
2023–2024 Annual UK Stewardship Code Report

for Dimensional Fund Advisors Ltd., a Limited Liability Company

Reporting Period: 1 July 2023–30 June 2024



Introduction from the Co-Chief Executive Officers

We are pleased to present the 2023–2024 Annual UK Stewardship Code Report for Dimensional Fund Advisors Ltd. (“Dimensional UK”). This year’s report contains a summary of our stewardship activities and outcomes over the 12-month period from July 2023 to June 2024.

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

Dimensional has continued to enhance its stewardship capabilities and resources, building on some of the foundations laid out over the previous few years. During the reporting period, Dimensional EMEA launched a new global sustainability equity strategy for UK and European investors. Continuing the efforts started over the previous years, we established new relationships with academics and practitioners. We published several thought leadership pieces, including a guide designed to help advisers discuss with their clients whether a sustainability strategy is right for their goals.

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

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

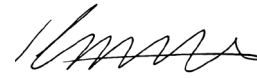
Stewardship continues to be an essential pillar of our investment process. Through our stewardship efforts, we strive to enhance and protect shareholder value by focusing on foundational governance principles, including board structure and composition, risk management, shareholder rights and executive compensation.

As this report details, our stewardship team held 1,033 direct engagements and voted on 186,161 proposals at 21,730 meetings globally during the reporting period.² During the reporting period, climate risk oversight remained an important topic, and our stewardship team engaged with portfolio companies about a wide range of topics related to climate change.

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



John Romiza
Co-Chief Executive Officer



Nathan Lacaze
Co-Chief Executive Officer

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

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The UK Stewardship Code 2020



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

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

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

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

PRINCIPLE ONE

**Purpose,
Strategy
and Culture**

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

Purpose and Governance

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

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

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

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

Culture

Dimensional operates under the following guiding principles:

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

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

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

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

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

Diversity and Inclusion

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

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

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

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

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

Inclusion Networks focus on three primary goals: supporting professional development, fostering community and building professional networks, and supporting related diversity initiatives. During the reporting period, Dimensional employees continued to pursue these goals in the five Inclusion Networks. These Inclusion Networks work to foster the growth, professional development and success of employees and allies, thereby increasing their contribution to Dimensional.

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

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

Operating Sustainably

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

In pursuit of this goal, Dimensional considers emissions reduction strategies across our global offices. In those locations where we do not own and manage the office property, Dimensional seeks to work with landlords to plan and help execute certain emissions reduction activities. Dimensional UK is contributing towards the landlord's effort to improve the efficiency of the building by upgrading heating, ventilation and air-conditioning ("HVAC") equipment and lighting.

Globally, Dimensional furthered our progress towards our sustainability goals over the reporting period through capital improvements and administrative strategies. Dimensional's capital measures include adding electric vehicle (EV) charging stations in certain locations, upgrading HVAC equipment and irrigation controls and relocating our data centre, which may reduce its energy consumption. We also continue to run a global employee hybrid-workweek program, which may help reduce emissions from commuting. Across our US offices, we also enhanced our composting program to increase the diversion of waste from landfills.

In 2024, we also elected to offset our 2023 operational Scope 1 and 2 emissions. To this end, we partnered with an independent carbon offset consultant to conduct extensive due diligence on 30 potential offset projects from multiple providers. Based on the findings, Dimensional then selected three projects to pursue based on our assessment of the integrity and rigour of their greenhouse gas reduction claims, diversifying by carbon offset type and geography.

Our Investment Philosophy and Approach

Dimensional creates research-driven investment solutions that meet the needs of our clients. To accomplish this, Dimensional puts financial science to work for investors by translating academic and empirical research into real-world investment solutions.

We do not seek to outguess the market with timing strategies or speculative positions. Rather, we use a systematic approach to pursue premiums identified through rigorous academic research, implemented through broadly diversified portfolios.

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

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

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

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

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

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

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

RESEARCH AND DATA

- Dimensional's Portfolio Management team implemented an in-house process to identify and review potential violations of responsible business conduct standards, such as those standards defined by the United Nations Global Compact. Leveraging this process, we introduced a new business conduct screen to Dimensional's UCITS sustainability portfolios.
- Over the period covered by this report, Dimensional's research team has done reviews and discussions of over 20 research papers by academic and practitioners related to ESG and responsible investing.

INVESTMENT STEWARDSHIP

- We split the summary of our global proxy voting guidelines (the "Proxy Voting Guidelines") into separate summaries for standard, sustainability and social voting guidelines, providing extra clarity to clients over the differences in voting approaches between these guidelines.
- We updated our Proxy Voting Guidelines to include additional information about our expectations on corporate governance in the Asia-Pacific ("APAC") region.
- We held quarterly Investment Stewardship Committee meetings that included senior executive officers and directors of Dimensional and senior members of the investment team, where we discussed our policies on investment stewardship. We provided quarterly updates on these meetings to our global and local Investment Committee.
- We updated our Annual Stewardship Report and published a Responsible Investment Report that includes information about stewardship as well as Dimensional's overall ESG approach, incorporating feedback from clients following our 2023 reports.
- We integrated data from multiple internal platforms to seek to improve the efficiency and accuracy of our voting processes for all portfolios.

ESG INVESTING

- Dimensional UK continued to convene the EMEA Sustainability Council, composed of financial advisers and consultants, to discuss sustainability issues relevant to the Dimensional sustainability funds distributed in the UK.
- In September 2023, Dimensional UK hosted a Blended Finance Symposium, bringing together approximately 50 representatives from a range of sectors—government, development banks, asset owners, asset managers, investment banks and academics—to discuss blended finance and how to scale it.
- During the reporting period, Dimensional EMEA continued to expand our range of sustainability products available to UK clients. Dimensional EMEA launched the Global Sustainability Targeted Value strategy to provide an enhanced selection of funds to our clients.

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

PRINCIPLE TWO
**Governance,
 Resources
 and Incentives**

Signatories’ governance, resources and incentives support stewardship.

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

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

Responsible Investment

Dimensional’s approach to responsible investment is focused on building science-based solutions that allow clients to align their investment and sustainability goals. Dimensional’s responsible investment efforts include combining the knowledge of dedicated personnel along with ESG specialists and contributors integrated within their respective functional teams. As of 31 December 2023, more than 60 investment professionals contribute to ESG initiatives across our global offices. For example, members of the Portfolio Management team provide daily oversight of our sustainability-focused portfolios as well as contribute to stewardship activities and ESG data oversight. Members of our Research team conduct research projects on ESG-related issues and review external ESG research. Members of our Investment Analytics and Data team provide oversight of third-party ESG data and use their data and technical skills to build tools that integrate portfolio management and ESG data. These efforts are coordinated by Jim Whittington, Head of Responsible Investment, and Lacey Huebel, Head of Responsible Investment, North America.

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



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

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

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

Network of Researchers and Academics

DAVID VICTOR

University of California, San Diego

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

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

MICHAEL GILLENWATER

Greenhouse Gas Management Institute

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

LUCIAN BEBCHUK

Harvard Law School

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

CHRISTIAN LEUZ

University of Chicago Booth School of Business

Christian Leuz is the Charles F. Pohl Professor of Accounting and Finance, University of Chicago Booth School of Business. He is a research associate at the National Bureau of Economic Research and a research fellow at both the Center of Economic Policy Research and the European Corporate Governance Institute.

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

Investment Stewardship

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

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

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

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

The 11-person Investment Stewardship Committee is composed of a variety of senior leaders from Dimensional. Both the Co-CEOs and the Chairman of Dimensional US serve on the Investment Stewardship Committee, alongside members of the board of directors of the general partner of Dimensional US (who are leading academics in the field of financial economics), and senior members of the global Portfolio Management team, including Dimensional's Head of Responsible Investment and Head of Investment Stewardship.

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

During the reporting period, the Investment Stewardship Committee:

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

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

As described above, the Investment Stewardship Group is a dedicated group of professionals who receive specialised corporate governance training and are tasked with implementing Dimensional's stewardship priorities. This group, which reports to the Head of Investment Stewardship, resides within the Portfolio Management department. Members are compensated based on the effective performance of their duties, which include oversight, execution and enhancement of Dimensional's stewardship policies, procedures and operations. The Head of Investment Stewardship represents the group on the Investment Stewardship Committee. During the reporting period, the Investment Stewardship Group had eight full-time employees.

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

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

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

PRINCIPLE THREE

Conflicts of Interest

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

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

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

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

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

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

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

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

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

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

Below are examples of conflict situations which may arise:

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

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

PRINCIPLE FOUR
**Promoting
Well-Functioning
Markets**

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

Identifying and Addressing Risks

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

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

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

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

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

Risk Management Roles and Responsibilities

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

GLOBAL INVESTMENT COMMITTEE

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

GLOBAL INVESTMENT STEWARDSHIP COMMITTEE

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

GLOBAL RISK COMMITTEE

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

GLOBAL OPERATIONAL RISK COMMITTEE

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

REGIONAL RISK COMMITTEES

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

LEGAL AND REGULATORY COMMITTEE

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

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

Climate-related regulations are evolving rapidly, and we actively monitor developments in this area.

Navigating Investment Risks

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

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

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

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

Responding to Marketwide and Systematic Risk

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

FORCED LABOUR RISKS

The possibility of forced labour in the supply chains of portfolio companies has the potential to pose significant risks for shareholders. During the reporting period, several pieces of modern-slavery and forced-labour legislation—notably in Australia³ and the EU⁴—have been updated. This has increased attention on this issue globally. Forced-labour risk was therefore a common engagement topic during Dimensional's engagements with portfolio companies over the reporting period.

Dimensional expects portfolio companies to disclose information on human rights issues such as identifying the specific risks, potential impacts, details on how these are monitored through the supply chain, governance over the risks and any details of violations or corrective action. To communicate Dimensional's expectation of board oversight of human rights issues, in February 2024, Dimensional sent letters to 94 portfolio companies across EMEA, APAC and Japan. The goal of the letter campaign was to communicate Dimensional's expectation to portfolio companies operating in industries where the United Nations Global Compact identified forced labour as a material risk and Dimensional clients held more than 1% of the portfolio company's shares outstanding as of December 31, 2023. Dimensional's letter asks portfolio companies to disclose the extent to which forced labour poses a material risk to the portfolio company. To the extent that forced labour is deemed a material risk, the letter requests disclosure of the role of the portfolio company's board in overseeing the risks posed by forced labour throughout the organisation and supply chain, as well as disclosure of the policies and procedures in place to address the risks posed by forced labour.

On an ongoing basis, Dimensional has been receiving responses from letter recipients. As of June 30, 2024, Dimensional has received 32 responses and conducted nine follow-up engagements with letter recipients. The responses are varied, with some recipients expressing a willingness to consider changing their practices, while others cited objections to the level of disclosures we requested.

Dimensional's Investment Stewardship Group is monitoring company responses, reviewing portfolio company disclosures and, if necessary, engaging and considering potential voting actions against the directors if disclosures remain insufficient, in accordance with Dimensional's Proxy Voting Guidelines.

3. The Australian Modern Slavery Act 2018 was amended by the Modern Slavery Amendment Bill 2023 in May 2024.

4. The European Parliament passed the Corporate Sustainability Due Diligence Directive in April 2024.

Effective Board Oversight over Supply Chain at Tyson Foods Inc.

Goal	Advocate for effective board oversight of material human rights risks within company supply chain.
Background	Tyson Foods Inc. (“Tyson”) received a shareholder proposal at its 2024 Annual General Meeting (AGM) requesting that the company commission a third-party audit assessing child labour in Tyson’s value chain. This proposal primarily focused on concerns arising from a Department of Labor investigation into the employment of child labourers at several of Tyson’s supply chain partner’s facilities in March 2023 and the resulting citation and fines to the supplier.
Engagement	In February 2024, Dimensional engaged with representatives from Tyson about their response to the proposal and shareholder concerns regarding the effectiveness of the publicly disclosed human rights policies and procedures. Portfolio company representatives explained that they were taking steps to respond to the violation of their supplier code of conduct and human rights policies, including terminating the portfolio company’s relationship with the impacted supplier at facilities named in the Department of Labor investigation and setting a goal to develop and deploy a supply chain management approach to responsible sourcing.
Outcome	Dimensional expects portfolio company boards to exercise oversight of human rights issues that could pose a material risk to the business and disclose handling of these risks should they have a material impact. In light of recent reports of child labour in the portfolio company’s supply chain that could have adverse financial, legal and reputational risks, Dimensional supported the shareholder proposal to commission a third-party audit assessing its use of child labour in Tyson’s value chain at the February 2024 shareholder meeting. Tyson has a dual-class stock structure, with Class B shareholders carrying 10 votes per share and Class A common shareholders having one vote per share. Although the proposal was supported by 52% of Class A shareholders, the proposal failed to receive majority support with 12% after accounting for both Class A and Class B shareholders. Dimensional will continue to monitor reports of ongoing human rights concerns at the portfolio company, including the possible use of child labour in the supply chain, and will monitor the company’s responsiveness to independent shareholder concerns about the matter.

CYBERSECURITY RISKS AND ARTIFICIAL INTELLIGENCE RISKS

Portfolio company cybersecurity and artificial intelligence (“AI”) risks have been areas of focus during the reporting period. As with previous periods, cyberattacks have continued to impact companies reputationally and financially. Recent regulatory attention from the US Securities and Exchange Commission has also increased attention on cybersecurity. Additionally, with the rapid development of AI capabilities, good oversight of AI risks and opportunities is an emerging topic of engagement.

As outlined in Principle 1, we believe that information about the company-specific risks and systematic risks to which a portfolio company is materially exposed is reflected in a portfolio company’s market valuation. This includes information about material AI and cybersecurity risks. Given such risks may have an adverse impact on shareholder value, steps taken to manage or mitigate such risks may enhance or protect shareholder value. Dimensional therefore advocates for management and boards of portfolio companies to oversee material AI and cybersecurity risks and provide sufficient disclosure to shareholders on these matters.

To seek to gain a deeper understanding of how portfolio companies oversee risks relating to AI and cybersecurity, Dimensional conducted discussions with 77 portfolio companies globally to better understand oversight mechanisms and advocate for enhanced disclosure.

Through these engagements, we gained a better understanding of the range of approaches taken to manage cybersecurity and AI risks. Certain approaches adopted by portfolio companies included maintaining an information security risk insurance policy, hiring third-party information technology experts and disclosing material security breaches. However, some portfolio companies’ practices were less well-developed, with limited disclosure, unclear lines of board oversight and little information on the processes and procedures for limiting AI and cybersecurity risks.

Cybersecurity Risk Oversight Engagement and Voting at UnitedHealth Group Incorporated

Goal	Board accountability of cybersecurity risks oversight and data protection.
Background	<p>On 22 February 2024, UnitedHealth Group Incorporated (“UnitedHealth”) announced that it had become the victim of a ransomware cyberattack. In the week following the announcement, the stock price fell 6.25%. Dimensional’s Investment Stewardship team identified this issue through our ongoing news and security monitoring processes.</p> <p>On 1 May 2024, the UnitedHealth CEO stated in congressional testimony that the server accessed by the attackers, contrary to the portfolio company’s policies, did not have multifactor authentication protection. The CEO also testified that UnitedHealth paid the attackers a \$22 million ransom payment, and that the attack compromised the health and personal data of an estimated one-third of Americans.</p>
Engagement	In May 2024, Dimensional engaged with UnitedHealth to understand the role of the board in overseeing cybersecurity. UnitedHealth confirmed that, as outlined in its audit committee charter, the board’s audit committee maintains oversight of the portfolio company’s policies, procedures, and resource commitment in the areas of cybersecurity and data protection, including key risk areas and mitigation strategies.
Outcome	Dimensional believes that portfolio company boards are responsible for addressing material risks within their stated duties. Dimensional voted against all incumbent members of the audit committee standing for reelection at the June 2024 annual shareholder meeting due to the material impact of their failure to ensure the portfolio company’s data protection policy was being followed. The incumbent members of the audit committee were ultimately reelected, receiving between 91% and 93% support.

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

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

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

An example of our policy development process during the reporting period was the introduction of three distinct summaries of our Proxy Voting Guidelines: standard, sustainability and social. Each summary corresponds to the funds or accounts that follow their respective relevant guidelines. Previously, the guidelines followed by portfolios implementing sustainability or social guidelines were consolidated into a single summary which then referenced differences between the implementations. We believe this change will allow us to provide enhanced information on how we vote proxies for such distinct investment strategies.

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

Engagement Practices

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

Stewardship Reporting

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

Many stakeholders, including non-subject-matter experts, are involved in the development of the Responsible Investment Report. The report is reviewed by Dimensional's global Co-CEO, Legal and Compliance teams and leadership from across investment teams. The most recent report was published in July 2024 and is [*available here*](#).

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

In 2023, we introduced enhancements to our report on how Dimensional's sustainability funds voted on environmental and social proposals during the previous proxy year. After soliciting feedback from clients, we significantly enhanced the scope and depth of our reporting, reflecting a synopsis of stewardship activity through the lens of our sustainability investors. The updated report includes an overview of the funds' broader engagement and proxy voting activity; details on our approach to evaluating environmental and social shareholder proposals and additional illustrative information, such as voting statistics related to the environmental and social shareholder proposal topics we voted for and against; key rationale descriptions for those proposals we did not support; and demonstrative case study examples. As in previous years, we provide a comprehensive list of votes for and against environmental and social shareholder proposals, including portfolio company name and proposal description. We believe these changes will provide clients with greater detail on how our sustainability Proxy Voting Guidelines inform our proxy voting decisions for portfolios following these guidelines, improving the clarity and transparency of our reporting.

PRINCIPLE SIX
Client and Beneficiary Needs

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

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

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

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

Total assets managed by Dimensional UK as of 30 June 2024 were GBP 31.7 billion and can be broken down into the following asset classes:

Data as of 30 June 2024 (GBP Millions)

Developed ex US Equities	7,198
Emerging Markets Equities	4,183
Fixed Income	12,165
Global Equities	7,681
US Equities	432
Total	31,659

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

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

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

During the reporting period, Dimensional launched the Global Sustainability Targeted Value Fund. As of 30 June 2024, six Dimensional sustainability funds representing more than GBP 4.9 billion of assets were available to Dimensional UK clients.

Understanding Client Needs

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

Consistent with the previous reporting period, Dimensional conducted a number of activities focused on understanding the ESG values of clients. This included a survey of professional financial intermediaries about their views on ESG and on voting policy, as referenced under Principle 5. In the UK, Dimensional conducted a survey of advisers, which included a portion on ESG.

During the reporting period, we organised several conversations with our EMEA Sustainability Council, a group composed of consultants and wealth managers not affiliated with Dimensional whose clients have a specific focus on sustainability.

During these conversations, we shared some of our ongoing work, listened to feedback and provided education on specific ESG topics from a variety of internal and external experts.

Reporting on Stewardship and Investment Activities

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

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

Dimensional UK ran a number of ESG-focused events for UK and European clients and advisors. For example, the Dimensional Foundations Conference—a quarterly educational conference primarily aimed at the UK financial advisory community—now includes a full session dedicated to helping professional investors navigate ESG investing. In May 2024, we organised a webcast discussing the implications of the UK Sustainability Disclosure Requirements (SDR) for professional financial intermediaries, in partnership with a third-party expert, which over 100 financial professionals attended.

For the sustainability strategies Dimensional UK manages, we provide public quarterly reporting on both the carbon intensity of each portfolio and the potential emissions from fossil fuel reserves at the portfolio and sector level, relative to their comparative index. The reports include a summary of the funds' sustainability focus, details on the nature of company-level emissions data and additional explanatory information, such as prominent definitions of key terms, illustrations and examples of carbon-related metrics.

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

As detailed under Principle 5, since 2019, Dimensional has published an Annual Stewardship Report. In 2022, we introduced a broader Responsible Investment Report, and in 2023, we expanded the scope of this reporting to include our voting for environmental and social shareholder proposals.

PRINCIPLE SEVEN
Stewardship,
Investment and
ESG Integration

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

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

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

Equity Security-Level Reviews

As part of our process for creating an eligible universe, we review country risks, exchange listing standards and individual securities for structural, governance-related issues. For example, we may exclude companies from eligibility if they are closely held; such companies may not have adequate risk controls to protect the interests of minority shareholders against abusive practices by company insiders. We also assess exchange listing requirements against certain standards; for example, accounting standards and the level of shareholder protection offered. We may exclude companies from eligibility if they are listed on exchanges whose listing requirements fail to meet these standards. During the reporting period, we reviewed approximately 4,000 equity securities as part of this process.

Fixed Income Security-Level Reviews

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

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

Daily News Checks

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

Risk Oversight at Impala Platinum Holdings

Goal

Advocate for effective risk oversight and internal safety controls.

Background

In November 2023, Impala Platinum Holdings (“Implats”) reported a serious safety incident involving an elevator shaft, resulting in 13 employee deaths and 73 injured employees. The news resulted in a sharp decline in share price, which Dimensional’s Investment Stewardship Group identified through its ongoing news monitoring processes.

Engagement

Dimensional contacted Implats to better understand the company’s current risk management and internal safety control systems and to seek to understand if there was sufficient risk oversight by the board. The company informed Dimensional of board-approved operational policies, which include routine checks by technicians. The company reported its board will seek to enhance operational safety based on observations and findings from the regulated investigations. The company also noted the recent disclosures it had made surrounding the incident, including information about the internal investigation, overseen by the board, being conducted in parallel with a formal investigation by South Africa’s Department of Mineral Resources and Energy. The company reported it expects the internal investigation to draw on observations and findings from the regulatory investigation but will also explore potential interventions to further enhance the safe operation of all conveyance systems across the company.

Outcome

Based on the information collected by Dimensional, it appeared to Dimensional that the board had adequate oversight of this issue, promptly disclosed relevant information to the public and that the company was taking actions towards risk oversight. We will review the board’s approach to labour safety and its remedial actions as it publishes updated documents. Dimensional’s Investment Stewardship Group conveyed the engagement outcome with Implats to the Portfolio Management team for further monitoring.

As previously reported, in 2022 we integrated our fixed income strategies into the daily ESG news check process. If there is evidence of a material ESG-related controversy at a corporate issuer held in our fixed income portfolios, we may temporarily exclude that issuer's bonds from purchase while we assess the investment implications.

Investment Monitoring

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

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

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

Proxy Voting Decisions

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

Investment and Divestment Decisions

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

For Irish sustainability funds, portfolio companies determined to have poor governance practices by the Investment Stewardship Group are brought to the attention of the Portfolio Management team. A decision is then made by Dimensional's Investment Committee as to whether ceasing further investment is the appropriate course of action, and the Committee may also consider divestment from the portfolio company if merited.

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

ESG Data

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

- Completed the build and implementation of a new system to incorporate environmental and social screens into relevant equity portfolios, improving data flow, impact analysis and approval process.
- Continued to incorporate key aspects of new environmental and social data processes into relevant fixed income portfolios.
- Analysed or in process of analysis on various potential datasets from ESG data providers, including possible enhancements to existing screens.

PRINCIPLE EIGHT
**Monitoring
 Managers
 and Service
 Providers**

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

Proxy Advisory Firms

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

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

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

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

To assess the capacity and competency of proxy advisors, Dimensional:

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

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

During the reporting period, Dimensional deemed the proxy advisory firms to have met our expectations to have the capacity and competency to timely and adequately analyse proxy issues, as well as make impartial recommendations in consideration of the best interests of Dimensional's clients and consistent with Dimensional's voting policies and fiduciary duties.

ESG Data Providers

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

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

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

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

- We derived data points to classify each portfolio company in the equity and fixed income universes according to various metrics (e.g., sorting companies into quintiles based on emissions per dollar revenue within industry).
- Dimensional's teams escalated over 400 individual data exceptions to our service providers for review and potential correction. Prior to the reporting period, Dimensional formed a Sustainability Data Working Group to evaluate large changes in data as well as check impacts of newsworthy events on data. A process to allow for temporary overwrites of data was put into place, and systems were built to support that process.
- We discussed with data vendors how to improve efficiency and accuracy of palm oil and factory farming data.

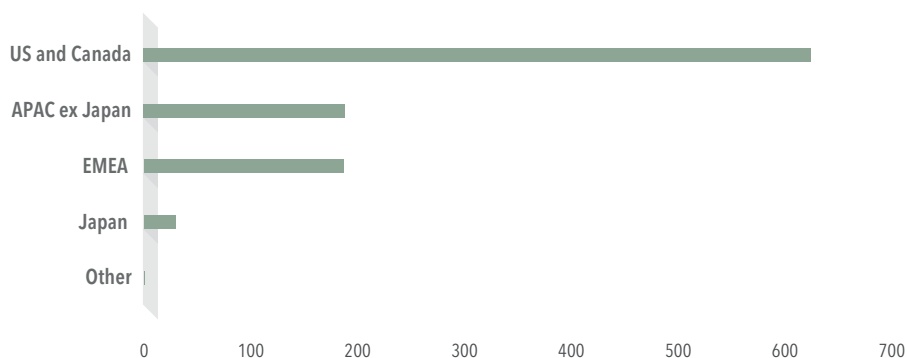
PRINCIPLE NINE
Engagement

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

Dimensional engages with company management and board members at portfolio companies through phone calls, virtual meetings, in-person meetings or written correspondence. Dimensional’s engagement efforts are conducted by members of Dimensional’s Investment Stewardship Group located in the US, London and Sydney, as well as stewardship-trained Portfolio Management professionals located in Tokyo. Engagements are divided amongst offices based on the location of the portfolio company; however, each office uses the same engagement framework and follows the same processes. Generally, when conducting an engagement, Dimensional represents the interests of all the equity portfolios it manages.⁵

Engagements outside of North America represented over 40% of total engagements in 2023-2024.

ENGAGEMENTS BY REGION



2023–2024 Investment Stewardship Priorities

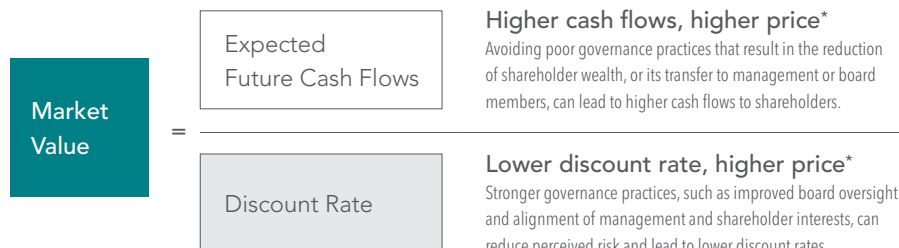
Board Composition and Structure	We expect a portfolio company’s board of directors to represent the interests of shareholders. Board independence and diversity of backgrounds, experiences and skill sets are important issues in assessing board composition at portfolio companies.
Material Environmental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

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

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

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

Stronger Governance Practices Can Improve Returns



*All else equal. Not guaranteed.

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

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

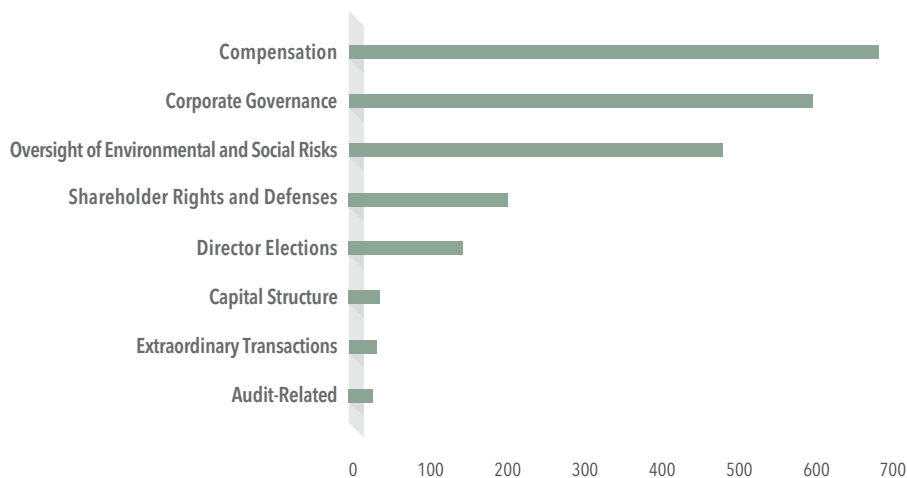
Engagement frequently plays a role in the escalation of our stewardship activities. Please see Principle 11 for more information.

Global Engagement

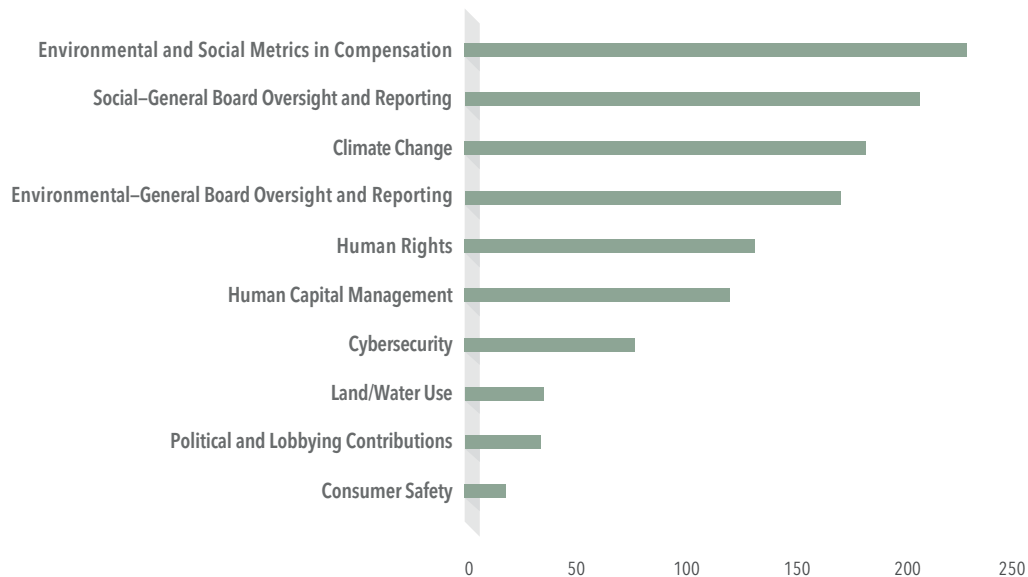
1,053
Engagements⁶

Over 60% of engagements included discussion of executive compensation.

ENGAGEMENTS BY TOPIC⁷



ENGAGEMENTS BY ENVIRONMENTAL AND SOCIAL TOPIC



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

7. 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.

Say on Pay at Sysco Corporation

Goal

Advocate for improved executive compensation practices.

Background

In November 2022, Dimensional engaged with Sysco Corporation (“Sysco”) to discuss concerns with compensation-related practices following a year of low Say on Pay plan support. As a result of shareholder feedback, representatives of Sysco mentioned they intended to return to a three-year performance measurement for Performance Share Units, rather than three one-year periods. Dimensional viewed this as a positive step, but there remained concerns with lack of emphasis on financial measures in the annual bonus program and poor disclosures surrounding objective measures used. Dimensional voted against the Say on Pay plan at the 2022 annual general meeting (AGM), which received 64% overall shareholder support.

Engagement

In October 2023, before the Sysco shareholder meeting, Dimensional engaged with portfolio company representatives to follow up with concerns raised in 2022 and to monitor changes. The portfolio company elected to increase the weighting of financial measures in the annual bonus program from 60% to 70% and committed to expanding disclosures of its strategic business objectives metric in its proxy statement.

Outcome

Dimensional recognized the continued responsiveness to shareholder concerns from the portfolio company and supported its Say on Pay plan at the 2023 AGM. The plan received 93.4% support.

Remuneration Practices at Downer EDI Limited

Goal

Advocate for improvements to governance, risk management and remuneration practices.

Background

In November 2022, Dimensional's Investment Stewardship team's evaluation of Downer EDI Limited's ("Downer") 2022 remuneration policy revealed that the company's board exercised upward discretion to award executives 65% of the short-term incentive plan ("STIP") when the gateway provision was not met, and the company also provided poor disclosure on its use of discretion for award determination. Dimensional therefore voted against Downer's remuneration report at the company's November 2022 annual general meeting (AGM), which received significant shareholder opposition (55% dissent).

In December 2022, Downer disclosed to the Australian Securities Exchange (ASX) the discovery of accounting irregularities, which necessitated the adjusting of historical pre-tax earnings for fiscal years 2020–2022. The CFO and board chair resigned shortly after in early March 2023. Later that month, several former Downer employees were summoned to testify before the New South Wales Independent Commission Against Corruption (ICAC) following investigations of alleged corrupt contract management activities involving employees from local and state government entities.

Engagement

In 2023, Dimensional engaged with members of Downer's board, including the CEO and board chair, multiple times. Through these engagements and Downer's public disclosures, we were informed that Downer did not find fraud issues in its accounting, and Downer stated that it would improve internal controls to address accounting issues. Downer indicated that the ICAC investigations and hearings led Downer to focus on improving its culture, enhancing reporting and monitoring of its contracts and subcontracts, and implementing improvements to its whistleblower system.

Dimensional also engaged with the board to better understand the short-term incentive decisions for the 2022 remuneration. Downer acknowledged that its disclosure on the use of discretion could have been improved and enhanced its disclosure of remuneration practices and award determination for the fiscal year 2023 remuneration. Given the accounting issues encountered in the 2022 fiscal year and restatement of past earnings, the board exercised downward discretion to not award short-term incentives and reduced deferred awards from fiscal years 2021 and 2022. Downer pledged going forward that the short- and long-term incentives will have an increased emphasis on measurable financial performance metrics, including financial gateways to its long-term incentive plan.

Outcome

Given the improvements in remuneration disclosure and practices, Dimensional voted in favour of the remuneration report at the 2023 AGM, which received over 91% approval. Dimensional also voted for all director election proposals and equity grant proposals for the managing director. Dimensional will continue to monitor for engagement opportunities with Downer to further understand improvements to oversight policies and practices or findings stemming from the ICAC.

PRINCIPLE TEN
Collaboration

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

Dimensional is a member of various organisations that work to improve transparency and accountability regarding ESG issues. Dimensional US is also a signatory to the United Nations Principles for Responsible Investment and the Japan Stewardship Code.

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

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

Promoting Best Practices in Corporate Governance

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

- CII Corporate Governance Advisory Council: Dimensional’s Head of Investment Stewardship is a member of the CII Corporate Governance Advisory Council. The CII Corporate Governance Advisory Council’s stated aim is to provide input to the CII board and staff about CII activities that promote effective corporate governance. Dimensional continued to participate in CII activities, including contributing to CII-run events during the reporting period.
- HIIF Advisory Council: Dimensional maintains representation as a member of the HIIF Advisory Council. The HIIF Advisory Council consists of leading governance officers from the institutional investor community and provides the HIIF with input on events and topics that could add value to the community of investors.
- ICI Working Groups: Dimensional representatives continue to actively participate in working groups organized by the ICI on various issues related to stewardship, including ESG-related matters.

Harvard Law School Institutional Investor Forum Participation

Dimensional has been a member of the HIIF since 2013. The HIIF is supported by a wide set of stakeholders, including public pension funds, mutual funds, and other investing institutions in the US and other jurisdictions representing assets of more than USD 15 trillion. As an active member of the HIIF, sitting alongside other institutional investors, Dimensional discusses a wide array of thematic stewardship issues with proxy advisors, regulators and some of the largest companies in the world, including Microsoft, Coca-Cola Co., and McDonald’s Corp., among others.

During forums held in the reporting period, we discussed several thematic stewardship issues, including pass-through voting, advance notice bylaws and the shareholder proposal process, among other topics. On the topic of advance notice bylaws, we expressed the view that such provisions may serve as an entrenchment device that can result in reduced accountability at the board level in cases where they impose onerous requirements on shareholders wishing to submit a nominee for the board of directors.

Asian Corporate Governance Association (ACGA) Participation

Dimensional joined the Asian Corporate Governance Association (“ACGA”) in 2023. ACGA is supported by a wide set of stakeholders, including public pensions, sovereign wealth funds, investment managers, listed and unlisted companies, development banks, accounting firms, business associations and educational institutions. As an active member of ACGA, Dimensional and other institutional investors discuss a wide array of thematic stewardship issues impacting capital markets across the Asia Pacific region through its ACGA Investor Discussion Group and through its Member Briefings. Dimensional is also an observer to one of ACGA’s working groups focused on India, which seeks to engage and advocate to regulators and issuers on corporate governance topics in India.

Advocacy Relating to Regulations that May Affect Issuers

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

Dimensional may also submit its own comment letters on proposed rules and regulations to help promote investor interests and well-functioning markets. Participation in the above collaborative working groups may help inform Dimensional’s views. Dimensional may also consult with academics and researchers when drafting our own comment letters. Over the reporting period, Dimensional submitted comment letters relating to corporate governance and/or ESG matters to the Japan Ministry of Trade, Economy, and Industry, the UK Department of Energy Security and Net Zero, the European Commission, the Australian Treasury and the UK Financial Conduct Authority.

European Commission–SFDR Consultation

Goal	Advocate for a voluntary classification framework to help consumers navigate the sustainability product market.
Background	In September 2023, the European Commission (“EC”) launched a consultation on the implementation of the Sustainable Finance Disclosures Regulation (SFDR) as part of its comprehensive assessment of the current framework and its overall effectiveness. One change being considered is a new categorisation system for funds so that Articles 6, 8 and 9 are not used as de facto sustainability labels.
Collaboration	Dimensional participated in several working groups hosted by ICI Global and the Investment Association to understand the industry’s concerns and contribute our views on the EC’s consultation. Dimensional also provided ICI Global and the Investment Association with written comments on their draft responses to the EC’s survey.
Outcome	Dimensional submitted a response to the EC’s survey on its consultation. In our response, we expressed our view that any new categorisation framework should be voluntary, that categories should not be mutually exclusive, and that independent third-party verification of categories should not be required. We also expressed our support for the EC’s proposal to include a category for exclusionary strategies, and we cautioned against prescribing minimum criteria that a product must meet in order to qualify for a category.

UK Department for Energy Security and Net Zero—Call for Evidence on Scope 3 Emissions

Goal Explain why the costs to companies of a mandatory Scope 3 reporting regime would outweigh benefits to investors.

Background In October 2023, the UK Department for Energy Security and Net Zero published a Call for Evidence on Scope 3 Emissions in the UK Reporting Landscape. In the Call for Evidence, the UK government sought views on the costs, benefits and practicalities of Scope 3 emissions reporting, asking about the usefulness to investors of Scope 3 information.

Collaboration Dimensional provided the Investment Association with written comments on its draft responses to the Call for Evidence.

Outcome In December 2023, Dimensional submitted a response to the Call for Evidence. In our letter, 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.

PRINCIPLE ELEVEN
Escalation

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

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

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

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

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

The above framework is applicable to all equity portfolios.

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

Meta Platforms Inc.

Goal	Board oversight and accountability for child safety and related harm reduction.
Background	<p>Meta Platforms Inc. (“Meta”) received a shareholder proposal at its May 2024 shareholder meeting asking the portfolio company to prepare a report on child safety and harm reduction. The proponent specifically raised concerns around mental health, sexual exploitation cyberbullying and data privacy. The 2024 annual meeting marked the fifth consecutive meeting that Meta received a proposal regarding child safety.</p> <p>The portfolio company’s handling of this issue has been the subject of legal and regulatory scrutiny, including an October 2023 lawsuit against the portfolio company by 42 US state attorneys general and a \$1.3 billion fine levied against the portfolio company by the European Union in May 2023 for violating EU data privacy rules.</p>
Engagement	<p>In May 2024, Dimensional engaged with representatives of Meta to understand board oversight and risk mitigation strategies designed to protect the portfolio company from reputational and legal harm arising from the issues identified by the proponent. Meta representatives highlighted the portfolio company’s \$20 billion investment in platform safety and security since 2016 and that they share child safety information with industry peers and law enforcement. Meta confirmed that, as outlined in its committee charter and proxy statement, the board’s audit and risk oversight committee maintains environmental, social and governance program oversight and that the committee receives regular reporting on the steps management has taken to address risks related to child safety on their platforms.</p>
Outcome	<p>Dimensional believes that portfolio company boards are responsible for addressing material risks within their stated duties. Following review and engagement with Meta, Dimensional determined that the board of Meta did not mitigate the reputational and legal risks related to child safety as borne out by recent fines and lawsuits. Dimensional voted for the shareholder proposal and against all incumbent members of the audit and risk oversight committee standing for reelection at the May 2024 annual shareholder meeting. Meta has a dual-class stock structure, with Class B shareholders carrying 10 votes per share and Class A common shareholders having one vote per share. Although the shareholder proposal received 59% support from common Class A shareholders, the shareholder proposal failed to receive majority support with only 18% overall support after accounting for both Class A and Class B shareholders. All directors were ultimately reelected, receiving between 82% and 99% support.</p>

PRINCIPLE TWELVE

Exercising Rights and Responsibilities

Signatories actively exercise their rights and responsibilities.

Proxy Voting

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

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

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 the Proxy Voting Guidelines do not cover potential voting issues, we may consider the spirit of the policies and guidelines and instruct the vote on such issues in a manner that we believe would be in the best interests of the relevant client(s). In cases of particularly complicated votes, including those that present a potential conflict of interest, input will be sought from the Investment Stewardship Committee.

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

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

For the year ending 30 June 2024, we voted 84% of the total value of listed equity holdings held in accounts for which we had voting authority.

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

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

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

Fixed Income

Proxy voting is important as it drives governance improvements and sets up leverage which investors can use to hold boards and company management accountable.

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

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

Monro Inc.

Goal

Advocate for shareholder rights to protect shareholder value.

Background

Monro Inc. received a shareholder proposal at its 2021 Annual General Meeting (AGM) requesting that it unwind its Class C Convertible Preferred Stock ("Class C") and adopt a single class of stock. The proposal failed despite receiving 88% support from common stockholders, since the sole Class C shareholder had veto power.

In August 2022, Dimensional engaged with representatives of the portfolio company, including a board member. Dimensional expressed concern with the portfolio company's lack of responsiveness and raised our concerns with the portfolio company's classified board structure. At the August 2022 shareholder meeting, Dimensional withheld votes on all incumbent directors for lack of responsiveness to the high level of common stockholder concerns on the dual-class stock structure.

Engagement

In February 2023, as part of our Shareholder Rights letter campaign, Dimensional sent a letter to Monro Inc. reiterating our concerns with the company's dual-class capital structure and classified board structure, which we view as likely detrimental to shareholder value.

In May 2023, Monro Inc. announced an agreement with its Class C shareholder to eliminate the Class C share class and that the adoption of a single share class would be put to a shareholder vote at the August 2023 shareholder meeting. The portfolio company also announced that a proposal to declassify the board of directors would also be put on the ballot.

Outcome

Dimensional supported the proposals to recapitalize the share structure and to declassify the board at the portfolio company's August 2023 shareholder meeting. Both proposals passed with 91.3% support and 91.5% support, respectively.

Remuneration Practices at Qantas Airways Limited

Goal

Communicate our concerns with the portfolio company's remuneration and governance practices.

Background

After investigating consumer complaints, the Australian Competition and Consumer Commission ("ACCC") filed a lawsuit against Qantas Airways Limited ("Qantas") in August 2023 alleging the company illegally sold tickets for over 8,000 flights between May and July 2022 without disclosing they had been cancelled. The ACCC may seek a record penalty of up to AUS 250 million if the company loses the court case. Additionally, Qantas lost a civil lawsuit in September 2023 after Australia's High Court affirmed previous lower court rulings that the portfolio company had illegally fired 1,700 ground staff in 2020.

Following these events, Qantas's Chief Executive Officer, Alan Joyce, announced he would retire two months earlier than previously scheduled, and Qantas's board subsequently announced plans for a board renewal, the departure of two independent directors and the board chair. Qantas also revised its executive remuneration practices to include greater consideration for reputational matters, as disclosed in its 2023 Annual Report.

Engagement

Dimensional engaged with Qantas's board chair and remuneration committee chair to understand the company's board refreshment process and discuss Qantas's ongoing legal and reputational issues. Dimensional raised concerns regarding the portfolio company's policies allowing for remuneration recoupment for executives in instances of misconduct, and specifically how the policy was being applied to Mr. Joyce's remuneration in light of recent reputational damages to the company.

Additionally, Dimensional sought to understand why the Qantas board allowed Mr. Joyce to sell over 90% of his Qantas shares in June 2023 after complying with a ACCC compulsory notice to provide data as part of the cancelled flights investigation. Qantas's board approved the sale, noting the absence of ACCC litigation in June and the lack of a legal reason to prevent Mr. Joyce from selling his shares.

Outcome

Dimensional expects portfolio companies to structure executive compensation in a manner that does not insulate management from the consequences of failures of risk oversight and management. Despite the extensive issues facing Qantas, short-term executive incentive pay for fiscal year 2023 was only reduced by 20% and payouts were higher at 126% of target. Dimensional believed that the Qantas board's decision to exercise its discretion not to recoup deferred awards to the former CEO further represented a misalignment of pay and performance. Consistent with our view that executive compensation should align management interests with shareholder interests, at the November 2023 annual general meeting (AGM), Dimensional voted against the remuneration report, which ultimately failed to pass. The resolution received significant shareholder opposition (82.9% dissent) and was notably the second-highest shares voted against a remuneration report resolution for an Australian Securities Exchange (ASX)-listed company in November 2023.

Additionally, Dimensional voted against an incumbent board member of the remuneration and audit committees up for reelection given his role in the portfolio company's concerning remuneration practices and broader reputational issues. Despite receiving significant shareholder opposition (33.9% dissent), the director was reelected.

Dimensional intends to monitor Qantas's response to the shareholder vote and the company's decisions relating to executive pay, board refreshment and reputation restoration going forward.

Executive Compensation and Voting at Vistry Group plc

Goal

Improve executive compensation practices.

Background

In November 2022, Vistry Group plc (“Vistry”) completed its merger with Countryside Partnerships plc (“Countryside”). Vistry’s Remuneration Committee proposed an increase in the value of the potential bonuses available to executives under Vistry’s long-term incentive plan, citing recognition of the increased size and scope of the business following the merger. However, Vistry did not disclose the details of the performance targets that would be used to calculate the actual payouts made to executives, including what targets have been set to measure performance and how the portfolio company would assess the performance against those targets.

Engagement

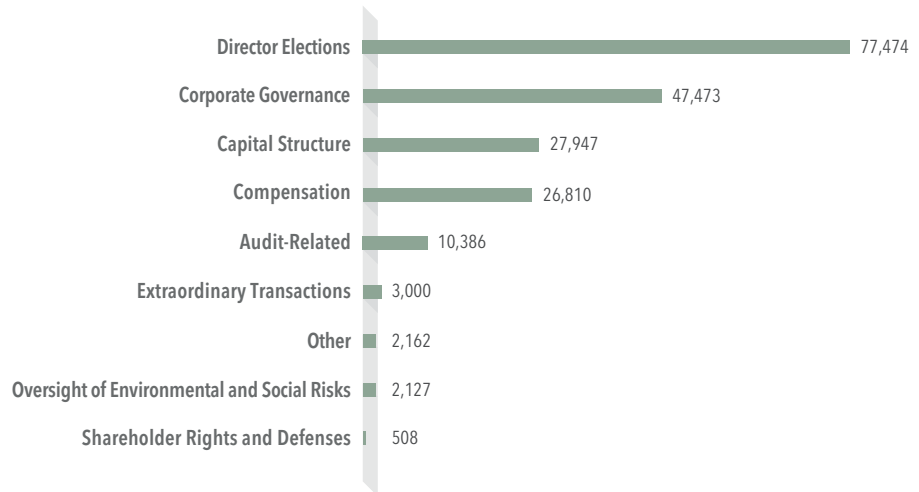
In August 2023, Dimensional engaged with Vistry’s board chair and remuneration committee Chair to raise our concerns about the lack of disclosure surrounding the performance targets.

Outcome

In Dimensional’s view, not demonstrating how the increases in bonus opportunities are tied to performance metrics makes it impossible for shareholders to assess if the compensation plan aligns pay with shareholder interests. Therefore, Dimensional voted against the resolution to amend the long-term incentive plan at Vistry’s August shareholder meeting. The resolution saw significant dissent with more than 45% of shareholders voting against. Due to provisions of the UK Corporate Governance Code, Vistry is required to reach out to shareholders to understand their concerns and publicly communicate the feedback they have received within six months given this level of shareholder dissent for their compensation proposal. Dimensional intends to monitor Vistry’s subsequent engagement with shareholders and progress towards improved compensation-related disclosure.

Management proposals represented 97% of the proposals voted. Shareholder proposals represented 3% of proposals voted.

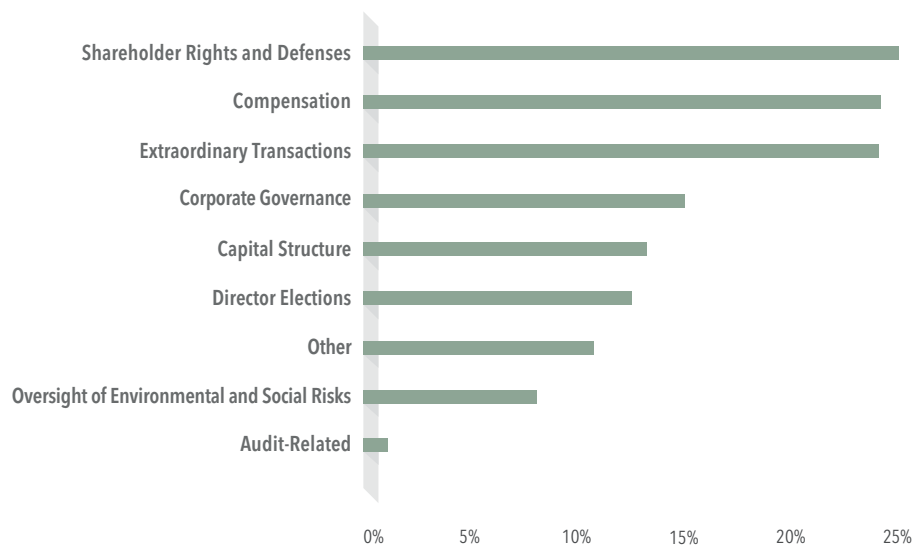
PROPOSALS VOTED BY TOPIC⁸



Dimensional voted against the majority of antitakeover plans and related provisions in 2023-2024.

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 maximising shareholder value.



8. Proposals may cover multiple categories.

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