Hosking Partners®

ESG & Active Ownership Report

Q2 2026

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Foreword

After another dynamic quarter, dominated by trillion-dollar IPOs and ongoing geopolitical turmoil, we take a different approach in our Active Ownership Report highlighting stewardship examples that explore how closely linked voting and engagement activities can be as long-term investors. Here we discuss our activity with speciality chemical company, Synthomer, and Japanese Financial Services firm, Kyoto Financial. Both examples where, unusually, we voted against the recommendation of ISS and instead with management to varying outcomes.

Our series, "Hidden ESG", continues by looking at Swedish nuclear services company, Studsvik AB, which is a position the team initiated in the portfolio in 2025. Despite being one of the cleanest energy sources available, nuclear continues to have a globally conflicting reputation. It is one which we deem could be integral to long-term decarbonisation plans and energy security. The capital cycle for Nuclear is long, and one that has had limited investment in recent decades.

We hope you enjoy the change in format this quarter and look forward to continuing to evolve how we share insights and our active ownership approach to stewardship along the way!

Sigrid Smith

Associate Director, Client Service, Business Development & ESG

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Hidden ESG: Studsvik

Hosking Partners' diversified, unconstrained investment approach integrates consideration of environmental, social and governance (ESG) factors as an important piece of our bottom-up assessment of each opportunity, rather than imposing rigid top-down exclusionary criteria. This allows our portfolio managers to invest across a broad range of opportunities, combining long-term, individual idiosyncratic stock ideas with baskets in areas at or nearing the point of maximum pessimism, where our capital cycle lens suggests that returns are poised to rebound in the near-to-medium term.

We believe that taking an integrated approach enables us to own companies that may be missed by a broader ESG screen, particularly in higher carbon emissions areas, such as energy and materials, which risk being excluded due to their industry without consideration being taken for businesses and management teams that are leading the way for positive change. We consider key risks for each individual company, sector and region as an input into our overall analysis of investment opportunity and monitor these on an ongoing basis.

In the Active Ownership Report we will continue to highlight those businesses and management teams that are taking all the right steps, where our engagement generally involves supporting progress being made. These are companies that we deem to have compelling long-term upside in the portfolio, that by traditional ESG standards may not naturally fit into any "one size fits all" category. We will consider their "hidden" ESG factors and our investment thesis for these companies as we think about management's long-term goals and incentives and the sustainability of the business.

AUTHORS	COMPANY
Django Davidson, Alexander Nelson	Studsvik

Studsvik AB is a small Swedish nuclear services company and a relatively new holding in the Hosking Partners portfolio, having been initiated in 2025. We believe that Studsvik is the only listed nuclear services company that evolved directly from a state-led research and development institution, as opposed to uranium miners or fuel suppliers. It provides specialist services that enable the safe operation, life extension, efficiency improvement and decommissioning of nuclear reactors. In our view, these capabilities are becoming increasingly important as countries seek to expand low-carbon electricity generation, while also improving energy security.

The capital cycle in nuclear is long. Governments have been reluctant to expand their nuclear footprint over the last 20 years due to the political backlash associated with the sector. According to the International Atomic Energy Agency (IAEA), the nuclear industry has barely grown since the year 2000, based on the level of global installed capacity, and in fact it has been declining in the West.

Nuclear is however one of the cleanest sources of energy available, with the Intergovernmental Panel on Climate Change (IPCC) placing its life-cycle greenhouse gas emissions in line with wind and hydroelectric energy and cleaner than solar energy.

Investment in the sector is increasing. Reactor construction and life-extension activities are rising, and governments increasingly view nuclear power as part of the response to heightened electricity demand, the need for energy security and climate change worries. However, the Western nuclear supply chain remains constrained after decades of limited investment. Studsvik's scarce assets and technical credibility should therefore become more valuable in this changing environment.

The company's history begins in 1947, when the Swedish government created a joint venture with large private industrial corporates to develop, construct and operate the country's nuclear infrastructure. Over the following decades, this company accumulated expertise in reactor physics, fuel behaviour, materials testing, radioactive waste treatment and nuclear software. The state subsequently transferred ownership of what became Studsvik to state-owned public utility Vattenfall in the 1990s and was later privatized and listed on the Stockholm Stock Exchange in 2001.

Studsvik operates globally across the nuclear technology market, providing services throughout the nuclear lifecycle from new construction to final decommissioning and waste disposal. One of the company's key capabilities is its hot cells infrastructure, where Studsvik can examine highly radioactive fuel and materials in licensed, specialized labs under controlled, remote handling. Another important division of Studsvik is Scandpower, which develops reactor physics and fuel management software to help operators plan loading patterns, model reactor cores and optimise fuel usage. Unlike other alternatives in the marketplace, Studsvik's software is fully independent from the fuel vendors (e.g. the likes of Westinghouse and Framatome), which makes the solution more attractive to customers that want to evaluate alternative fuels.

The company is at an interesting point in its lifecycle. Having operated through a challenging environment for the nuclear sector for much of its public history, it is now beginning to realise the benefits of the investments and groundwork laid over the past two decades.

Nuclear is more efficient and energy dense than other sources of clean energy. Since nuclear can produce electricity around the clock, it forms a reliable baseload of power that can complement more variable wind and solar generation. This is critical as the electricity grid cannot rely solely on variable power to operate effectively and currently natural gas and coal make up the largest sources of base-load power in the U.S. Compared with natural gas, the most common source of electricity generation in the U.S., nuclear emits nearly 95% less carbon across its lifecycle. The International Energy Agency (IEA) estimates that nuclear generation has avoided approximately 72 billion tonnes of carbon dioxide emissions since 1971.

Despite these advantages, nuclear has often had negative connotations because of the fear of plant malfunctions and the associated detrimental impact on the environment and on public health from radiation. This perspective is starting to change. A combination of factors, from the substantial safety improvements of nuclear power plants to an increased recognition that the world needs cheap, abundant clean energy to fuel the expansion of AI, is resulting in governments warming to the idea that nuclear is a viable option.

Today, modern reactor designs use multiple layers of defence, redundant systems, and enhanced containment to shore up nuclear plants against external threats. Automated passive safety systems have eliminated the need for human operator monitoring and intervention during plant malfunctions, and the IPCC notes that these design improvements substantially reduce the risk of major accidents.

In addition to the improvements in safety, geopolitical events such as Russia's invasion of Ukraine in 2022 made Europe acutely aware of its reliance on energy from adverse partners, and the situation in Iran has only further fuelled this viewpoint globally. Nuclear is a natural solution to aid sovereign energy independence for many Western countries.

The IAEA is now forecasting the nuclear industry to grow in the following decades, with the potential to more than double nuclear electricity generation to 2050 thanks to a reversal of the prior declining trends in the U.S. and Europe. These optimistic scenarios rely heavily on the deployment of small modular reactors (SMRs), the designs of which are yet to be commercially developed in the West.

However, if the momentum around the technology continues, SMRs could play a formidable part in nuclear's future. The IEA estimates that global SMR investment could rise from less than US$5 billion at present to US$25 billion by 2030 under a rapid-growth scenario, with cumulative investment of approximately US$670 billion by 2050. Even for those designs that do not reach commercial deployment, their development process will still require software, testing, licensing and engineering services. Studsvik is a prime supplier of these services.

The positive changes in the external environment are happening at the same time as Studsvik is undergoing significant internal changes. In June 2025, Armada Investment AG, a Zurich-based family office led by Swiss entrepreneur Daniel Aegerter, became the largest shareholder with a 30% equity stake. This was followed by U.S.-based Segra Capital acquiring a 9.9% stake in January 2026. Both firms have substantial nuclear experience and are represented on Studsvik's board of directors. Further changes to the board have been made to bring on additional nuclear expertise and commercial experience. Armada specifically is credited with supporting a new growth agenda, emphasizing organic expansion and strategic M&A. Early signs of this plan are starting to take shape: Studsvik has bought three companies in the last three years, and if Armada's public comments are to be believed, the pace of acquisitions should only accelerate from here.

Supported by its licensed physical infrastructure, rich intellectual property, and the institutional trust built up over decades of successful operations in one of the world's most regulated industries, we are confident that Studsvik is well positioned for the future and the role it can play in an increasingly relevant environmental sector. The ownership structure of the company has consolidated around key long-term institutional investors who support Studsvik's expansion in advanced nuclear technologies. This should allow the company to run more aggressively going forward and take advantage of the West's reviving interest in the sector.

The pen and the proxy: an active owner's toolkit

Proxy voting and engagement with management teams and other key stakeholders of companies are two critical tools of long-term stewardship for active investors like Hosking Partners. While we have historically reported on these two activities separately, proxy voting is often an important tool within our engagement arsenal, and these activities are closely interlinked. We have written previously here about the importance of exercising judgement in voting as a long-term, active shareholder based on our own assessment of each individual company's circumstances and not to simply follow the guidance of proxy advisors. In this report, we highlight two examples where our recent proxy voting helped to further an ongoing engagement dialogue with two very different portfolio holdings.

AUTHOR	COMPANY
Omar Malik	Synthomer Plc

Synthomer Plc: from conversation to conviction

Two years of engagement on capital allocation and alignment through executive remuneration culminated in support for a retention plan that further aligns management incentives with long-term shareholder value.

COMPANY	COUNTRY	MEETING DATE	MEETING TYPE	% OF VOTING SHARES
Synthomer Plc	United Kingdom	22 June 2026	Annual	1.08%

PROPOSAL(S)	MANAGEMENT RECOMMENDATION	ISS RECOMMENDATION	OUR VOTE
Approve One-Off Retention Arrangement for Michael Willome	FOR	AGAINST	FOR

% of voting shares at end of Q226.

At the annual general meeting of Synthomer Plc in June 2026, Hosking Partners voted against ISS and with management on the approval of a one-off retention arrangement for Chief Executive Officer (CEO) Michael Willome.

Synthomer is a UK-based speciality chemicals company focused on the manufacture of speciality polymers that play a vital role in the coatings, construction, adhesive, and health and protection sectors. The chemicals sector is in the midst of the most severe downturn in decades, particularly in Europe, that has depressed valuations to record lows.

We first initiated a position in Synthomer in May 2024. The stock was trading at a material discount to the replacement value of its asset base, and we were encouraged by the steps being taken by the management team to refocus the portfolio on higher margin polymers, right-size the cost base, and repair the capital structure. We have increased our position in the company and more broadly to the European chemicals space over the last two years as we see early signs that the harsh downturn in the chemical industry may be coming to an end.

We shared our early views on the capital cycle in the sector last spring in our active ownership report here. In short, the rationalisation of capacity in Europe and Asia, the slowing of Chinese capacity additions, and European re-industrialisation, combined with tighter import/export rules, will support a return to normalisation in industry utilisation levels. This rationalisation of the supply side should bring healthier margins and returns on capital for the industry in time.

This existential crisis for European management teams in the chemical sector is forcing them to make difficult decisions to ensure the longevity of their operations, such as exiting commodity chemicals where the Chinese have developed a cost advantage, halting expansion projects, and cancelling dividends to shore up balance sheets. While a negative in the short-term, we believe these actions will pave the way for an eventual recovery over the next five years.

Ahead of Synthomer’s AGM in June, ISS recommended that shareholders vote against the proposed retention package for the CEO, Michael Willome, arguing that it appeared to compensate him for historically modest outcomes and limited shareholder value creation.

We felt this was the wrong decision and believed that ISS’s rationale lacked the context of the external environment. When Michael was appointed CEO on 1st November 2021, Synthomer had just announced a $1 billion acquisition of Eastman’s Adhesive Resins. The transaction, funded largely through debt and agreed under the previous CEO, was intended to accelerate the company's transition towards higher-growth speciality chemicals markets. But the chemicals sector went into its prolonged cyclical downturn just after this deal had been finalised. Rising interest rates in 2022-2023 did not help, putting the company in a precarious financial condition.

Against this difficult backdrop, the management team focused on stabilising the business through a strategy of refocusing on higher-margin speciality divisions, sustained cost reduction, disposal of commodity assets at appropriate valuations and successful debt refinancing. In other words, many of the challenges the company faced during the CEO’s tenure have been driven by external market conditions rather than poor executive decision-making.

When Synthomer disclosed the retention agreement in the AGM notice in May 2026, we agreed with the company’s rationale that the proposed award to management was necessary to retain leadership continuity during a critical phase of the company's recovery and transformation strategy. The historical incentive framework at Synthomer and its targets were established before the severity and duration of the sector downturn became apparent. As conditions deteriorated across the industry, many of those targets became increasingly difficult to achieve regardless of management actions.

Having met Synthomer’s executive team several times over the past two years, we have been encouraged by the steps the team has taken to change the trajectory of the business. As one of company’s largest shareholders, we have engaged with Synthomer on topics such as capital allocation and executive remuneration, an important driver of shareholder alignment, as we have written about in prior active ownership reports. These discussions began in late 2024 when the company sought our views on the current remuneration policy. In a discussion with the Chair of the Remuneration Committee, we expressed our desire to see a larger share price-linked component in the compensation package. We view its inclusion this year as a positive step and one of the key reasons why we voted for the retention agreement.

We felt that management has been effective in its stewardship throughout a difficult period for the chemicals sector and should not be evaluated on past executive decisions or outdated incentive targets. It is important that management is compensated based on future value creation as the chemical industry recovers and the actions taken by Michael and the team over the last five years bear fruit.

We also see the importance of retaining leadership continuity as the company enters a critical phase in the turnaround, including completion of the divestment programme and delivery of the self-help programme to support the earnings recovery. A change in leadership at this stage could introduce unnecessary execution risk and disrupt progress already made. The case for retention was further supported by the Chief Finance Officer's departure to a significantly larger UK-listed company earlier this year.

Equipped with this context, we decided to vote FOR the proposed retention arrangement and against ISS recommendation. The resolution was ultimately approved, with 73.8% of shareholders voting in favour. In our view, that was a favourable outcome, securing a significant majority, especially since many passive shareholders today will automatically follow the recommendations of voting agencies.

We are excited about the recovery potential at Synthomer over the coming years, partnered with an aligned management team to deliver significant shareholder value.

AUTHORS	COMPANY
Jeremy Hosking, Alexander Nelson	Kyoto Financial Group

Kyoto Financial Group: beyond the rulebook

Why we opposed a proxy adviser recommendation, extending our engagement to writing directly to ISS and backing management when company-specific evidence pointed to value creation, not value destruction.

COMPANY	COUNTRY	MEETING DATE	MEETING TYPE	% OF VOTING SHARES
Kyoto Financial Group, Inc	Japan	26 June 2026	Annual	0.10%

PROPOSAL(S)	MANAGEMENT RECOMMENDATION	ISS RECOMMENDATION	OUR VOTE
Elect Director Doi, Nobuhiro	FOR	AGAINST	FOR

% of voting shares at end of Q226.

At the annual general meeting of Kyoto Financial Group in June 2026, Hosking Partners voted against ISS and with management to support a re-election of the company's President and other directors. We wrote to ISS to express our views and shared this engagement with the company, opening an interesting dialogue with both parties.

Kyoto Financial Group is a Japanese financials company that was initiated in the Hosking Partners portfolio in 2022, with our position size increasing opportunistically over the last two years. The investment thesis fits with our broader view of the country-level capital cycle at play in Japan, which we have written about in more detail here and here, where we see broad governance reforms driving improved capital efficiency and a growing focus on shareholder value creation.

Ahead of Kyoto Financial Group's annual meeting, ISS issued its proxy analysis recommending that shareholders vote against the re-election of the company's President, Mr. Nobuhiro Doi. For all Japanese voting recommendations, ISS follows a general policy to vote against elections of top executives at companies which allocate 20% or more of its net assets to cross-shareholdings. Kyoto Financial Group's cross-shareholdings ratio 97% is well above this trigger level.

The intentions behind this ISS rule certainly have merit. Many Japanese companies have historically been plagued by over-capitalized balance sheets, stocked with cash, cross-shareholdings, and real estate assets. As we have previously written, we believe that the unwinding of cross-shareholdings is an important part of improving corporate governance and capital efficiency across Japan. However, ISS' blanket approach fails to consider company-specific nuances of capital allocation, which is why we apply our independent judgement to each bottom-up situation.

In the case of Kyoto Financial Group, ISS blames the company's president for ostensible 'capital misallocation' evidenced by the high cross-shareholdings ratio. Shareholders have a right to be frustrated by share price performance over the last two years. It is tempting, but incorrect in our view, to ascribe the growing undervaluation of the share price to ill-conceived capital allocation. Kyoto Financial is an umbrella for two distinct business activities: a regional commercial bank in the Kyoto area, alongside a substantial strategic investment portfolio of well-regarded firms in the same area, most significantly Kyocera and Nintendo, the value of which exceeds the market value of Kyoto Financial Group itself.

There is no doubt that a 'buy and hold' strategy with respect to these 'investee' companies shares has been entirely appropriate and has been, in theory at least, greatly to the benefit of long-term Kyoto Financial Group investors. However, the value of these investee firms has not been reflected in the company's own market capitalisation. Rather, and until recently, the valuation gap has grown persistently, as the market continues to ascribe a negative value to Kyoto Financial Group's core banking operation.

In most jurisdictions, a company could easily close this 'valuation gap' by distributing its shares in other companies to shareholders directly or selling them in the market and distribute the proceeds. Yet, in this case it is largely outside of the company's control, as Japanese tax rules limit the actions that can be taken by Kyoto Financial Group to 'close the gap'. In contrast to many other jurisdictions, in Japan, corporate capital gains from selling shares are taxed as ordinary income, making it very difficult for a company like Kyoto Financial Group to realize the value of its investment portfolio in a tax efficient manner.

Management continues to take self-help measures within its control to try to narrow the discount, such as selling smaller amounts of shares to buy back stock, but investors still stubbornly value Kyoto Financial Group at a large discount to its underlying assets.

Given our assessment of the situation, Hosking Partners voted FOR the re-election of Mr Doi alongside all other director re-election proposals, a vote against the recommendation from ISS. We shared our views in a letter to ISS detailing why we believe the persistent undervaluation of Kyoto Financial Group is a result of flawed valuation techniques by the market, rather than poor capital allocation by the management team.

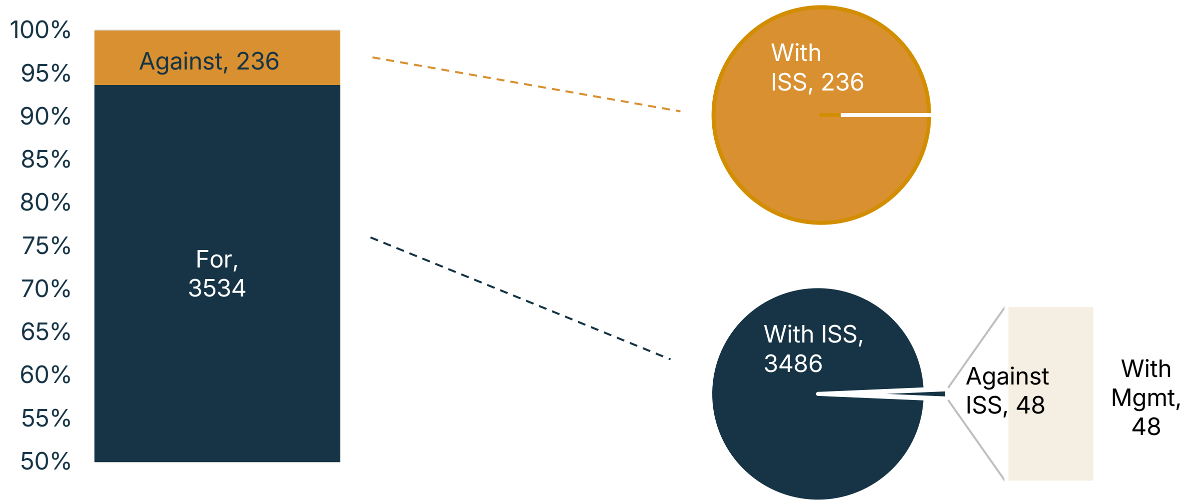
The results of the meeting were subsequently released in July, with all candidates successfully re-elected. While the other director nominees received support ranging from 91.74% to 99.54%, Mr Doi received the lowest level of shareholder support at 79.22%.

Although this was sufficient for re-election, the result highlights the influence that proxy advisory recommendations can have on voting outcomes, particularly when based on broad policy frameworks that may not fully reflect company-specific circumstances. In our view, the resulting opposition to Mr Doi's re-election was not an appropriate reflection of management performance or capital allocation decision-making at Kyoto Financial Group. With the company's shares still trading at a discount to the value of its investment portfolio and management team focused on making improvements, we are optimistic about the future return potential from here.

Voting summary

Proxy voting is a fundamental part of active ownership, and our procedures are designed to ensure we instruct the voting of proxies in line with our long-term investment perspective and client investment objectives. We use the proxy voting research coverage of Institutional Shareholder Services Inc (ISS). Recommendations are provided for review internally, and where the portfolio manager wishes to override the recommendation, they give instructions to vote in a manner which they believe is in the best interests of our clients.

Q2 2026 VOTING BREAKDOWN

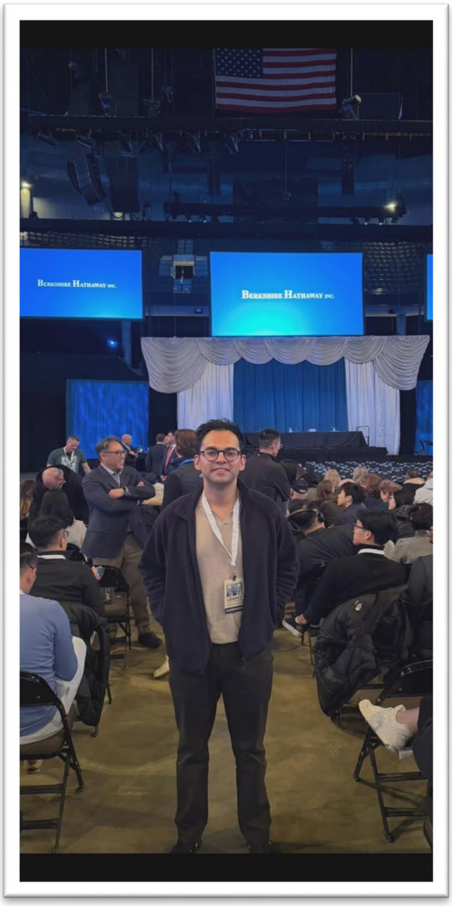


VOTING SUMMARY	Q2	2026
Meetings Voted	288	336
Proposals Voted	3,837	4,383

2026 YEAR TO DATE THEMATIC BREAKDOWN	FOR		AGAINST		ABSTAIN		AGAINST ISS	
	Total	% share-holder	Total	% share-holder	Total	% share-holder	Total	% share-holder
Director related, elections etc	2,399	1%	119	10%	61	0%	28	4%
Routine/Business	760	0%	30	27%	1	100%	3	0%
Capitalisation incl. share issuances	334	0%	22	0%	-	-	4	0%
Remuneration & Non-Salary Comp	395	1%	49	2%	-	-	16	0%
Takeover Related	44	0%	3	0%	-	-	-	0%
Environmental, Social, and Corporate Governance	50	24%	34	85%	-	-	2	0%
Other	54	11%	11	36%	-	-	1	0%
Total	4,036	1%	268	20%	62	2%	54	2%

Not displayed in the chart are 13 votes for 'Withhold', 51 for 'Abstain', and 3 for 'One Year'.

Hosking Partners' Q2 2026 postcards



Portfolio Manager, Omar Malik, attending the Berkshire Hathaway Conference

Ed Conway (Author of Material World) and Portfolio Manager Django Davidson discuss why materials remain critical in an increasingly ethereal-focused world.

Winners of *Equities Manager of the Year* at the MoneyAge Wealth and Asset Management Awards.

Appendix I

VOTING PROCESS

Hosking Partners has subscribed to the 'Implied Consent' service feature under the ISS Agreement to determine when and how ISS executes ballots on behalf of the funds and segregated clients. This service allows ISS to execute ballots on the funds' and segregated clients' behalf in accordance with ISS recommendations. Hosking Partners retains the right to override the vote if it disagrees with the ISS recommendation. In practice, ISS notifies Hosking Partners of upcoming proxy voting and makes available the research material produced by ISS in relation to the proxies. Hosking Partners then decides whether or not to override any of ISS's recommendations. A range of factors are routinely considered in relation to voting, including but not limited to:

- Board of Directors and Corporate Governance. E.g. the directors' track records, the issuer's performance, qualifications of directors and the strategic plans of the candidates.
- Appointment / re-appointment of auditors. E.g. the independence and standing of the audit firm, which may include a consideration of non-audit services provided by the audit firm and whether there is periodic rotation of auditors after a number of years' service.
- Management Compensation. E.g. whether compensation is equity-based and/or aligned to the long-term interests of the issuer's shareholders and levels of disclosure regarding remuneration policies and practices.
- Takeovers, mergers, corporate restructuring and related issues. These will be considered on a case by case basis.

In certain circumstances, instructions regarding the exercise of voting rights may not be implemented in full, including where the underlying issuer imposes share blocking restrictions on the securities, the underlying beneficiary has not arranged the appropriate power of attorney documentation, or the relevant custodian or ISS do not process a proxy or provide insufficient notice of a vote. The exercise of voting rights may be constrained by certain country or company specific issues such as voting caps, votes on a show of hands (rather than a poll) and other procedures or requirements under the constitution of the relevant company or applicable law.

The decision as to whether to follow or to override an ISS recommendation or what action to take in respect of other shareholder rights is taken by the individual portfolio manager(s) who hold the position. In circumstances where more than one portfolio manager holds the stock in question, it is feasible, under the multi-counsellor approach, that the portfolio managers may have divergent views on the proxy vote in question and may vote their portion of the total holding differently.

ENGAGEMENT PROCESS

Hosking Partners recognises that ESG considerations are important factors which affect the long-term performance of client portfolios. ESG issues are treated as an integral part of the investment process, alongside other relevant factors, such as strategy, financial risk, capital structure, competitive intensity and capital allocation. The relevance and weighting given to ESG and these other issues depends on the circumstances relevant to the particular investee company and will vary from one investee company to another. Whilst Hosking Partners may consult third-party ESG research, ratings or screens, Hosking Partners does not exclude any geographies, sectors or stocks from its analysis based on ESG profile alone. The multi-counsellor approach, which is deliberately structured so as to give each autonomous portfolio manager the widest possible opportunity set and minimal constraints to making investment decisions, means that ESG issues and other issues relevant to the investment process are evaluated by each portfolio manager separately, with the support of the Client Service and Operations teams.

Interaction with management and ongoing monitoring of investee companies is an important element of Hosking Partners' investment process. Hosking Partners does however recognise that its broad portfolio of global companies means that the levels of interaction are necessarily constrained and interaction will generally be directed to those investee companies where Hosking Partners expects such involvement to add the most value. Monitoring includes meeting with senior management of the investee companies, analysing annual reports and financial statements, using independent third party and broker research and attending company meetings and road shows.

Hosking Partners looks to engage with companies generally, and in particular where there is a benefit in communicating its views in order to influence the behaviour or decision-making of management. Engagement will normally be conducted through periodic meetings and calls with company management. It may include further contact with executives, meeting or otherwise communicating with non-executive directors, voting, communicating via the company's advisers, submitting resolutions at general meetings or requisitioning extraordinary general meetings. Hosking Partners may conduct these additional engagements in connection with specific issues or as part of the general, regular contact with companies.

Some engagements highlighted in this publication are part of an ongoing two-way dialogue, and as such Hosking Partners may not always publish the specific details of engaged firms. Where this is the case, further information about the engagements is available to clients upon request.

Appendix II

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REFERENCES

References for any data or quotations included in this article and articles elsewhere in this report are available on request.

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