting timeframe for securities currently subject to a 15-minute reporting timeframe to one minute. We submitted comment letters in support of both proposals, because as we have learned since the launch of TRACE in 2002, transparency fosters a fair and efficient market, which benefits all investors.

In July 2023, the UK Financial Conduct Authority (FCA) published a consultation paper proposing a framework for a UK consolidated tape for bonds. Under the proposed framework, trading venues would be required to send data to a consolidated tape provider in as close to real time as technically possible, and the consolidated tape provider would publish the data in real time as soon as reasonably possible after receipt. Dimensional submitted a letter in support of the proposed framework, noting the benefits to investors of further post-trade bond transparency.

### ESG-Related Engagement

Around the world, regulators have increasingly focused on the extent to which operating companies, investment advisors, and funds disclose information relating to their ESG-related risks and opportunities. Over the reporting period, Dimensional submitted responses relating to ESG-related issues to the International Sustainability Standards Board (ISSB), the UK FCA, the US SEC, the Australian Treasury, and the European Commission.

### Climate-Related Disclosure Requirements for Portfolio Companies

As an investment manager, Dimensional reviews and relies on the disclosures made by portfolio companies to help us make decisions on behalf of the investors who have entrusted us with their savings. Over the reporting period, Dimensional submitted letters to the ISSB and the Australian Treasury in response to consultations focused on climate-related disclosure frameworks for operating companies. While we support efforts to design internationally aligned frameworks for the disclosure of climate-related risks and opportunities, we believe that regulators should carefully consider whether the benefits to investors of specific disclosure requirements will outweigh the costs to companies and their investors of producing such disclosures. In our view, climate-related disclosures are most useful to investors and should only be mandatory, if a public company has determined that climate change may have a financially material impact to its business.

### Scope 3 Emissions Reporting

In our comment letters to the ISSB and the Australian Treasury, we cautioned against requiring companies to disclose their scope 3 greenhouse gas emissions, which are emissions that are the result of activities from assets not owned or controlled by the reporting company, but that the company indirectly impacts in its value chain. In December 2023, we also submitted a letter to the UK Department for Energy Security and Net Zero expanding on our views of the costs, benefits, and practicalities of scope 3 greenhouse gas emissions reporting.

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[Read Dimensional 's letters here.](#)

[Letter to Australia Treasury on Climate-Related Disclosures](#)  
February 17, 2023

[Letter to the SEC on ESG Disclosures for Funds and Advisers](#)  
August 16, 2022

[Dimensional Response to UK Department for Energy Security and Net Zero on Scope 3 Reporting](#)  
December 14, 2023

In our response, we explained why the costs of a mandatory scope 3 reporting requirement would outweigh any benefits to investors. In our view, scope 3 data is of limited value to investors because the scope 3 standard was not designed to be compared across companies, the data are unreliable, and it is not clear that scope 3 data—even if perfectly reported—would help investors evaluate a company's climate-related opportunities, risks, and actions.

#### **Labeling and Classification Frameworks for Sustainable Investment Products**

With respect to investment products, regulators have taken varying approaches to disclosure requirements for funds that pursue ESG-related strategies. In the European Union, the Sustainable Finance Disclosure Regulation is a transparency framework that has become a de facto classification system, while the UK FCA has adopted its own Sustainability Disclosure Requirements, which were designed specifically as a product labeling regime. In the US, the SEC has proposed but not yet adopted a disclosure framework for funds that pursue ESG-related strategies.

Over the reporting period, Dimensional submitted responses to the European Commission, the FCA, and the SEC to express our views on disclosure and labeling frameworks for investment products. In our view, any product labels or sustainability-related disclosures should be designed so that investors can identify funds that align with their ESG values and effectively assess how sustainability products are pursuing nonfinancial goals.



# Dimensional Corporate and Community Initiatives

At Dimensional, we believe in doing the right thing, the right way, right now. This extends to how we approach investments, how we work with clients, how we manage our firm, and how we engage in the communities in which we live and work. Dimensional Driven is our community engagement program through which we aim to strengthen our ties to organizations that work in our local communities and align with our broader purpose as a firm focusing on promoting financial education and striving to make a positive environmental impact. Dimensional works with organizations across these areas of impact and also offers employees the opportunity to take volunteer time off to participate in community-engagement opportunities through local nonprofit organizations. Additionally, Dimensional focuses on operating our business sustainability by pursuing sustainable operations and related initiatives across our global offices.

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## Dimensional Driven: Community Involvement

### Financial Education

Dimensional is committed to promoting financial literacy, mentorship, and education. For over 40 years, Dimensional has been committed to putting financial science to work to improve investors' lives, and working with organizations that promote financial literacy and education is a natural extension of this legacy.

#### RECENT AND ONGOING INITIATIVES AND SUPPORT (2022-2023)

##### QuestBridge

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In 2023, Dimensional became the founding corporate partner of QuestBridge, a US-based nonprofit that helps identify the nation's brightest students from low-income backgrounds and works with them from high school through college and into their early careers. The organization has approximately 50 college partners, including many of the nation's top universities, and currently supports a network of more than 10,000 QuestBridge Scholars and over 17,000 QuestBridge Alumni. Dimensional's support of QuestBridge facilitates the process for QuestBridge Scholars to participate in Dimensional's summer internship program. [Learn more.](#)

##### University of Texas Wealth Management Networks

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In 2023, Dimensional joined the University of Texas Wealth Management Network as part of our efforts to support future financial leaders, and Dimensional Co-CEO Dave Butler joined the organization's advisory board. This initiative strives to foster the next generation in wealth management professionals. [Learn more.](#)

##### 3rd Decade

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In 2021, Dimensional began working with 3rd Decade, a US-based nonprofit organization founded to provide financial education and mentorship to young adults in their third decade of life (18–35 years old), where 3rd Decade believe financial decisions have a critical impact on young adults' future financial success. 3rd Decade provides young adults who may lack access to high-quality financial education and support with free financial education, financial mentorship, and Roth IRA rewards to build budgeting, saving, and investing knowledge. Dimensional's collaboration with 3rd Decade includes hosting events to support mentorship programs and building and connecting a network of advisors for young adults. Dimensional employees also have access to the training and curriculum on financial literacy from 3rd Decade.

##### Junior Achievement

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Dimensional employees in several of our US offices volunteer with Junior Achievement, a global nonprofit organization that helps young people learn about personal finance and other life and entrepreneurial skills.

## Environmental Impact and Sustainable Operations

Dimensional has a long commitment to operating sustainably. We continue to further our sustainability commitment through strategic operational adjustments and capital improvements to our offices. Employees also have the option to participate in environmental impact activities through our Dimensional Driven volunteer activities.

### RECENT ENVIRONMENTAL VOLUNTEER AND EMPLOYEE ACTIVITIES

#### Keep Austin Beautiful

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Dimensional employees volunteered at Nash Hernandez Park to help restore Lady Bird Lake as well as the surrounding trails and park in Austin, Texas. In addition, a clean-up event was held at the Mexican American Cultural Center to help restore the surrounding trail and park.

#### Animal Safe Migration

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Dimensional employees volunteered to do a lakeside cleanup to help protect and restore wildlife habitats along Lady Bird Lake in Austin.

#### King Gillette Ranch

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Dimensional employees volunteered at King Gillette Ranch to help protect and restore wildlife in Santa Monica, California.

#### Santa Monica Conservancy and Wallis Annenberg

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Dimensional employees planted seedlings to create a vegetated bridge across US Highway 101 helping to restore wildlife for the Wallis Annenberg Wildlife Crossing in Southern California.

#### Friends of Regent’s Park and Primrose Hill

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Dimensional employees volunteered at the Regent’s Park in London to plant a variety of spring bulbs across two parks to help restore wildlife.

#### Crayon Collection

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Dimensional employees volunteered with Crayon Collection to inspire a commitment to environmental consciousness and the infusion of art education in underfunded schools by collaborating with local restaurants to collect, package, and distribute used crayons to schools. In addition, we hosted an art event for the schoolchildren at our Santa Monica office.

#### E-Waste Collection Event

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Dimensional partnered with Z-Tech Global Solutions, Goodwill Industries, Douglas Emmett and Elian Electronics Recycling, and QuadReal and Recycling Alternative across our Austin; Charlotte, North Carolina; Santa Monica; and Vancouver offices to collect electronic waste such as TVs, monitors, VCRs, cell phones, and cables in an effort to keep these items out of landfills. Our North American offices now include onsite collection for battery recycling.

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## Sustainable Operations

Dimensional strives to improve our operational environmental profile through local initiatives. Our offices actively implement strategic operational efficiencies, capital improvements, and emission reduction activities to reduce the use of energy and water and to cut down on waste. Our operational sustainability efforts are primarily focused on emissions from our ongoing business operations. We seek to measure and account for our global operational emissions footprint annually, using third-party carbon accounting software and working closely with service providers to understand the sources of direct and indirect emissions in our operations. We work with sustainability consultants so we may benefit from multiple perspectives to reduce emissions. We have also established a collaborative, interdepartmental Sustainability Task Force that works on identifying meaningful, actionable steps we can take to reduce our operational emissions and conserve natural resources. Additionally, we pursue carbon offset projects to address our remaining carbon emissions. Further details on our 2022 offset projects are below.

Dimensional sought to offset our residual scope 1 and 2 carbon footprint for 2022 by purchasing carbon offsets that supported projects aiding forest restoration and revitalization efforts or supporting the destruction of emissions-causing substances. We partnered with a third party, which reviewed each of these projects based on additionality, permanence, quality of estimates, and exclusivity of claims.

**2022 OFFSET PROJECTS SUPPORTED**

**Indus Delta Mangrove Restoration Project**

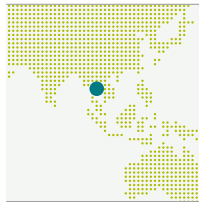
PAKISTAN (VERRA)



The Delta Blue Carbon 1 project spans 60 years and seeks to remove emissions by revitalizing, restoring, and protecting the sustainability of 224,997 hectares of mangroves in the Sindh province of Pakistan. The project also aims to improve the well-being and financial security of the surrounding communities by decreasing the vulnerabilities to climate-related shocks.

**Destroying Ozone Depleting Substances (ODS)**

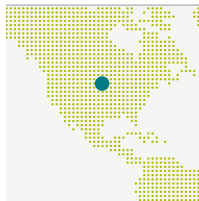
THAILAND (ACR)



The project removes Thailand’s government stockpile of confiscated refrigerants such as CFC-12 and CFC-11 from 2007. Left unchecked, container degradation may cause leaks into the atmosphere, which could deplete the ozone and generate emissions.

**Destroying Ozone Depleting Substances (ODS)**

USA (ACR)



The project removes end-of-life HVAC and refrigerants such as R-22 and R-113 from US stockpiles. Left unchecked, these chemicals may leak into the atmosphere, which could deplete the ozone and generate emissions.

**Recent sustainability operations highlights**

- Dimensional made capital expenditure improvements in our Austin office to monitor and limit refrigerant emissions and increase energy efficiency.
- Electric vehicle charging equipment was installed at our Austin office and had over 700 hours of usage in 2023.
- To help divert waste, composting programs were implemented in our Austin and Santa Monica offices. In 2023, Dimensional composted more than 37 tons.
- Dimensional Plaza, our office in Charlotte, North Carolina, is LEED Gold® and was a finalist in the 2023 US Green Building Council Carolinas Community Leadership Awards. These awards celebrate excellence in the projects, people, and partners that are working to create better buildings and better lives for all in their local communities.
- As of March 31, 2024, ten of our offices were certified green buildings.

# Investment Stewardship

## Approach to Investment Stewardship

Dimensional<sup>12</sup> advocates for stronger governance practices at the companies in which we invest on behalf of our clients because we believe it can improve returns for investors.

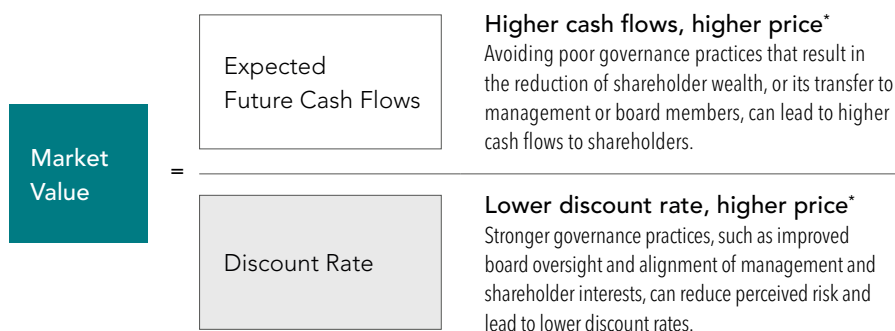
Dimensional manages global equity and fixed income strategies for clients around the world. We aim in all areas to be responsible stewards of our clients' assets, and one way we look to do so is through our stewardship activities. Stewardship activities include engaging with boards and management at portfolio companies, voting on behalf of our clients at shareholder meetings, and advocating for policies that we believe protect and enhance shareholder value.

### Our Stewardship Philosophy

At Dimensional, we believe that security prices reflect the aggregate expectations of market participants, which may include information about the company's governance practices. Improvements in corporate governance may be rewarded with higher market prices if they enhance expected future cash flows or reduce perceived risks, as shown below.<sup>13</sup>

Stewardship activities that promote better governance practices may improve returns to shareholders. When there is evidence of poor governance practices at a portfolio company, Dimensional generally believes our clients are better served when we promote improvements in corporate governance through stewardship activities rather than divesting.

#### STRONGER GOVERNANCE PRACTICES CAN IMPROVE RETURNS



\*All else equal. Not guaranteed.

12. "Dimensional," "our," "us," or "we" may refer to the Dimensional separate but affiliated entities generally, rather than one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd., Dimensional Ireland Limited, and Dimensional Japan Ltd.

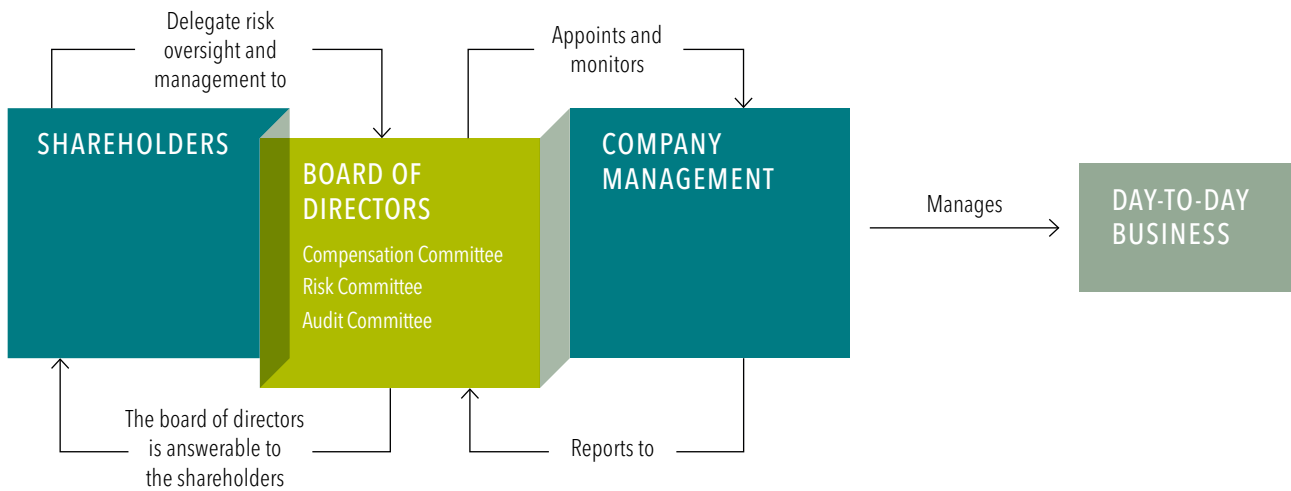
13. Dimensional from time to time may discuss governance matters with portfolio companies to represent client interests; however, regardless of such conversations, Dimensional acquires securities on behalf of its clients solely for the purpose of investment and not with the purpose or intended effect of changing or influencing the control of any portfolio company.

## A Focus on Good Governance

Dimensional believes that stewardship efforts should focus on people, policies, and practices that seek to improve governance at portfolio companies. As illustrated in the graphic below, shareholders delegate leadership and oversight of company management to the board of directors, which is accountable to shareholders. Company management implements day-to-day business matters and is accountable to the board. We believe the goal of good governance is to align boards and management incentives with shareholder interests.

Without strong, foundational governance practices and effective boards, companies may be poorly equipped to address matters of concern to shareholders, including a broad range of environmental, social, and governance (“ESG”) issues.

### LEADERSHIP BEGINS WITH BOARDS OF DIRECTORS



Dimensional’s stewardship activities focus on these foundational issues of good governance.

### STEWARDSHIP PRIORITIES

<p><b>Board Structure and Composition</b></p> <p>Companies should elect strong, qualified boards with appropriate skill sets to oversee management and risks.</p>	<p><b>Material Environmental and Social Risks</b></p> <p>Company boards should exercise oversight of material risks and disclose these risks and their oversight.</p>	<p><b>Shareholder Rights</b></p> <p>Companies should maintain mechanisms for shareholders to raise concerns and hold boards and management accountable.</p>	<p><b>Executive Compensation</b></p> <p>Compensation plans should be based on rigorous and transparent metrics that clearly link pay and long-term performance.</p>
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### Implementation Process

Investment stewardship at Dimensional is a global effort supported by multiple teams. Dimensional's stewardship efforts are overseen by the Investment Stewardship Committee of Dimensional Fund Advisors LP. This group of senior employees and directors, illustrated in the graphic below, includes members of Dimensional's Portfolio Management, Executive, and Compliance teams, as well as the Head of Responsible Investment and members of Dimensional's Board of Directors.<sup>14</sup> The Investment Stewardship Committee, a subcommittee of the Investment Committee of Dimensional Fund Advisors LP, is responsible for developing our policies and approach to investment stewardship, which are then executed by the Investment Stewardship Group in coordination with other groups.

#### INVESTMENT STEWARDSHIP COMMITTEE OF DIMENSIONAL FUND ADVISORS LP<sup>15</sup>

Kristin Drake	Chair of Investment Stewardship Committee, Head of Investment Stewardship Group
Eugene Fama	Consultant and Dimensional Director <sup>14</sup>
Kenneth French	Consultant and Dimensional Director <sup>14</sup>
David Booth	Chairman
Dave Butler	Co-Chief Executive Officer and Dimensional Director <sup>15</sup>
Gerard O'Reilly	Co-Chief Executive Officer, Chief Investment Officer, and Dimensional Director <sup>14</sup>
Will Collins-Dean	Senior Portfolio Manager
Joel Schneider	Deputy Head of Portfolio Management, North America
Jim Whittington	Head of Responsible Investment, Senior Portfolio Manager
Selwyn Notelovitz	Global Chief Compliance Officer
Valerie Brown <sup>16</sup>	Deputy General Counsel

14. Board of Directors of the general partner of Dimensional Fund Advisors LP.

15. Committee membership, individual names, and titles as of August 1, 2023.

16. Ex officio.

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

**GLOBAL STEWARDSHIP IMPLEMENTATION<sup>17</sup>**

**The Investment Committee**

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

Responsible for overseeing the incorporation of ESG considerations into certain portfolios' design and construction.

**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.

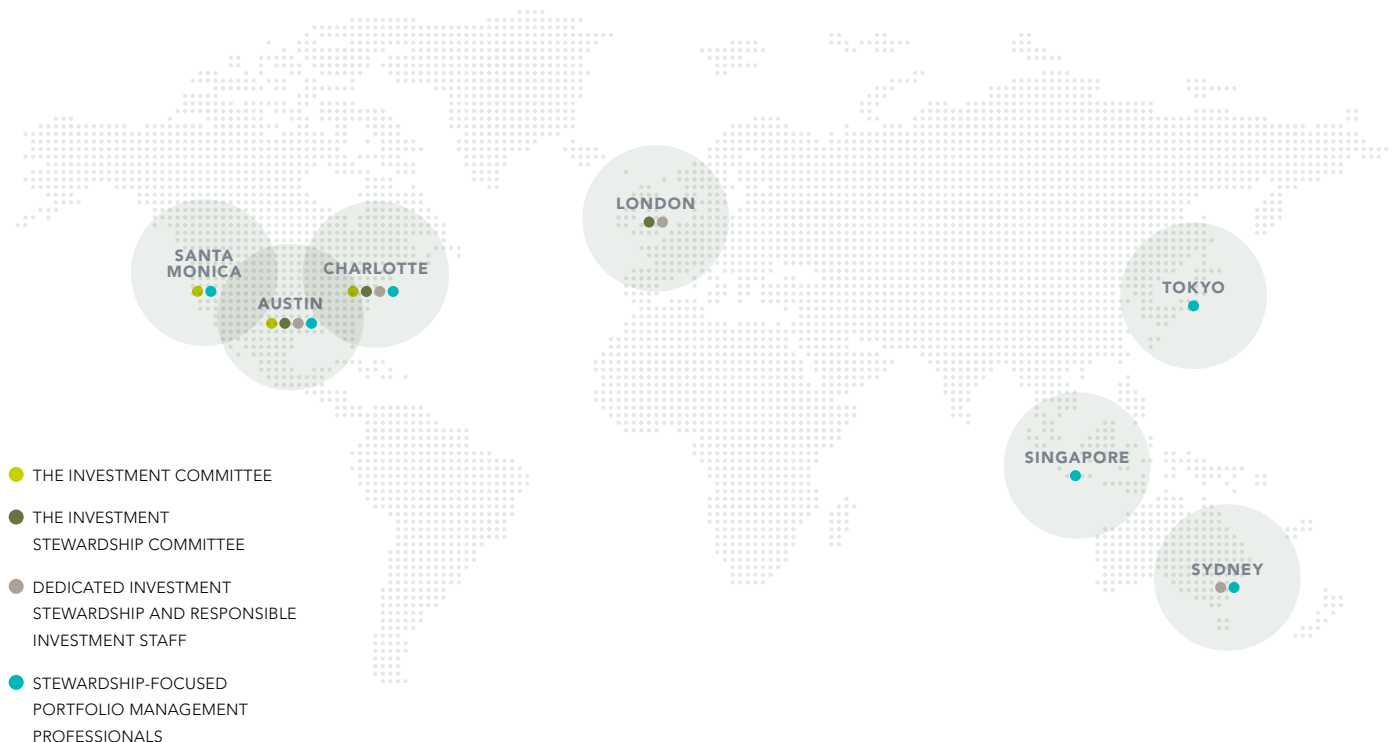
**Dedicated Investment Stewardship and Responsible Investment Staff**

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

The Responsible Investment team is responsible for coordinating Dimensional's firmwide ESG investment strategy across areas such as sustainability product design, data, ESG regulatory requirements, ESG research, and ESG thought leadership.

**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 portfolio companies around the globe.



17. Headcount and locations as of June 30, 2023.

Dimensional’s proxy voting policy is principles-based, setting out our views on certain governance practices and providing the framework by which Dimensional analyzes key proposal types. However, a fund’s or account’s investment strategy can impact voting determinations. For example, in our dedicated social and sustainability strategies we follow proxy voting guidelines tailored in certain circumstances to consider social and sustainability objectives when evaluating certain proxy votes.

Dimensional seeks to vote (or refrain from voting) proxies on behalf of our clients in a manner that seeks to maximize the value of the client’s investment, subject to any particular investment or voting guidelines of specific funds or accounts. These votes can be on routine business matters raised by management, such as executive compensation plans, or issues raised by other shareholders, such as environmental shareholder proposals.

In addition to voting activities, the Investment Stewardship Group may engage<sup>18</sup> with portfolio companies directly to understand their perspective on a particular topic or to provide our point of view. Engagement can take the form of meetings and calls with board directors and company executives or written letters. Each year, Dimensional identifies focused stewardship topics and may conduct letter campaigns to engage with a broader set of portfolio companies and pinpoint opportunities for additional engagement on these key issues.

The Investment Stewardship Group may consider news and other developments that might affect portfolio companies. To keep track of upcoming general meetings and execute votes on behalf of clients, Dimensional retains certain third-party proxy service providers, though we remain responsible for proxy voting decisions. This team may conduct its own independent research, gather additional data, and engage with a company’s board or its management, if needed, before coming to a decision.

### **Outcomes for Shareholders**

The goal of our approach to stewardship is to effectively use engagement and voting to protect and enhance shareholder value. Stewardship is an important element of our investment process and commitment to our clients, and the following sections summarize notable activities and examples of stewardship work conducted by Dimensional’s team during the proxy year.

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18. Dimensional from time to time discusses governance matters with portfolio companies to represent client interests; however, regardless of such conversations, 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.



# 2023 Investment Stewardship Activities

July 1, 2022–June 30, 2023

Dimensional's investment stewardship efforts seek to improve governance practices at portfolio companies in a way that we believe may protect and enhance shareholder value. The following statistics provide a broad overview of Dimensional's engagement and proxy voting activities during the proxy year.

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## Global Engagement

936

Engagements<sup>19</sup>

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## Global Proxy Voting

21,090

Meetings Voted

183,837

Proposals Voted

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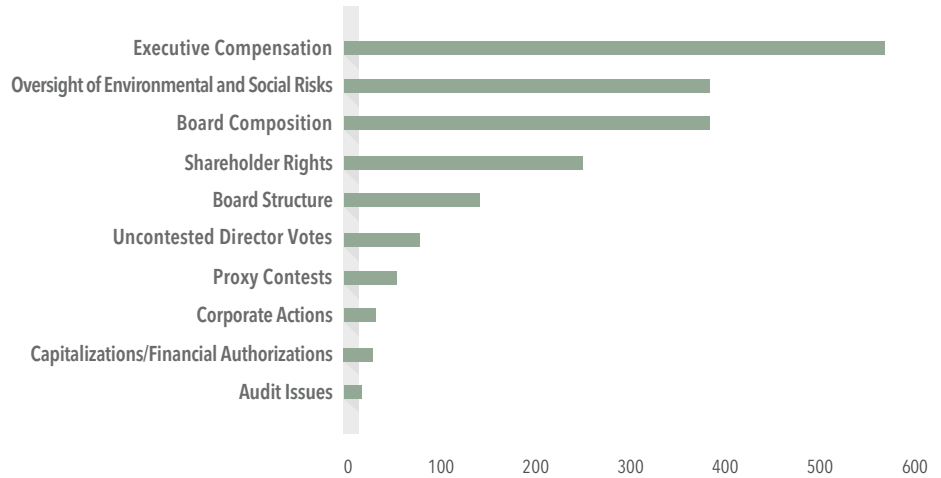
19. Includes calls with portfolio companies and dissident and shareholder proponents.

## Company Engagements

Dimensional engages with portfolio companies to better understand their governance practices and advocate for strong corporate governance.

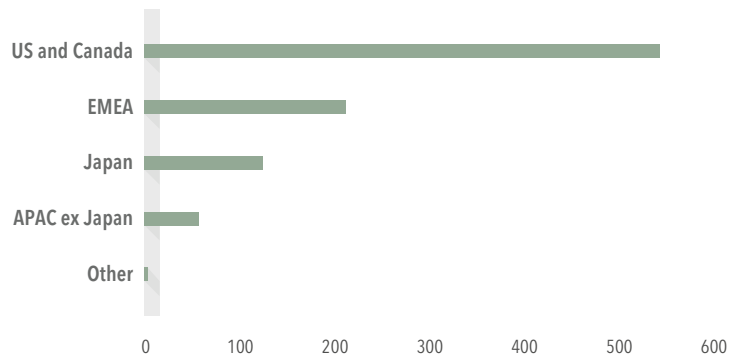
Over 60% of engagements included discussion of executive compensation.

ENGAGEMENTS<sup>20</sup> BY TOPIC



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

ENGAGEMENTS BY REGION



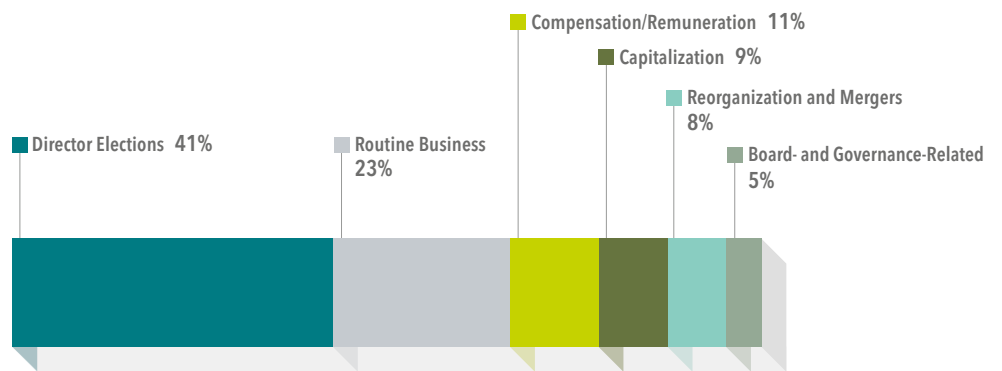
20. Engagements may cover multiple topics. Total number of topical discussions will exceed total number of portfolio company discussions due to many discussions covering multiple stewardship topics.

## Proxy Voting

Dimensional votes (or refrains from voting) proxies at shareholder meetings globally to hold boards and management of portfolio companies accountable to shareholders and promote governance best practices.

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

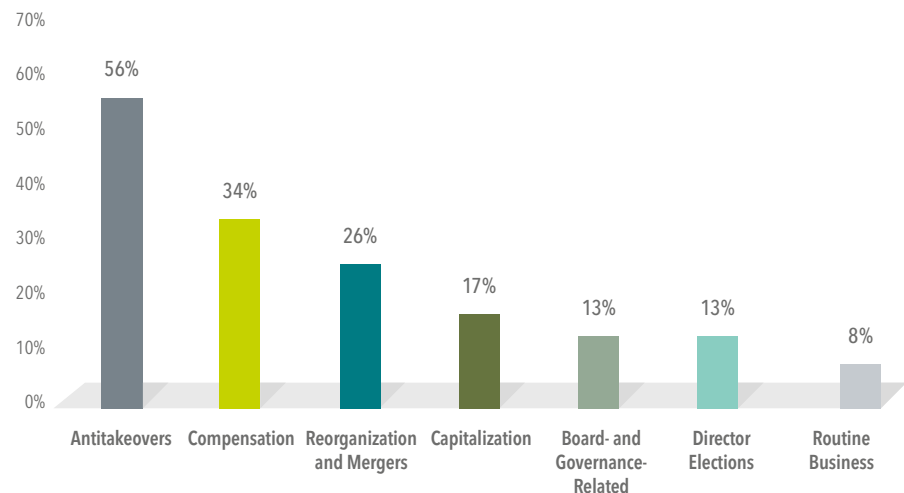
### PROPOSALS VOTED BY TOPIC



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

### VOTES AGAINST MANAGEMENT BY TOPIC

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



The "Director Elections" category includes the election of statutory auditors in Japan. "Board- and Governance-Related" includes proposals related to director compensation, board size and structure, voting standards, and shareholder access. "Routine Business Matters" includes a range of procedural matters, as well as proposals calling for the adjournment of meetings, votes on the frequency of "Say on Pay," and the election of auditors.

## Board Oversight Engagement and Voting at JB Financial Group

### South Korea, Financials

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#### Goal

Evaluate dissident shareholder case for director candidate.

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#### Background

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

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

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#### Engagement

Dimensional engaged with JB Financial to understand their view of Align’s proposals.

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

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

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#### Outcome

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

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

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

## Human Capital Management Engagement and Voting at Activision Blizzard Inc.

### US, Entertainment

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#### Goal

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

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#### Background

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

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

---

#### Engagement

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

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

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**Outcome**

Dimensional voted for the shareholder proposal at the company's June 2022 shareholder meeting, which ultimately passed with 69.3% support. Due to the financial implications of the mismanagement of human capital management, we believed that shareholders would benefit from increased disclosure of how the board and management oversee the issue, including how the company identifies relevant metrics and targets and measures improvements against these targets.

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

## Risk Oversight Engagement at Keller Group plc

### UK, Industrials

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#### Goal

Advocate for effective risk oversight and internal controls.

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#### Background

In January 2023, Keller Group plc (“Keller”) announced that they had identified a financial reporting fraud in its Australian business unit (“Austral”) as part of the portfolio company’s periodic internal review. The fraud relates to actions by two employees that resulted in the overstatement of Austral’s performance from 2019 onwards. The news resulted in a sharp decline in Keller’s share price, which Dimensional’s Portfolio Management team identified and escalated to the Investment Stewardship Group through ongoing news and security monitoring processes.

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#### Engagement

Dimensional reached out to Keller to get a better understanding of the board’s oversight of the portfolio company’s financial risk management and internal control systems. The portfolio company informed Dimensional that an internal investigation was underway, and Keller is in the process of appointing an external adviser to undertake an independent investigation. Keller was also aiming to implement remedial processes and strengthen reporting activities across the company.

Keller maintains a number of whistleblowing channels for employees and Keller’s Audit Committee receives regular updates from management on complaints.

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#### Outcome

During our engagement with Keller, Dimensional was informed of additional oversight of this issue and that Keller intended to take appropriate remedial action.

In March 2023, Keller stated that the forensic investigation of the fraud incident was completed and reported that Keller aims to take the lessons learned from this incident and embed identified improvements into management and financial control processes. Dimensional intends to continue monitoring these effects.

## Climate Risk Engagement and Voting at Ascent Industries Co.

### US, Materials

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<b>Goal</b>	Advocate for improved disclosure of climate risk assessment practices.
<b>Background</b>	<p>In October 2020, Dimensional sent letters to portfolio companies that were operating in industries where SASB (Sustainability Accounting Standards Board) Standards identified climate change as a material risk but, in our view, were not disclosing adequate board oversight policies and procedures related to climate change risk. The letters requested disclosure of each company's board oversight and the responsibilities of board committees related to oversight of material climate change risk, as Dimensional believes that shareholders would benefit from increased disclosures regarding oversight of material climate change risks.</p> <p>Ascent Industries Co. was sent a letter as a part of this climate risk letter campaign. Dimensional also engaged with Ascent Industries in 2021 and 2022, and when the company provided no additional disclosure or publicly stated intention to improve disclosure related to climate risks, Dimensional escalated the matter and voted against the Ascent directors.</p>
<b>Engagement</b>	<p>In June 2023, Dimensional reviewed the Ascent Industries public disclosures ahead of the company's annual shareholder meeting and again did not observe any improvement in disclosure of board oversight of climate risk. Dimensional subsequently engaged with the company to understand why this information had not been disclosed. Company representatives stated that the board had reviewed the letter and did not intend to respond to the letter or amend its disclosures.</p>
<b>Outcome</b>	<p>Dimensional voted against all incumbent directors standing for reelection at the June 2023 annual shareholder meeting. Despite this, all directors were ultimately reelected, receiving between 79% and 91% support.</p>



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## Shareholder Rights Letter Campaign

### Campaign Goal

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

### Background

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

#### Letters Sent by Issue<sup>21</sup>

106

Letters Addressing  
Unequal Voting Rights

19

Letters Addressing Nonshareholder-  
Approved Poison Pills

### Outcomes and Observations

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

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21. Of the 123 companies that received letters from Dimensional, two were sent a letter addressing unequal voting rights and a letter addressing nonshareholder-approved poison pills.

**Shareholder Rights Letter Campaign** *(continued)*

**Company Example: PJT Partners Inc.**

**Background**

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

**Outcome**

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

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



Directors Voted Against for Concerns Related to Unequal Voting Rights



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



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

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Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP.

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Investments involve risks. The investment return and principal value of an investment may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original value. Past performance is not a guarantee of future results. There is no guarantee strategies will be successful.

Environmental and social screens may limit investment opportunities for a strategy.

Diversification does not eliminate the risk of market loss.

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