Royal London Asset Management Voting and Engagement

Quarterly Overview

31 March 2025

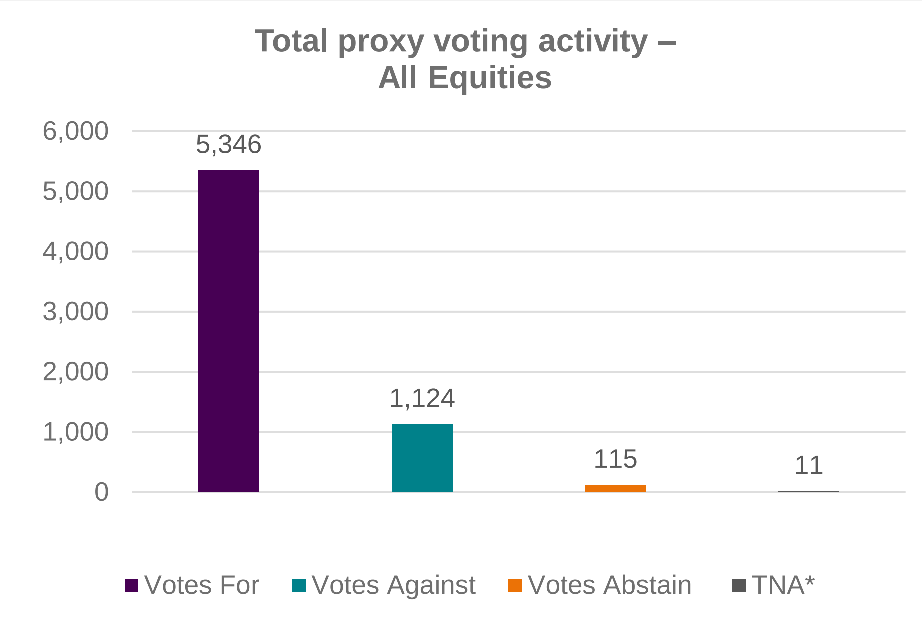
Executive Summary

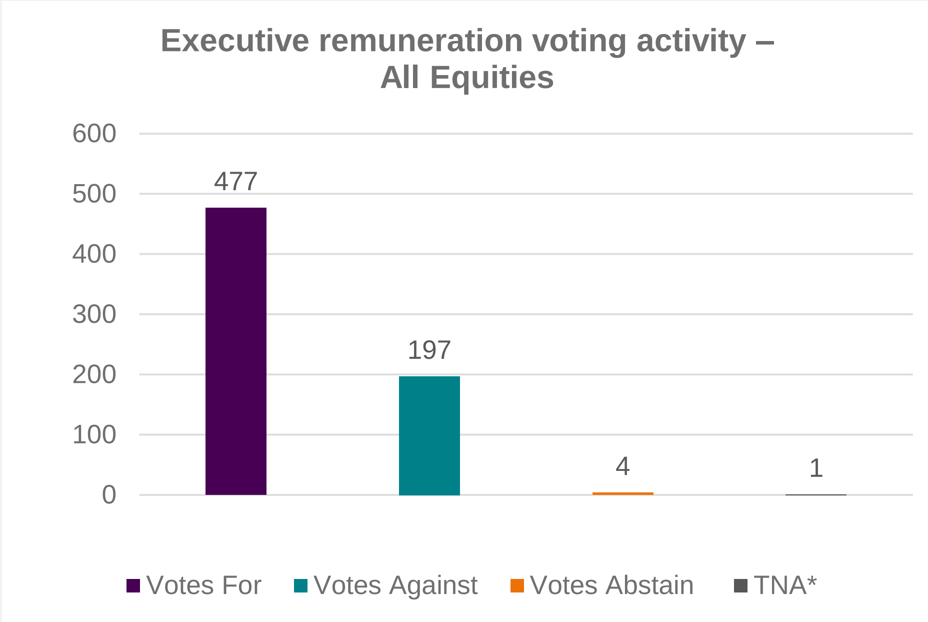
Q1 Highlights

- During this quarter, we have continued with our multi-year thematic engagement programmes across Royal London Asset Management's six themes: climate change; nature and biodiversity; health; governance and corporate culture; social and financial inclusion; innovation, technology, and society.
- Within Q1, we engaged with 10 companies, representing 15.9% of our financed emissions. Our efforts included nine meetings, and two written correspondences with these companies.
- We met with a number of companies to discuss remuneration practices ahead of the proxy voting season.
- We are continuing our work on our Sustainable and Ethical AI engagement programme and have met with Nvidia Corporation and Visa Inc to discuss their approach to sustainable and ethical AI.
- Voted "against" the remuneration report at IntegraFin Holdings. While the bonus structure is looking to be addressed, there are long-standing concerns over the company's approach to pay, namely the continued lack of a formal long-term incentive plan (LTIP).
- Voted "for" a shareholder proposal at Deere & Company regarding a civil rights audit. We are supportive of the request given the high-profile nature of this issue and the recent changes to the company's policies and approach to diversity, equity and inclusion (DEI) initiatives. This seeks to understand how the company is managing the associated risks and impact on employees and customers.
- Voted "against" a shareholder proposal at Apple Inc regarding abolishing inclusion and diversity program and policies. The proponent has not provided sufficient disclosure to justify the removal of the company's diversity programs and policies.

Royal London Asset Management - All Equities

In the quarter, we voted a total **6,596** resolutions at **657** meetings, voting differently to our Internal policy recommendations **4.8%** 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 2025

Notable Votes

Tyson Foods Inc:

Elect Les R. Baledge – against: The nominee is not independent and serves on the Nominating Committee that lacks sufficient independence. Moreover, the nominee is a member of the E&S Committee, and the company has not clearly disclosed its commitment to assess climate risks. We would welcome further engagement to discuss the aforementioned issues.

Elect Mike D. Beebe – against: The nominee is a member of the E&S Committee, and the company has not clearly disclosed its commitment to assess climate risks. We would welcome further engagement to discuss the aforementioned issues.

Elect David J. Bronczek – against: The nominee serves as chair of the nominating committee and the company has not disclosed a policy requiring women and minorities to be included in any new executive-level recruitment (Rooney Rule or equivalent). Moreover, 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. Finally, the nominee chairs the E&S Committee, and the company has not clearly disclosed its commitment to assess climate risks. We would welcome further engagement to discuss the aforementioned issues.

Elect Maria N. Martinez – against: The nominee is a member of the E&S Committee, and the company has not clearly disclosed its commitment to assess climate risks. We would welcome further engagement to discuss the aforementioned issues.

Elect Kate B. Quinn – against: The nominee is a member of the E&S Committee, and the company has not clearly disclosed its commitment to assess climate risks. We would welcome further engagement to discuss the aforementioned issues.

IntegraFiN Holdings Plc:

Remuneration Report – against: While the bonus structure is looking to be addressed, there are long-standing concerns over the company's approach to pay, namely the continued lack of a formal LTIP.

Remuneration Policy – against: While the renewed policy includes some positive features such as a set of concrete financial measures under the bonus and increased deferral, concerns remain over the lack of a formal LTIP.

Approval of the Combined Incentive Plan – against: While the renewed policy includes some positive features such as a set of concrete financial measures under the bonus and increased deferral, concerns remain over the lack of a formal LTIP.

Notable Votes

Visa Inc:

Advisory Vote on Executive Compensation – against: There are long-standing concerns over the discretionary nature of the bonus plan, which can call into question the link between pay and performance. We would also prefer to see longer performance periods for performance share awards.

Elect Denise M. Morrison – against: The nominee serves as Chair of the Remuneration Committee, and we have long-standing concerns with remuneration at the company.

Shareholder proposal regarding mandatory director resignation policy – for: The adoption of this proposal would benefit shareholders by promoting board accountability and ensuring responsiveness to shareholder concerns.

Walt Disney Co:

Elect Mary T. Barra – against: The nominee serves as Chair of the Remuneration Committee, and we have long-standing concerns with remuneration at the company.

Elect Michael B.G. Froman - against: The nominee serves as chair of the Nominating Committee and the company has not disclosed a policy requiring women and minorities to be included in any new executive-level recruitment (Rooney Rule or equivalent).

Elect James P. Gorman - against: The nominee serves as Board Chair, and we have concerns over the revisions to the company's diversity initiatives during the year.

Apple Inc:

Advisory Vote on Executive Compensation – against: While we are cognisant of the company's size and performance, we retain our concerns over the overall quantum of awards granted to the CEO and would prefer to see more than a single performance measure under the LTIP.

Shareholder Proposal Regarding Abolishing Inclusion and Diversity Program and Policies – against: The proponent has not provided sufficient disclosure to justify the removal of the company's diversity programs and policies.

Deere & Co:

Elect John C. May – against: The nominee serves as both Chairman and CEO; we believe these roles should be separated. We are also concerned over the revisions to the company's diversity initiatives during the year.

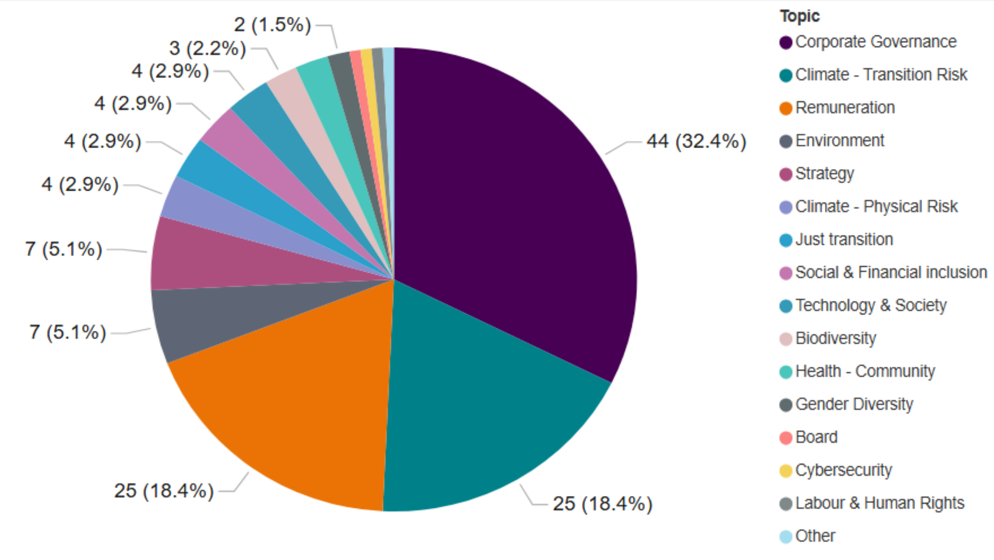
Shareholder Proposal Regarding Civil Rights Audit – for: We are supportive of the request given the high-profile nature of this issue and the recent changes to the company's policies and approach to DEI initiatives. This seeks to understand how the company is managing the associated risks and impact on employees and customers.

Engagement

Engagement overview: Engagement activities by topic

During Q1 of 2025, Royal London Asset Management engaged with 92 investee companies on 114 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 38 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.



Note: Engagement data is for the period between 1 January 2025 to 31 March. During this period, we conducted 114 interactions with various companies, addressing 136 different topics.

Engagement Process: Governance

Remuneration:

Company: Unite Group Plc

Purpose: The purpose of the shareholder consultation letter from Unite Group, the UK’s largest provider of student accommodation, was to inform shareholders about the proposed changes to the executive remuneration policy and to invite their feedback. The consultation aimed to gather shareholder input to inform the Remuneration Committee's decision-making process.

Outcome: The outcome of the consultation was positive, with broad support from shareholders for the proposed changes. The Remuneration Committee received feedback from 12 shareholders representing approximately 45% of the issued share capital, as well as from key proxy advisors. The Committee discussed the feedback in detail and finalised the proposals, which will be submitted for approval at the 2025 AGM. The key changes include increasing the maximum annual bonus opportunity and removing the annual bonus deferral requirement for directors who meet their shareholding guidelines. We view the changes as moderate and reasonable.

Company: James Fisher and Sons Plc

Purpose: We met with James Fisher and Sons, provider of specialist services to the marine, oil and gas, and other high assurance industries, to follow up on our abstain vote at the most recent shareholders' meeting regarding the company's remuneration policy.

Outcome: Our concerns centred on a cumulative earnings per share (EPS) target that, at the time of the vote, was below consensus forecasts and the decreased weight attached to this measure. The company confirmed that figures needed recalculating due to significant business portfolio changes, which were not reflected in consensus forecasts. The updated target is sufficiently stretching. From an investment point of view, we disagree with the management's use of gross margin instead of operating margin, the latter being the metric used in their KPI communications. The Remuneration Committee acknowledged this mismatch and shared our sentiment to base remuneration on the most relevant metrics. However, for now, the company did not make a specific commitment to change this. We will review all updated metrics and targets closer to the next AGM date.

Engagement Process: Governance

Company: Intercontinental Hotels Group Plc

Purpose: We engaged with the Intercontinental Hotels Group (IHG) Remuneration Committee to discuss and review the company's remuneration policies and practices. The meeting aimed to address key issues related to employee retention, market competitiveness, and proposed changes to executive pay structures. This engagement was crucial for ensuring that IHG's remuneration strategies align with market standards and effectively support the retention and motivation of top talent.

Outcome: We gained a comprehensive understanding of the challenges IHG faces in retaining senior talent and maintaining competitive remuneration packages. The discussions highlighted the need for IHG to enhance its pay structures to match market medians and address pay compression issues. As a result, proposed changes to the CEO and CFO remuneration packages were discussed, including increases in salary, bonus caps, and the introduction of Restricted Stock Units (RSUs). These changes aim to align executive pay with market standards and ensure long-term value creation for shareholders

However, concerns remain regarding the reasoning behind the additional restricted share plan, which is only subject to discretionary performance. This aspect requires further scrutiny to ensure it aligns with the company's long-term strategic goals.

Engagement Process: Climate

Net Zero:

Companies in scope: Companies contributing to 50% of Royal London Asset Management's financed emissions, please see Net Zero Stewardship Report 2023 (rlam.com).

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 pursuit of Royal London Asset Management's target.

Update: During the current quarter, we engaged with 10 companies, representing 15.9% of our financed emissions. Our efforts included nine meetings, and two written correspondences with these companies.

Company: Diageo Plc

Purpose: We met with the Head of Sustainability at Diageo, a beverage company, to provide feedback on its climate policy. During the meeting, we encouraged improvements in disclosures to ensure investors have a clear understanding of the company's climate plans.

Outcome: Diageo has published elements of a strong climate plan, and the company is actively seeking to enhance its approach. The company aims to use a sector-specific, target setting methodology and improve the measurement of supplier emissions. Diageo has demonstrated a strong approach to supplier engagement, with the Head of Sustainability actively contributing to and advocating for improved climate reporting standards. However, the plan currently lacks detail on the decarbonisation strategy and capital allocation needed to achieve its climate goals. We hope to see these areas addressed in the near future.

Engagement Process: Climate

Company: Ferguson Enterprises Inc

Purpose: We met with Ferguson, a US distributor of plumbing, heating, ventilation and air conditioning (HVAC) appliances, as part of RLAM's net zero engagement programme to discuss its climate transition strategy.

Outcome: We asked the company to disclose Scope 3 emissions, also known as its life cycle emissions, for additional categories beyond the four currently published. Despite tracking these emissions internally, the company initially withheld disclosure, citing accuracy concerns. We followed up with a letter to Ferguson's Chair, reiterating the importance of comprehensive Scope 3 greenhouse gas emissions reporting. In response, Ferguson confirmed refining its Scope 3 data collection processes and calculation methodologies. The company expects to include additional categories, such as Category 11 (use of sold products), in its next Sustainability Report.

Company: Safran SA

Purpose: As part of our Net Zero Stewardship Programme (NZSP), we have committed to engaging with our top 50% financed emissions. We met with Safran, an aerospace company, to discuss its climate strategy and provide feedback based on our Climate Transition Assessment.

Outcome: Safran's next report will be compliant with the Corporate Sustainability Reporting Directive (CSRD), detailing capital allocation for climate goals and emissions reduction targets. While the company engages suppliers to improve climate strategies, switching suppliers is difficult due to long certification times and limits the effectiveness of these engagements. Disappointed with the current supply of Sustainable Aviation Fuel (SAF), the company is advocating for supportive policies through industry associations. During the meeting, we asked how defence policy might impact the company's approach to climate. Safran confirmed that although the defence segment is included in climate commitments, national security will take precedence over carbon emissions when necessary.

Engagement Process: Environment

Biodiversity:

Company: Wessex Water Ltd

Purpose: Wessex Water responded to our request for a meeting following the release of its updated company scores which were derived from our scoring methodology based on public disclosures and company engagement in 2024. The meeting provided an opportunity to discuss areas for improvement, including pollution management, antimicrobial resistance (AMR), biodiversity, and climate-related physical risks.

Outcome: The company highlighted its pollution control efforts, including the use of machine learning to detect sewer changes during rain and the importance of predictive analytics in preventing spills. Wessex Water also addressed antimicrobial resistance (AMR), emphasising its participation in the Chemicals Investigations Programme, a UK water industry initiative that investigates trace chemical substances in the water environment to comply with current and emerging legislation, and the need for green prescribing, which supports people to engage in nature-based interventions and activities to improve their mental and physical health.

Wessex Water discussed its approach to managing Sites of Special Scientific Interest (SSSIs) and the challenges posed by nutrient programmes. The company outlined the near-term opportunities and risks associated with its £850m total expenditure. The discussion also covered physical climate risks, particularly the importance of sustainable drainage to manage increased rainfall. Wessex Water plans to initiate the funding process for 2025-2030 and conduct a double materiality assessment, with updates to be provided in the next investor roadshow.

Company: Steris Plc

Purpose: We met with Steris, a global provider of products and services focused on infection prevention and sterilisation, to gain more information on the Ethylene Oxide lawsuit, understand its management processes, and discuss alternatives to ethylene oxide in sterilisation.

Outcome: Overall, the call with Steris gave us confidence that its monitoring of Ethylene Oxide exceeded the US Environmental Protection Agency (EPA) requirements. In response to new EPA requirements, the company has further enhanced its operations to meet these standards. Steris engages with regulators and lobbies for better industry practices, although the company noted pushback from Original Equipment Manufacturers to design products compatible with alternative sterilisation techniques. Despite this, Steris has invested in other methods, such as x-ray sterilisation, and estimates that approximately 15% of items currently sterilised with Ethylene Oxide could transition to x-ray sterilisation.

Engagement Process: Social

Ethical and Sustainable AI:

Company: Nvidia Corporation

Purpose: We participated in an ESG investor call hosted by Nvidia, an accelerated computing and AI technology company. Our goal was to gain insights into Nvidia's approach to sustainable and ethical AI. In late November 2024, we had sent an engagement letter to the company, enquiring about its practices and strategies.

Outcome: Nvidia highlighted the energy efficiency of its accelerated computing platform, which achieves a 96% reduction in energy inference costs. The company is on track to achieve 100% renewable energy by 2025, with renewables increasing from 44% to 76% in 2024. Nvidia plans to publish a Scope 3 greenhouse gas emissions protocol-aligned disclosure. The company is collaborating with customers and suppliers on decarbonisation. Additionally, Nvidia is developing a Climate Transition Plan and conducting double materiality assessments to inform its sustainability strategy. The company also discussed the safety measures within its AI Foundry platform, its collaboration with customers on responsible AI practices and its governance strategies, including the AI ethics committee. The company's sustainability reporting includes human rights compliance and audits by the Responsible Business Alliance (RBA).

Nvidia is part of our wider Sustainable and Ethical AI engagement programme. We will be working on identifying best practices to drive companies to implement, demonstrate and publicly disclose ethical AI principles and its environmental impact.

Company: Visa Inc

Purpose: We initiated an engagement with Visa, a global payments company, to better understand its approach to sustainable and ethical AI. This meeting was in response to a questionnaire we sent to the company.

Outcome: From the meeting, we gained confidence in Visa's approach to sustainable and ethical AI. Visa demonstrated its expertise in AI governance, aligning with the EU AI Act and US National Institute of Standards and Technology (NIST) standards. Since 2017, the company has tracked generative AI and enhanced its governance to ensure safety and compliance. The company's AI systems undergo thorough reviews and encourage experimentation within secure zones. Its governance process includes regular assessments and a dedicated model risk management team. Visa also regularly tests AI system security and robustness. The company is committed to transparency and fairness, conducting safety testing for bias and ensuring compliance with ethical standards. Additionally, Visa aims to achieve net zero targets by 2040, using clean electricity for data centres and partnering with suppliers to meet sustainability goals and monitor its environmental footprint.

Engagement Process: Multi-Thematic

Multi-Thematic:

Company: Prysmian SPA

Purpose: We met with Prysmian, an Italian electronics producer, to understand the company's operations, including supply chain management, biodiversity, employee health and safety, and the use of hazardous materials.

Outcome: Prysmian has made progress in enhancing its supply chain practices. The company launched an ESG supplier management program to map the CO2 emissions of suppliers and conduct risk assessments. Continuous dialogues and increased supplier audits are part of its strategy.

Following allegations of mica sourcing linked to child labour, Prysmian has tightened supply chain practices and aims to reduce mica use. The company intends to reach zero injuries within five years through communication, training, and specific plant safety strategies. Prysmian is reducing asbestos as part of its hazardous waste management and plans to eliminate it completely. The company is developing a biodiversity strategy to map installation sites with biodiversity risk and offer nature-positive solutions.

Engagement Process: Multi-Thematic

Company: Rio Tinto Plc

Purpose: We met with Rio Tinto, a mining company, to engage with the Chair on a shareholder proposal to review the dual listing structure, the company's approach to sexual harassment, and its new climate transition plan.

Outcome: On climate, the company was asked to replicate its steelmaking decarbonisation approach for its bauxite and alumina value chain emissions, making timebound, measurable, and action-oriented commitments. The company responded favourably to this suggestion. Regarding iron ore from Australia's Pilbara region, the company acknowledged the transition risks posed by the shift to green steel and is collaborating with partners to find technological solutions. We discussed the company's responsible mining policies and their effectiveness, particularly in relation to key transition metals and just transition issues.

The new Remuneration Committee Chair intends to link workforce culture survey results to pay metrics and is seeking feedback on specific targets and measures. The meeting also addressed the early stages of the class action lawsuit concerning sexual harassment. The discussion underscored the company's commitment to transparency while balancing the legal risks associated with releasing the report. The court filings are not yet publicly available, and the next steps involve contacting women who worked between 2003 and the present to gather more information.

Disclaimers

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