



Royal London Asset Management Voting and Engagement

Quarterly Report
31 March 2024

Executive Summary

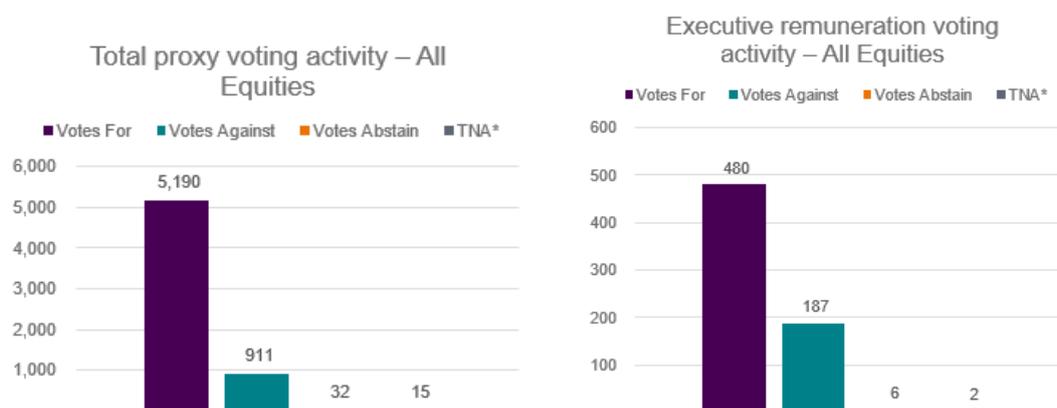
Q1 Highlights

- During this quarter, we have continued with our multi-year thematic engagement programmes across Royal London Asset Management's six themes: climate change; biodiversity; health; governance and corporate culture; social and financial inclusion; and innovation, technology, and society.
- Last year we published a [half year update](#) to the Net Zero Stewardship Programme which shows how we are progressing with our net zero engagement. During the quarter, we engaged with a total of 12 companies, which represented 16.3% of our financed emissions. Multiple engagements were conducted with several companies, including 11 meetings and two letters received.
- Through the first quarter we have continued our engagement with utilities and banks on just transition and will continue with this exercise during the next quarter.
- We are continuing our work on our collaborative engagement on cybersecurity and met with a number of companies this quarter.
- We are currently working on Phase 2 of our water utilities engagement and have met with South West Water to assess how its most recent water asset management plan aligns with our water sector expectations of best practice.
- Voted "against" executive compensation at Visa Inc as we remain concerned over the large area of discretion applied to bonus outcomes.
- Voted to "abstain" the compensation report at Sika AG as there was a fatality recorded at one of the company's operational sites and we are concerned by the compensation committee's assessment of bonus safety metrics for the year under review.
- Voted "for" a shareholder proposal at Apple Inc for a report on median gender and racial pay equity. Though we acknowledge the company's current disclosures around pay equity, we are supportive of further disclosures in this area.

Voting Overview

Royal London Asset Management All Equities

In the quarter, we voted a total of **6,148** resolutions at **559** meetings, voting differently to our internal policy recommendations **3.1%** of the time.



*Take no Action – we endeavour to vote all meetings other than in markets where voting would result in share blocking.

Voting data as of 31 March 2024

Notable Votes

Visa Inc

- **Elect Denise M Morrison – against:** The nominee is chair of the remuneration committee, and we have long-standing concerns with the company's remuneration.
- **Advisory vote on executive compensation - against:** We remain concerned over the large area of discretion applied to bonus outcomes. We also take issue with the scale of discretionary awards granted during the year.
- **Severance Approval Policy (Shareholder Proposal - SHP) - against:** While we are supportive of the request to seek shareholder approval for severance payments valued at 2.99 times the sum of the salary and target bonus, we note that the company has already adopted such a policy.

Sika AG

- **Compensation Report – abstain:** There was a fatality recorded at one of the company's operational sites, however, we are concerned by the compensation committee's assessment of bonus safety metrics for the year under review.
- **Elect Monika Ribar – against:** The nominee is not considered independent due to length of tenure and serves on the Audit Committee that lacks sufficient independence in our view.
- **Elect Paul Schuler – against:** The nominee is not considered independent and serves on the Remuneration Committee that lacks sufficient independence in our view.

Intuit Inc

- **Advisory vote on executive compensation – against:** The LTIP continues to raise some concerns with noted retesting opportunities and short performance periods. We would also prefer to see a more stretching set of performance metrics under variable incentive plans.
- **Amendment to the 2005 Equity Incentive Plan - against:** We have concerns over the total dilution from all the plans under this amendment.
- **Ratification of Auditor - against:** There are concerns over the auditor's independence given the length of tenure.

- **Report on Portfolio Risk in Employee Retirement Options (SHP) - against:** The company's 401(k) plans offer participants a diverse array of investment options, including a self-directed brokerage account that allows participants to choose ESG-related investments.

Apple Inc

- **Curating and Managing Disputes Concerning App Content (SHP) – abstain:** While we acknowledge the proponent's concerns, we note the company's improved disclosure around its management of government information requests and raise no further concerns at this time.
- **Report on Median Gender and Racial Pay Equity (SHP) - for:** Though we acknowledge the Company's current disclosures around pay equity, we are supportive of further disclosures in this area.
- **Report on Use of Artificial Intelligence (SHP) – for:** We are supportive of further company disclosure in this area.

Tyson Foods Inc

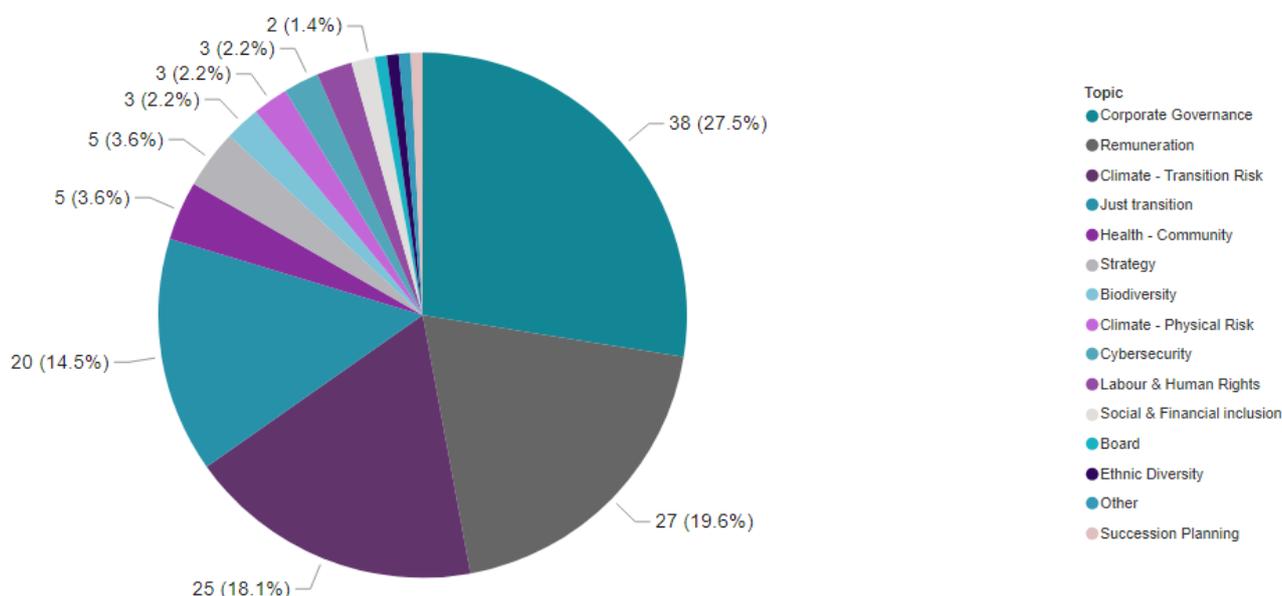
- **Elect Les R Baledge –against:** The nominee is not independent and serves on the Nominating Committee that lacks sufficient independence.
- **Elect Mikel A Durham - against:** We continue to raise concerns over the nominee's presence on the Audit Committee which should be fully independent in our view.
- **Elect David J Bronczek - against:** We raise concerns on this nominee as Chair of the Governance Committee given that the company maintains a multi-class share capital structure with unequal voting rights and has not provided a reasonable time-based sunset provision on the structure.
- **Elect John H Tyson - against:** We would prefer to see the appointment of a fully independent chair to the board.
- **Lobbying Activity Alignment with Science-based Targets and Net Zero Emissions Ambitions (SHP) – for:** We are supportive of increased disclosure in this area.
- **Audit of Policies Preventing Child Labor (SHP) - for:** Given recent investigations into illegal child labour practices at the company, we would welcome further disclosures into the effectiveness of the company's human-rights related policies concerning child labour.

Engagement

Engagement Overview

- During the first quarter of 2024, Royal London Asset Management engaged with 87 investee companies on 107 separate occasions. A breakdown of topics discussed, by percentage of our overall engagement activity, can be seen in the chart below.
- In addition to the above engagement activity, we sent 34 voting engagement letters and emails, advising investee companies of our voting rationale in the instance of an abstain or against management's recommendation vote during the quarter.

Engagement Activities by Topic



Note: Engagement data is for the period between 1 January 2024 to 31 March 2024. During this period, we conducted 107 meetings with various companies, addressing 138 different topics.

Engagement Progress

Governance

Board

Company: IntegraFin Holdings

Purpose: To understand and provide feedback to the company's board on governance issues pre-AGM.

Outcome: The Remuneration Committee Chair will be stepping down before the end of the year and aims to finish the remuneration policy review. This departure necessitates a recruitment process to appoint a new Non-Executive Director (NED), with a specific focus on meeting the 40% gender target by selecting a female candidate. While succession plans for executives are firmly in place, we remain cautious of meeting future recruitment needs due to executive related pay challenge. The remuneration policy continues to be a point of contention, particularly the lack of a robust long term incentive

plan and the reliance on discretionary assessments for rewards. We intend to engage in further dialogue with the outgoing Remuneration Committee Chair to discuss the future direction of pay plans.

Diversity

Company: AJ Bell Plc

Purpose: As part of a collaborative investor engagement with the 30% Club, we met with AJ Bell to discuss the 2024 year-end deadline to meet the Parker Review for FTSE 250 firms, which recommends at least one director from an ethnic minority background on the board. We requested more information about the company's progress to meet this target and provide any feedback that may help improve its practices.

Outcome: The Chair is highly focused on achieving the objectives set by the Parker Review within this year and exhibits confidence in meeting these goals. Additionally, there is a noted interest in addressing the ethnicity pay gap through reporting measures, although this goal has not yet been realised. We will continue to monitor the company's efforts in recruiting another NED to the board to further this progress.

Climate

Net Zero

Companies in scope: Companies contributing to 50% of Royal London Asset Management's financed emissions, please see [Net Zero Stewardship programme](#) report and [Net Zero Stewardship Programme Update January – June 2023](#).

Purpose: As part of the Net Zero Asset Managers initiative (NZAM), our primary engagement objective is to evaluate and influence companies, which represent at least 70% of Royal London Asset Management's financed emissions by 2030, to adopt emissions reduction targets and climate transition plans that are reinforced by credible science-based methodologies. Our Climate Transition Assessment methodology is based on 12 indicators. Through this approach, we expect to influence real-economy decarbonisation in pursue of Royal London Asset Management's target.

Update: During the current quarter, we engaged with a total of 12 companies, which represented 16.3% of our financed emissions. Multiple engagements were conducted with several companies, including 11 meetings and 2 letters received.

Company: UPM-Kymmene OYJ

Purpose: As part of the [Net Zero Engagement Initiative](#) (NZEI), this collaborative engagement led by [Institutional Investors Group on Climate Change](#) (IIGCC) aims to encourage companies to develop a net zero transition plan consistent with the [Net Zero Investment Framework](#) (NZIF) alignment criteria.

Outcome: UPM is actively progressing towards its net zero target, with a clear roadmap to reduce scope 1 and 2 emissions by 65% by 2030. Despite facing challenges such as geopolitical uncertainties, technological shifts, and social considerations, UPM aims to transition away from coal and peat and enhancing energy efficiency. Efforts are underway to improve scope 3 data and estimations, alongside active engagement with suppliers and customers on decarbonisation. We will continue to engage with the company to encourage a clear decarbonisation plan and increased disclosure on how the company will achieve its 2030 target to phase out coal and peat.

Company: Vermilion Energy Inc

Purpose: We engaged with Vermilion to discuss its aspirations for net zero emissions, with a particular focus on its approach to a just transition. The discussion aimed to encourage the company to develop and integrate a just transition plan within its broader climate strategy.

Outcome: Vermilion has reaffirmed its commitment to net zero emissions by 2050, focusing on Scope 1 and 2 emissions. The company has completed two scenario analyses, with the most recent being presented to the Board and management. We provided feedback and requested transparent disclosures that differentiate between targets achieved through corporate action, for example mergers & acquisitions or divestments versus decarbonisation efforts.

The company's stakeholder engagement strategy is comprehensive, encompassing initiatives for employee skill development and adherence to human rights within its supply chains. We will continue monitoring Vermilion's progress on net zero and just transition disclosures and engage with the company on these matters.

Company: Shell PLC

Purpose: To ensure the largest greenhouse gas emitters set targets aligned with the Paris Agreement and work to address policy, technology, and stakeholders' consideration in the journey to net zero to minimise their impact on climate change.

Outcome: We met with Shell to discuss its progress on scope 1&2 emissions reduction targets, which are a key factor in its project evaluation process. We will continue to monitor progress on these targets. Shell is due to update its energy transition strategy, providing details on its scope 3 emissions ambition, and on the anticipated growth of its liquefied natural gas and biofuels business.

Company: Johnson Matthey PLC

Purpose: To encourage the company to disclose its strategy for incorporating just transition considerations into its decarbonisation efforts and to improve its climate transition plan to minimise its impact on climate change.

Outcome: Johnson Matthey recognises the importance of a just transition in the shift to a low carbon economy and is actively developing its approach, despite the absence of a public commitment. The company has initiatives to retrain and redeploy employees impacted by site closures, with a focus on skills for new technologies.

The company is also crafting a procurement plan to address scope 3 emissions in its platinum supply chain and is vigilant about human rights risks. Johnson Matthey was open to feedback on just transition and climate issues and our suggestions included enhancing lobbying transparency, scenario analysis, and establishing a detailed scope 3 emissions roadmap.

Just Transition - Utilities

Company: Vattenfall AB

Purpose: To understand how the company is integrating just transition into its business decision making process. We aim to encourage the company to disclose plans to integrate social considerations into its decarbonisation strategy.

Outcome: Vattenfall has identified key areas for a just transition, focusing on commitments to customers, employees, and communities. The company is open to using metrics and KPIs for employee reskilling but needs clearer communication on retraining and redeployment. Community engagement strategies differ by market, with early engagement in Sweden and proactive measures in the UK and Netherlands. Vattenfall shows commitment to just transition, but further clarity is needed on its systematic integration into business decisions. We will continue to monitor progress and engage with the company on this issue.

Company: RWE AG

Purpose: We were invited to participate in a Climate Action 100+ collaborative investor call with RWE to discuss the integration of just transition principles and provide feedback on the company's current approach. The dialogue aimed to guide RWE in enhancing its just transition strategy.

Outcome: RWE is progressing on a climate transition plan that will include just transition references, without a separate policy. With 20,000 employees, half in coal related businesses, RWE is addressing job risks from the 2030 coal phase out. The company is offering retraining and renewable sector transitions and negotiating early retirement solutions. Community support includes repurposing mine sites and establishing community funds. RWE is considering public disclosure of internal KPIs for retraining and repurposing. Its actions show a commitment to just transition, but further development is needed for full integration. We will keep monitoring RWE's just transition disclosures and engage as necessary.

Just Transition - Banks

Company: National Australia Bank Ltd

Purpose: To foster transparency and accountability, we encourage the company to disclose its strategy for incorporating just transition considerations into its decarbonisation efforts. Furthermore, we sought clarity on the company's responsible lending practices within their microfinance operations.

Outcome: National Australia Bank (NAB) is committed to a just transition, and microfinance, recognising the interconnection between the two as microfinance plays a crucial role in supporting communities affected by the energy transition. The company is developing a just transition plan and contributing to the 'UNGC Think Lab on Just Transition' for business guidance. Its microfinance efforts are philanthropic, aligning with its place-based strategy for a just transition. Good Shepherd, the company's partner, conducts internal audits and quality processes. NAB advocates for responsible microfinance and is encouraged to promote these practices nationally.

Company: HSBC Bank PLC

Purpose: To review and provide feedback on the company's draft Net Zero Transition Plan.

Outcome: HSBC's Net Zero Transition Plan, informed by [Glasgow Financial Alliance for Net Zero \(GFANZ\)](#) and [Transition Plan Taskforce \(TPT\)](#), sets a strategic vision for sector specific transitions and an actionable plan. In a feedback session with the Chief Sustainability Officer, the company highlighted its commitment to the real economy decarbonisation, especially in developing markets. The plan details a sectoral approach based on global financing needs, and HSBC's strategies to support decarbonisation and leverage financing opportunities. It also emphasises a fair and inclusive transition, with ongoing efforts to integrate just transition principles. We will continue to engage with the company, placing particular emphasis on the operationalisation of their commitment to a just transition.

Environment

Water Utilities – Phase Two

Company: South West Water

Purpose: To assess how South West Water's most recent water asset management plan for the period 2025 to 2030 aligns with our water sector expectations of best practice and identify areas where improvement is needed.

Outcome: The meeting with South West Water concluded positively, with the company providing further insights into its proactive environmental initiatives and upstream thinking, aimed at addressing biodiversity concerns. The company is shifting towards integrating natural capital into its decision making. It has also piloted natural capital catchment plans and conducted detailed reviews of water challenges.

In addition, South West Water is at the forefront of assessing antimicrobial resistance (AMR) risks and is collaborating with the University of Exeter to enhance its understanding in this domain. We will be reassessing the company based on its latest disclosure to our investor expectations and share areas of improvement with it.

Social

Cybersecurity – Phase Four

Company: BP PLC

Purpose: To evaluate the company against our established cyber investor expectations of best practice and identify areas where improvement is needed. We then communicate these findings to the company and encourage the adoption of stronger practices.

Outcome: We engaged in a constructive dialogue with BP which allowed us to gain in depth insights into the company's cyber governance and practices, particularly in relation to our published cybersecurity investor expectations. We found an above average approach to managing suppliers, conducting cyber due diligence, and integrating cyber security measures

through inorganic growth. As BP transitions from an International Oil Company (IOC) to an Integrated Energy Company (IEC), it faces unique cyber security challenges and opportunities. This transition involves expanding customer touchpoints, growing the renewables portfolio, and leveraging AI, all of which require a vigilant and adaptive cyber security framework.

Social & Financial Inclusion

Company: Sumitomo Mitsui Financial Group Inc

Purpose: To seek further information to understand how Sumitomo Mitsui Financial Group (SMFG) incorporates responsible microlending practices.

Outcome: We gained comfort that SMFG adheres to customer protection and responsible lending practices within its microfinance operations. The company performs comprehensive customer due diligence, offers financial education, and operates in compliance with local regulations. Its practices are in line with industry standards, particularly around debt collection and ensuring a customer centric product design. SMFG's commitment to responsible microfinance is further evidenced by its cross learning and regulatory information sharing between its Indian and Indonesian operations.

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