Quilter Cheviot

Responsible Investment Quarterly

Quarter 2, 2025

Approver: Quilter Cheviot Limited, 22 July 2025

QUILTER CHEVIOT

Contents

Welcome

In the second quarter, our efforts focussed on proxy season activities as well as finalising stewardship activities, and finalising and publishing our Climate Action Plan. This included delivering a firmwide presentation and a series of information sessions with our research teams, with whom we will be working closely to integrate our climate alignment framework into the investment process.

Over proxy season we saw a significant number of new remuneration policies put forward in 2025 that required close scrutiny. We also wrapped up our thematic engagement with a range of investee companies on artificial intelligence and emissions, with the final report on our findings to follow in Q3.

Apart from a very busy proxy season, this quarter's key priorities included developing our proprietary fund dashboards and coordinating our annual ESG RFI which we send to the third-party managers we invest in.

Externally, as part of the Advisers' Sustainability Group, we continued to progress work on the development of a best practice guide; whilst our collaborative engagement activity continued. This included organising engagements with civil society organisations and stakeholders as part of our Nature Action 100 (NA100) engagement with Rio Tinto and participating in meetings with Climate Action 100+ (CA100+) engagement companies such as Trane Technologies and National Grid.

As we enter Q3, our priorities include launching our thematic engagement on plastics, delivering our fund dashboards, and commencing engagement with target companies to address executive-level gender balance as part of the 'Fix the Exec' collaborative working group.

Gemma Woodward

Head of Responsible Investment

e: gemma.woodward@quiltercheviot.com

Margaret Schmitt

Responsible Investment Analyst

e: margaret.schmitt@quiltercheviot.com

Greg Kearney

Senior Responsible Investment Analyst

e: greg.kearney@quiltercheviot.com

Kirsty Ward

Responsible Investment Analyst

e: kirsty.ward@quiltercheviot.com

Nicholas Omale

Responsible Investment Analyst

e: nicholas.omale@quiltercheviot.com

Andrew Straughair

Responsible Investment Analyst

e: andrew.straughair@quilter.com

Yumna Yusuf

Responsible Investment Analyst

e: yumna.yusuf@quiltercheviot.com

Spotlight

Author

Yumna Yusuf

Responsible
Investment Analyst

As I step into my new role within the Responsible Investment team at Quilter Cheviot, I am excited to develop and enhance our existing work on engaging on ESG issues with third party funds. With approximately 60% of Quilter Cheviot's AUM placed in external funds, effective ESG engagement is critical to both ensure alignment with our responsible investment policies and principles, and to influence how a significant portion of client capital is managed.

Using my prior experience as a climate engagement specialist at Schroders plc, where I worked closely with equity fund managers to develop ESG-related tools and guidance for portfolio and stock level analysis, I aim to build upon existing knowledge and frameworks to enhance ESG related fund analysis and due diligence.

Engaging third-party fund managers on ESG is critical; it's about understanding how deeply ESG principles are integrated into a fund's investment philosophy, research processes, portfolio construction and stewardship. Through facilitating constructive dialogue and gathering in-depth understanding, we can better assess whether a manager's ESG policies are being meaningfully implemented in line with recognised benchmarks and frameworks. This will ultimately provide fund research analysts with additional layers of insight and a greater understanding of ESG risk and performance.

Our latest research and insights

Read the latest from us in the news this quarter

RESPONSIBLE INVESTMENT

Capitalising on Climate Opportunity

We continued our ongoing thematic engagement program on climate disclosure and transition planning with the largest emitters held within our Climate Assets Funds. The objective is to better understand each company's current plans and progress towards them. Whilst this is the first phase of engagement focused specifically on the holdings in Climate Assets, it is built upon the ongoing thematic engagement that Quilter Cheviot has conducted with the highest emitters amongst its broader investment universe.

Capitalising on Climate Opportunity

Click here for the full insight

Toby Rowe
Sustainable Investment Specialist

Margaret Schmitt
Responsible Investment Analyst

Did proxy season spell trouble for ESG and DEI?

Although responsible investment remains a divisive topic, investors demand and expectations remains as strong as ever.

Author

Gemma Woodward

Head of Responsible Investment

The first proxy season since Donald Trump swept back into power and waged war on prominent three letter acronyms – DEI (diversity, equity and inclusion) and ESG (environmental, social and governance) – has been and gone. While overshadowed somewhat by tariff-related drama, there have been a number of crucial observations for those working in responsible and sustainable investment.

Up to this point, we had already seen US asset managers retrench on responsible investment and climate-related activity. The number of managers exiting the Climate Action 100+ collaboration group has been significant. Meanwhile, in the new war against DEI, federal agencies must identify up to nine companies with 'the most egregious and discriminatory DEI practitioners', leaving some facing severe consequences.

Companies are thus rolling back DEI programmes or repurposing them to avoid scrutiny. Others have removed diversity targets from remuneration and removed references on websites. It goes further too. Some US asset managers have dropped expectations for board diversity from their voting policies, whilst some proxy voting advisers have removed DEI considerations from their analysis and recommendations.

Meanwhile the US regulator delivered guidance that means if an asset manager holds more than 5% of a company, caution must be exerted during the voting and engagement process around AGMs. Those managers, usually the monolith index tracker houses, that own more than 5% of a company, need to ensure that they do not use this ownership power to influence a company.

With the new guidance it is now commonly interpreted that in any dialogue large investors are unable to ask the company to make a change, if it is linked to a voting outcome. This isn't just about DEI or ESG related issues, but these are often the most contentious in the US. One can look at this in two ways: 1) it curbs shareholder rights or 2) it means that the largest players in markets have reduced influence which may be helpful for upholding market standards.

This proxy season, therefore, became interesting to view as a participant. Like any good investment manager, we report on how many shareholder proposals we have supported and categorise these by the type. But there are nuances that are perhaps lost at the headline level. If you look at a report and you see a lot of votes against environmental or social issues, you may think, well that manager is anti-ESG and anti-DEI. However not all shareholder proposals are created equal.

Let's take two proposals asking for an audit of the company's activity related to DEI. Both are seemingly asking for the same thing – quantitative information on how the company is behaving. However, dig into the actual wording and you will soon see that one will be focused on how having such policies is in some way discriminatory, whilst the other is seeking to quantify the positive impact of the company's actions. It should be noted that this is a very particular US issue as we do not see the quantity of shareholder proposals in other markets.

So, what does this mean for us? Most obviously, investors must always read the shareholder proposals carefully and voting statistics are not proof of taking a certain stance. More than that, however, it is important to better understand how the political and legal backdrop in America will influence company and investor behaviour.

In our engagements with asset managers on their withdrawal from Climate Action 100+ the most compelling rationale came from a manager who explained that it faced an existential threat from potential litigation and outflows in the US because of being a member. While long-term progress must still be the priority, short-term political volatility cannot be ignored.

However, all is not lost; the Financial Times recently reported that a number of large European pension funds are moving assets from asset managers that were felt to be falling short on sustainability. Whilst at the Shell AGM, just over 20% of votes supported a shareholder resolution calling for disclosure in how its pivot into liquid natural gas (LNG) is consistent with its climate targets. Furthermore, investor demand for responsible investment remains high, although a littler lower than 2022's zenith. The FCA's recent Financial Lives survey found nearly three-quarters (72%) of investors wanted to 'do some good as well as provide a financial return.'

Proxy season may have highlighted that responsible investment remains a divisive topic within political and corporate circles. But for investors, the demand and expectations remain as strong as ever.

In other news

Samir Shah (Fund Research Analyst) presented at JP Morgan's annual conference for its Investment Companies Non-Executive Directors.

Margaret Schmitt (Responsible Investment Analyst) won the Communicating Integrated Thinking Leadership Award, and was a finalist for the Rising Star Award, at the Finance for the Future Awards.

Gemma Woodward (Head of Responsible Investment) was a panellist at the TISA Big Picture Conference talking about the future for sustainable finance.

Voting highlights

During the second quarter, traditionally our busiest period, we voted at 285 company meetings. However, the 2025 proxy season saw a significant decline in the number of shareholder proposals filed. From 2022-24, on average we voted on around 238 shareholder proposals during the Q2 proxy season, this proxy season we voted on just 156. This decrease reflects a combination of factors, including increased regulatory scrutiny, evolving corporate engagement strategies, and shifting political dynamics—particularly in relation to ESG-related topics.

We have summarised the key voting issues from the quarter below.

Environmental

Climate related voting activity at the oil and gas majors remains a key focus. Once again, this year's proxy season saw Quilter Cheviot register a material number of votes against management at high carbon emitting companies. We aim to ensure consistency in our voting approach and will determine the voting action taken based on a company's performance in managing climate risks relative to its peers. While 2024 saw several companies, notably Shell and BP paring back their climate ambitions, 2025 did not see many changes to climate transition plans but signalled a general lull in aspiration. We continued to use voting action to express our concerns regarding a company's climate risk management. Alongside engagement, this forms a key part of our stewardship process.

We continued to take a strong stance on **Chevron** and **Conoco Phillips**, voting against key board members owing to the inadequacy of both companies' transition plans. US based oil and gas companies continue to lag European peers in terms of the energy transition targets or disclosures. Chevron and Conoco Phillips still sit at the bottom of the pack in terms of operational emissions targets (i.e. Scope 1 and 2) and low carbon capital expenditure, despite committing to a broad net zero aims by 2050. Both companies recognise the physical and transition risks of climate change but do not appear to be taking meaningful steps to manage these risks. We did moderate our view on **Exxon** given increased capital expenditure on low carbon activities. This investment provides optionality through the transition, which is valuable and an element of a good transition plan.

When voting, we will not support shareholder resolutions where we believe the requirements are too specific, un-realistic or poorly structured – even if we are generally supportive of improvements in the company's climate-related disclosure. This year we did support a shareholder resolution at the **Shell** AGM to clarify how its current fossil fuel expansion is consistent with the existing transition plan. This received over 20% of shareholder support so will require formal response from management.

At a number of large financials, including **Bank of America** and **Wells Fargo** we supported a shareholder resolution requesting the disclosure of a ratio of the proportion of fossil fuel versus renewable financing. This is a common measure that several large banks already publish (including **JP Morgan**). We also supported a shareholder resolution at **Markel** asking for better disclosures on financed emissions, most peers in the insurance industry already provide detailed reporting.

Environmental voting activity by numbers:

5x votes in favour of reporting on fossil fuel financing activities (shareholder proposal)
We believe shareholders would benefit from greater transparency on how financial institutions are addressing any misalignments between financing activities and greenhouse gas emissions reduction targets.
Companies voted on: Bank of America, Berkshire Hathaway, Goldman Sachs, Markel Group, Royal Bank of Canada

2x votes in favour of reporting on GHG emission reduction targets (shareholder proposal)
We supported proposals seeking greater transparency on how companies assess and manage climate-related risks. This enables us to better evaluate their approach to transitioning to a low-carbon economy.
Companies voted on: Shell (x2)

Social

The 2025 proxy season has seen a continued rise in anti-ESG proposals at U.S. companies, reflecting a broader political and ideological pushback against corporate ESG initiatives. These proposals typically challenge or seek to roll back company policies related to environmental sustainability, diversity, equity and inclusion (DEI), and social responsibility. Some proponents have shifted tactics, reframing anti-ESG arguments in terms of fiduciary duty, risk management, or political neutrality, aiming to appeal to a broader investor base. Despite the increase in filings, support for anti-ESG proposals remains very low, with a median support level of just 1.4%* in 2025.

Companies also faced increasing pressure to report on their human rights policies and practices. For example, we saw several shareholder proposals filed at Meta, namely requesting additional transparency on how the company is managing and mitigating risks related to the use and collection of data, and its advertising practices.

Social voting activity by numbers:

2x votes in favour of reporting on risks relating to the use of external data in the development of AI products (shareholder proposal)
We supported the request for enhanced reporting given the company recognition of AI-related risks and the growing regulatory scrutiny across many of its operating jurisdictions.
Companies voted on: Alphabet, Meta

1x vote in favour of conducting human rights risk assessment (shareholder proposal)
We supported this proposal because the report would help shareholders better understand how the company addresses the human rights risks linked to its targeted advertising practices.
Company voted on: Alphabet

1x voted in favour of conducting a third-party racial equity audit (shareholder proposal)
The shareholder proposal called for oversight and public reporting on an independent assessment of Walmart's potentially adverse impacts on Black, Indigenous and People of Colour (BIPOC) communities, following the company rolling back its diversity initiatives last year. We supported this request as we believe additional information in this area would be beneficial to shareholders.
Company voted on: Walmart

* https://corpgov.law.harvard.edu/2025/06/18/anti-esg-shareholder-in-2025/

Governance

Remuneration related proposals dominated governance related voting activity this quarter, and they faced increased scrutiny with a notable rise in shareholder dissent—particularly on advisory votes for remuneration reports. This was largely driven by concerns over pay-performance alignment and a shift toward more flexible, tailored pay structures, including hybrid incentive plans. We saw an increase in UK based companies, with a global presence, seeking to align remuneration packages more closely to those seen in the US, in efforts to attract and retain top talent.

Governance voting activity by numbers:

52*x votes against electing / re-electing director (management item)
We voted against the re-election of directors owing to board independence concerns, presence of multi class voting structures, and where the board had failed to adequately address prior year's low say-on-pay vote result.
Companies voted on: Accor (x2), Adidas, Alphabet (x6), AIG (x3), Berkshire Hathaway (x5), BlackRock World Mining Trust, Chevron, ConocoPhillips, East Japan Railway, Essex Property Trust, Exxon Mobil, Hermes (x2), KION (x5), Kering (x2, LVMH, Meta (x6), Netflix, Phoenix Copper (x2), Regional REIT, T-Mobile US (x7), TotalEnergies (x2)

51x votes against management on compensated related resolutions (management item)
We placed votes against where companies failed to respond meaningfully to prior shareholder dissent, or where discretionary awards and non-standard pay structures—such as hybrid incentive plans—were introduced without sufficient justification.
Companies voted on: AIG, Accor, Allianz, Amazon, Ares, Elixirr, Equinix, EssilorLuxottica (x3), Euronext, GE Aerospace, Goldman Sachs (x2), Hermes (x4), Howden Joinery, IWG (X3), Intel (x2), InterContinental Hotels (x2), Intertek, KION, Kennedy-Wilson (x2), L'Oreal, LVMH (x5), London Stock Exchange , Meta (x3), Nokia (x2), Pfizer, Sanofi, Schneider Electric, Stellantis (x2), Thermo Fisher Scientific, Unilever (x2), Valero Energy

**Withheld and abstain votes have been included within votes against figures.*

Voting activity

Over the second quarter of 2025, we voted at:

285 COMPANY MEETINGS

Over the quarter we voted on:

4,815 RESOLUTIONS

for X 178 resolutions where we did not support management (this includes shareholder proposals).

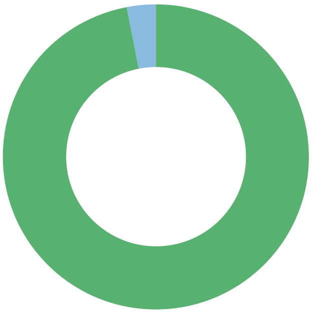
We enabled clients to instruct votes at 35 meetings.

It is important to note that on a number of occasions having engaged with the relevant company we did not follow ISS' recommendations.

Voting activity

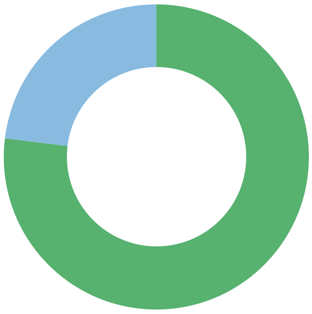
Management resolutions voted on in Q2 2025

(excluding shareholder proposals)



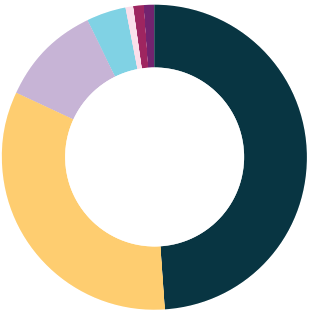
Meetings with votes against management in Q2 2025

(including shareholder proposals)

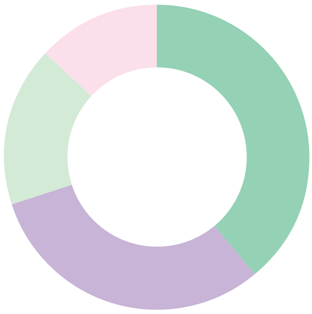


Management resolutions voted against by topic in Q2 2025

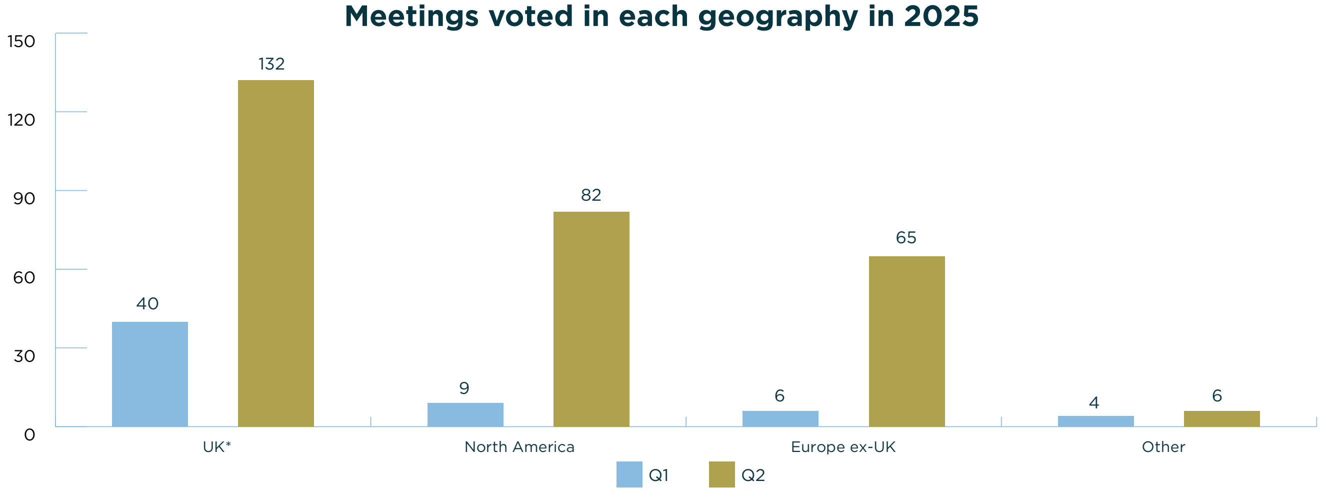
(excluding shareholder proposals)



Shareholder proposals supported in Q2 2025



Meetings voted in each geography in 2025



* Includes the Crown Dependencies of Jersey and Guernsey

Engagement activity

Here, we outline examples of our engagement in the second quarter of 2025. In line with the Shareholder Rights Directive II (SRD II) disclosure regulations, we have included the name of the company, investment trust or fund in most cases. In some cases, we will not, as this would be unhelpful in the long-term to the ongoing engagement process.

Our three mega themes of Climate Change, Human Rights and Natural Capital inform our engagement activity. Underpinning our stewardship approach is our Governance engagement activity through which we hold the companies and funds we invest in, to account.

When we engage we do so with a specific objective, and are outcome oriented. The outcome will take a number of different forms including:

- A change in, or validation of the responsible investment categorisation of the holding
- For investment trusts, a change in, or validation of the RAG rating which assesses board composition, board effectiveness and responsible investment disclosures
- A voting decision
- Addition or removal from a model strategy
- A change in analyst's recommendation

Environment: climate change and natural capital

Social: human rights

Governance: engagement activity across our holdings

Climate change

Greening algorithms: artificial intelligence and emissions

We began (and reported on) this engagement last quarter, over the last three months we engaged with the remaining companies we had identified as having a material exposure within our investment universe.

Objective: The rapid expansion of artificial intelligence (AI) and the pressing need for climate transition plans are two significant trends shaping the technology, software, semiconductor, and data centre services industries today. Companies like Microsoft, Google, and Amazon are at the forefront of these developments, driving innovation while grappling with the challenges of sustainability. Activities at companies like AMSL, ASMI, TSMC, Infineon and Equinix are also shaping the wider AI ecosystem and its emissions profile, where advances in hardware technology are crucial for addressing AI's energy demands. Companies are also exploring AI-optimised cooling, and smarter data centre design and operations to limit AI's energy consumption. By understanding the interplay between technological advancements, regulatory landscapes, and energy demand dynamics, investors can better navigate the evolving landscape and capitalise on emerging opportunities. This is a nuanced landscape and despite highlighting the above tensions, AI's role in the climate transition is increasingly recognised as a critical driver of growth and innovation. AI has the potential to address climate challenges by optimising energy use, improving grid stability, and integrating renewable energy sources. Companies must balance the benefits of providing and using AI solutions with current transition commitments. We aim to engage a focused group companies to better understand this topic and the management of the risks related to the emissions implications of AI service growth.

Amazon.com - Environment

Our interaction with the company was a constructive engagement for information. The topic of AI growth and emissions performance is a complex landscape. Since 2019, Amazon has shown a material commitment to embed sustainability outcomes into its business model, by targeting multiple pathways to secure low carbon energy agreements, evolve the design of data centre construction, provide frameworks for suppliers to decarbonise and to consistently reengineer systems to improve power consumption. It is, however, increasingly clear that the ambitions of the 2040 targets are facing heightened headwinds as demand for cloud-based services grow. This has been exacerbated by the scaling of demand for AI solutions and its implicit increased energy requirements. Accelerated action will be needed to meet the company's 2040 goals, including more support for low carbon energy procurement that materially reduces emissions, rather than a heavy reliance of renewable energy certificates (RECs). This will have to be at a company level but also requires a supportive policy environment in countries where AWS hosts data centres. This is not necessary the medium-term scenario in the US, where apart from current political machinations, it can sometimes take over a decade to connect any new energy source to the national grid. Overall emissions performance since the 2019 baseline year is not encouraging. Much of the company's increased Scope 1 operational emissions comes from the rapid build out of data centre infrastructure and the embedded emissions in the construction process.

Outcome: It will be crucial to monitor if emissions remain elevated of fall back as demand stabilises, data centre operations are further optimised, and more meaningful low carbon sources of energy are secured. Whether Amazon's efforts are enough to overcome the significant obstacles to achieving the company's Climate Pledge remains to be seen and we will monitor this moving forward. We maintain our responsible investment rating.

ASM International - Environment

ASMI's advanced wafer processing equipment plays a crucial role in producing some of the most sophisticated semiconductors, which are indispensable for AI scaling. Their commitment to balancing operational excellence with current transition commitments is clear. The strategic focus on energy efficiency, innovation, and customer collaboration positions the company as a key figure in the AI and emissions landscape. ASMI's innovative product solutions and their operational decarbonisation efforts will play a part in addressing the energy challenges and opportunities presented by AI scaling. Though they have a limited direct impact on the large energy requirements needed to train and utilise AI models, their focus on energy-efficient product innovation will help reduce overall power consumption. Furthermore, ASMI is dedicated to reducing Scope 3 emissions in supply chains and product usage, amplifying decarbonisation in its operations through collaboration.

Outcome: This was a positive conversation on a complex topic, and we maintain our responsible investment rating.

Siemens - Environment

The rising energy demands of AI scaling are a significant challenge. Siemens showcases the potential for AI to enhance operational efficiency while reducing emissions. By integrating smaller private AI solutions into industrial applications, Siemens has improved predictive maintenance and energy management, reducing energy consumption. The AI-optimised cooling and smart data centre designs further address AI's energy demands and emissions implications. Siemens aims for net-zero emissions across its value chain by 2050, with significant interim goals for 2025 and 2030, validated by the Science Based Target Initiative. Despite challenges with Scope 3 emissions from sold products, recent business changes indicate a positive trajectory.

Outcome: Siemens leads in reducing energy consumption through AI, benefiting both operations and commercial opportunities. On this basis, Siemens is positioning itself as one of the leaders in technological innovations that are beginning to reduce energy consumption through AI applications, leveraging the benefits internally but also as a commercial opportunity. This reinforces the inclusion of Siemens within our highest responsible investment categorisation.

TSMC - Environment

As the world's largest semiconductor manufacturer, TSMC finds itself at the centre of a crucial challenge: balancing production of advanced semiconductor technology with the drive to reduce emissions. The company leads in producing smaller, more advanced chips that will be essential in the scaling of AI solutions but shoulders a great deal of the operational emissions implicit in an increasingly complex and energy intensive chip manufacturing process. TSMC's Climate Transition Plan is relatively robust, aiming to reduce emissions to 2020 levels by 2030 and achieve net-zero by 2050. Scope 2 energy input emissions are the largest source emissions. The lever used to address this includes sourcing 60% of its energy from renewable sources by 2030 and 100% by 2040. It is noted that the company does not accept responsibility for Scope 3 emissions from product use and these are not included in the climate transition plan. Efforts to reduce Scope 3 emissions principally look to target raw material production in the upstream value chain.

Ambition is one thing and performance is another. Scope 1 and 2 emissions have increased by 35% and Scope 3 emissions by 43% since 2019, highlighting the scale of the challenge ahead. Accelerated action is needed, but the company has signalled it intends to begin the emissions reduction pathway towards net zero from 2025 onwards, so direction of travel is hard to judge. To build the foundations for the downward trajectory the company is taking a number of material actions. TSMC's engagement with the RE100 initiative to commit to 100% renewable energy use and its process enhancements, such as using scrubbers and carbon-neutral natural gas, are proactive steps (even if heavily reliant on offsetting). An additional test lies in its ability to influence its supply chain. Through initiatives like the Renewable Energy Joint Procurement Model and the GREEN Agreement (a commitment suppliers are required to meet), TSMC aims to drive significant change, but the road to achieving 85% renewable use for suppliers in Taiwan and 100% for overseas suppliers by 2030 is steep.

Outcome: The success of TSMC's Climate Transition Plan will depend on its ability to innovate further, in the end products that are increasingly more energy efficient but also in measures to reduce the emissions from manufacturing processes. In the short-term, investors will need to monitor how effectively TSMC can align its ambitious goals with practical, measurable outcomes. The success of the company's transition plan hinges on its ability to marry cutting-edge semiconductor technology with demonstrable, scalable emissions reduction strategies. As things stand emissions are travelling in the wrong direction, but we will monitor progress.

Other environmental related engagements included voting against directors, and/or supporting climate-related shareholder proposals:

Bank of America - Environment

Objective: We engaged with the company to discuss fossil fuel lending disclosures.

A shareholder resolution requested the company report on its clean energy financing ratio; i.e. how much it finances clean energy versus high-carbon intensive or fossil fuel energy projects.

Outcome: We supported this shareholder resolution for a couple of reasons: several close peers already publish this figure, also to understand how this fits into the bank's support for the Paris Climate Agreement we would welcome greater transparency on the topic.

BP - Environment

Objective: We engaged with the Chair of BP to discuss recently announced changes to the company's strategy, notably a significant revision to the climate plan. This was a group engagement coordinated by the Investor Forum.

Chair Helge Lund shared insights into BP's latest strategic overhaul, emphasising a shift towards cost efficiency and smart capital allocation. This revamped approach aims to boost cash flows and maximise shareholder returns, while simultaneously strengthening the balance sheet and cutting down operational costs. The board supports this strategy, viewing it as a necessary response to the complex geopolitical landscape and rising inflation that have impacted the low carbon sector. Reflecting on past board dynamics, BP highlighted the lessons learned from earlier overinvestment in low carbon ventures. According to Lund, the board now fosters a healthy debate on the transition, preparing to adapt swiftly to evolving circumstances.

BP's new transition plan focuses on achieving simpler, more attainable targets, streamlining capital investment in renewable projects (notably in biogas, solar, and consumer charging services), and concentrating on high-return oil and gas ventures in the short to medium term. Planned investments in oil and gas will increase by 20% to $10 billion p.a., while annual spending on renewable energy will be cut back by 70% to $1.5-2 billion. This new strategy was announced in the wake of reports of some investor discontent over the past year; proposed divestments in wind energy; and, more recently, the acquired stake of activist hedge fund Elliott Management.

BP is contemplating future say-on-climate votes, but not in the short term. The company is determined to stay competitive throughout the energy transition, highlighting a 38% reduction in operational emissions since 2019.

Outcome: A further watering down of climate commitments is disappointing to see from a climate risk perspective, but more understandable in the wake of poor returns as well as significant investor and geopolitical turbulence. The company remains committed to a narrower scope of transition-related activities which does allow it to retain some optionality throughout the energy transition. We maintain our current responsible investment-related rating.

Chevron - Environment

Objective: To highlight concerns regarding the quality of the company' climate transition plan.

The company continues to lag its peers in setting robust operational emissions targets (i.e., Scope 1 and 2) and has made minimal investment in low-carbon capital expenditure, despite its stated commitment to achieving net zero by 2050. The company has recognised the physical and transition risks of climate change but does not appear to be taking meaningful steps to manage these risks. As in previous years, we will vote against the lead independent director due to the inadequacy of the company's climate transition strategy.

Outcome: We voted against the lead independent director reasonable given the company failing to commit to a robust transition plan. We outlined our voting decision to the company.

ConocoPhillips - Environment

Objective: To highlight concerns regarding the quality of the company' climate transition plan.

The company continues to lag its peers in setting robust operational emissions targets (i.e. Scope 1 and 2) and has made minimal investment in low-carbon capital expenditure, despite its stated commitment to achieving net zero by 2050. As in previous years, we will vote against the lead independent director due to the inadequacy of the company's climate transition strategy.

Outcome: We voted against the lead independent director reasonable given the company failing to commit to a robust transition plan. We outlined our voting decision to the company.

Markel - Environment

Objective: To raise concerns related to the company's financed emissions disclosures.

Our proxy advisor recommended voting against the shareholder proposal requesting the company disclose financed emissions from underwriting, insuring, and investing. We supported this request (in line with our proxy advisor's recommendation) at last year's meeting.

Outcome: We did not follow our proxy advisor's recommendation as we believe that enhanced disclosure regarding the insurance operations' exposure to and management of emissions would be beneficial to shareholders and, as such, merits our support. We have communicated our voting rationale to the company accordingly.

Shell - Environment

Objective: To gain further transparency on the execution of the company's climate transition plan.

While we are disappointed by the company's decision to scale back certain commitments, it is important to note that the company does not lag its peers in setting robust operational emissions targets and maintains an adequate climate transition plan.

A shareholder resolution, submitted by an Australian NGO alongside several UK local government pension funds, calls for greater transparency on how Shell's current business strategy aligns with its ongoing commitment to achieve net zero by 2050. Additional clarity on the credibility and feasibility of this headline target would be welcomed.

Outcome: We supported all management items, and supported the shareholder request, as shareholders would benefit from additional transparency. We outlined our voting decision with the company.

Trane Technologies - Environment

Objective: Annual engagement through the Climate Action 100+ (CA100+) initiative with the company to discuss progress in its climate targets, following the publication of its annual sustainability report in early June 2025

The CA100+ engagement group for Trane Technologies convened a meeting with the company following its recent annual sustainability disclosures. The company published excellent sustainability-related disclosures, comprehensive in both scope and range, including its Climate Transition Plan, annual sustainability report, and a new Nature Impact Assessment. Its climate strategy includes clear quantified levers towards its targets, and particularly clear use of visuals to this end. We were curious to understand how the company views its targets considering the geopolitical uncertainty and climate backsliding of late, particularly in the US context.

The company was positive about both its progress to date and its prospects, despite the politics-driven turmoil rattling visibly climate transition-linked businesses in the US. It has achieved its '25 by 25' initiative, reducing its operational emissions by 25% (2019 baseline) ahead of schedule. When asked how it plans to build on this, the company noted this initiative has developed a 'long list' of decarbonisation projects – potentially enough in the pipeline already to achieve up to 50% reduction. It noted the learnings from this work, and how it now 'bundles' these smaller measures to achieve efficiencies in the necessary investments.

Trane Technologies continues to be a firm advocate for policy encouraging higher energy efficiency standards and was a notable beneficiary from the Inflation Reduction Act (IRA) subsidies introduced under the previous US administration. Although the political rhetoric about the climate transition has shifted, the company remains positive about the value behind its products in the longer term. It specifically noted the growing customer demand from tech companies, particularly in data centre cooling. Its US-driven production and manufacturing capacity has also proven resilient in the tariff tiffs of this year to date.

Outcome: The company retains its role as transition-enabling, while achieving progress against its own decarbonisation targets. The publication of a nature impact assessment is commendable, although its contents were broadly preexisting commitments or initiatives. We look forward to seeing further progress against the company's climate commitments.

Natural capital

Reckitt - Environment

Objective: To collaborate with other investors through the PRI co-ordinated SPRING initiative focused on natural capital regarding the management of nature-related risks.

This dialogue focused on the company's industry association and policy engagement approach.

Outcome: This is an ongoing collaboration involving several stakeholders so we are unable to provide commentary, but we will continue to actively participate in the dialogue to monitor and establish best practice related to nature risk.

Rio Tinto - Environment

Objective: As part of the Nature Action 100 collaborative engagement initiative, we engaged to provide feedback following the publication of Rio Tinto's annual sustainability report, as well as to follow up on the Simandou project in Guinea.

The engagement group had met prior to our meeting with Rio Tinto and identified several priority topics: nature strategy, further detail on site-specific biodiversity assessments, and an update on the biodiversity approach for the Simandou project.

We discussed the company's forthcoming nature strategy, which is due to be signed off by its board late Q2 / early Q3 and published soon thereafter.

The group revisited the subject of the Simandou project in Guinea. We have previously requested further details in how it is managing the particularly significant nature-related risks of this site, given its location in biodiversity 'hotspot' habitats. As before, the company emphasised the measures it has already taken to minimise biodiversity impacts – namely, shifting planned rail infrastructure from the west side of the mountain range to the east, to avoid key chimpanzee habitats and known populations.

Much of the discussion centred around the complexities of managing nature-related impacts in a joint venture (JV) arrangement like Simandou. Rio is taking what it sees as reasonable steps to integrate some biodiversity conservation measures in its management of the project – particularly adhering to the standards set in the International Finance Corporation's (IFC) Performance Standard 6 (IFC PF6) on Biodiversity Conservation and Sustainable Management of Living Natural Resources.

Outcome: There were encouraging developments at this meeting, particularly in the additional detail provided on the timeframe of the forthcoming nature strategy and biodiversity measures being taken at Simandou. That said, the company remains reticent to utilise this engagement group to explore its approach to nature more thoroughly. This seems a missed opportunity, given the range of experience across the engagement group with peer companies, and there is beginning to be some frustration at the lack of depth to these discussions. We look forward to the company's nature strategy being disclosed later this year, which will hopefully lead to more detailed discussions in future.

Human rights

Gilead Sciences - Social

Objective: To discuss the shareholder proposal put forward requesting the company to enhance its human rights policies.

The proponent is requesting the company adopt a comprehensive human rights policy and due diligence process. Given recent significant controversies and the company's recognition that access to its medications is a key ESG factor, it seems prudent to implement such a policy and formalise human rights due diligence processes across its operations.

Outcome: We consider this request reasonable and additional transparency in this area should benefit shareholders; therefore, we supported this request. We outlined our vote decision with the company.

JD Sports - Social

Objective: We engaged with Share Action, an NGO that is coordinating a shareholder resolution at the 2025 AGM.

The resolution requests that the company provide additional disclosures related to how it assesses the potential provision of the 'real living wage.' The 'real' living wage is separate to the government mandated minimum wage and is calculated as the actual cost of living by the Living Wage Foundation. Some companies commit to being Living Wage Accredited and benchmark their levels of pay versus this measure. JD Sports does not currently pay the 'real' living wage to employees, but in this instance the resolution is asking for basic disclosure on several items including the number of direct employees whose pay is below this level as well as the company's approach to setting base pay for regular staff and third-party contractors. It also asks the company to report on how much it would cost to become accredited. Share Action and the institutional investor proponents have targeted the company as it is a retailer, which is a target sector for improving labour standards. It also does not disclose much of this information, has been slow to engage and does not provide regional pay weightings (i.e. someone in London is paid the same as areas with lower living costs). Some retailers like Tesco and Sainsburys do pay the 'real' living wage to direct staff and contractors.

We then engaged with JD Sports to discuss the proposal; however, the company did not respond to our request.

We supported the shareholder resolution calling for greater disclosure on the company's human capital management, as it does not currently pay the real living wage. We believe increased transparency on workforce pay and the potential cost of adopting the real living wage would benefit shareholders.

Outcome: The discussion with Share Action allowed us to better understand the rationale and the merits of the shareholder proposal. We used this engagement to inform our voting decision to support the proposal at the 2025 AGM.

Rio Tinto - Social

Objective: As part of our role within the Nature Action 100 initiative we participated in a discussion with African civil society organisations (CSOs) involved in advocacy work around the Simandou mining complex in Guinea. Engagement was with two organisation, Action Mines (AM) and Advocates for Community Alternatives (ACA). The focus was on the social impacts of the environmental impact of the mines.

We engaged with CSOs to understand how Rio Tinto is addressing community impacts from its Simandou project. The Simandou complex is a massive iron-ore mining concession divided into two sections, with Rio sharing its section with Chinese-owned Chalco and the other section's concession held by the Winning Consortium (WCS) (joint venture between Singaporean Winning International Group and Chinese Hongqiao). Importantly, Rio controls activities within its mining concession area, and co-owns the associated infrastructure projects (the port and the railway) built by WCS.

Action Mines (AM) is a local community organisation which records and advocates on behalf of complainants affected by the Simandou mining complex projects, comprising the creation of a new marine port facilities, a 650 km railway line, and the mine itself. The organisation operates monitoring groups throughout the affected areas, including the corridor around the railway line, the coastal regions around the new port, and the forested mountains of the planned mining operations. These groups collate and document any community complaints on a quarterly basis and advocate for affected community members where issues remain unresolved.

There are several ongoing impacts from the development at Simandou affecting communities on the ground, including displacement, damage to homes, loss or damage to agricultural fields, and water pollution. In all cases, these issues were reported to the concession owners, using the complaints procedures set out by Rio and WCS. Despite efforts by AM to escalate unaddressed complaints through both WCS-owned processes and with Rio directly, there remain numerous instances where there has either been no response, or proposed mitigation has been insufficient. Importantly, AM collates and publishes clear documentation of these cases.

Both AM and ACA have engaged directly with Rio about these unresolved and increasingly widespread issues. In prior meetings they have suggested measures to enhance transparency around Rio's management of complaints procedures, including the Initiative for Responsible Mining Assurance (IRMA) or other certification-based audits. However little progress has been made, and Rio has appeared to be unwilling to bear responsibility.

Outcome: Our discussion highlighted seemingly credible claims of environmental impacts from the Simandou development on local communities in Guinea. Based on the experiences of these CSOs, Rio appears to be avoiding taking responsibility for the numerous and in some cases severe environmental impacts of the first works at Simandou. Ultimately, if Rio is aware of serious deficiencies in how its enterprise partners are managing environmental impacts and complaints, it must step in and start addressing these itself, or risk allowing its reputation to sink alongside its partners.

Walmart - Social

Objective: To evaluate the merits of a shareholder proposal requesting the company to undertake an independent, third-party racial equity audit.

Our proxy advisor recommended voting against a shareholder proposal requesting that the company commission a third-party racial equity audit. The proposal calls for oversight and public reporting on an independent assessment of Walmart's potentially adverse impacts on Black, Indigenous and People of Colour (BIPOC) communities, following the company rolling back its diversity initiatives (cutting racial equity training and eliminating supplier diversity programs) in November 2024.

Outcome: We did not follow our proxy advisor's recommendation. As we have done so before, we supported the shareholder request relating to conducing a racial equity audit, as we believe additional information in this area would be beneficial to shareholders.

Governance

The second quarter is always dominated by 'proxy season' when the majority of companies hold their Annual General Meetings (AGMs). During time we try to engage with companies where there are contentious issues, or votes against management are proposed by our proxy advisor. Not all companies are willing to interact with us. We have identified when this is the case. We use recommendations from our proxy advisor based on our voting policy to inform our voting decision-making. However, we do not always follow the proxy adviser's recommendations, and have disclosed this in the engagements detailed below.

Accor - Governance

Objective: To raise concerns and seek clarity on the re-election of two directors and several of remuneration related items.

We had concerns related to the re-election of the CEO as the functions of chair and CEO are combined as well as the re-election of one non-executive director (NED) who was convicted of corruption and influence peddling in 2021, with the conviction upheld on appeal in 2023.

Furthermore, the CEO's compensation structure is not best practice, particularly given the overlapping performance criteria across the 2021, 2022, and 2024 long-term incentive plans which mean executives might get paid multiple times for hitting the same targets. Additionally, we are opposing the Auditors' Special Report on Related-Party Transactions due to insufficient disclosure around the sponsorship partnership with Paris Saint-Germain football club, as well as the share repurchase authorisation, which permits buybacks during a takeover period: both of which present governance concerns.

Outcome: We placed votes against several remuneration related items including against the CEO and the NED. We outlined our voting decision with the company.

Adidas AG - Governance

Objective: To consider the ongoing concerns regarding the number of board positions held by the chair.

Our proxy advisor recommends voting against the chair owing to over boarding concerns. The director currently holds an external CEO position in addition to serving as chair, raising questions about their capacity to effectively fulfil both roles. While we supported the chair's re-election at last year's meeting, this was with the expectation that the over boarding issue would be addressed during the year under review.

Outcome: Following our engagement on this issue with the company last year's AGM, they have taken no action, consequently, we placed a vote against the chair's re-election. We shared our voting decision with the company.

AIG - Governance

Objective: To raise concerns and seek clarity on the recommendation to vote against the CEO's remuneration.

Our proxy advisor has recommended voting against the members of the compensation committee. Although the committee engaged with shareholders following last year's low say-on-pay vote, it appears that the concerns raised have not been adequately addressed, and no meaningful changes have been implemented.

Additionally, while the 2024 short-term incentive program has been simplified, its financial metrics appear less demanding and place significant emphasis on individual performance. Concerns are further heightened by the high level of the CEO's maximum payout potential and the absence of disclosed forward-looking performance targets. We opposed this item last year and intend to vote similarly this year.

Outcome: In the absence of a clear response from the company addressing shareholder concerns, it makes it difficult to assess the company's response, therefore we voted against. We contacted the company for additional context but did not receive a response.

Allianz - Governance

Objective: To raise concerns and seek clarity on to the performance conditions of the long-term incentive plan (LTIP) portion of the remuneration policy.

Concerns have been raised regarding the vesting conditions of the LTIP which permit payouts even when performance falls below the peer benchmark. In response to our enquiry, the company explained that since the LTIP accounts for up to 65% of total variable compensation, any underperformance would still be significant in absolute terms.

The proposed policy also sets executive pension contributions at 50% of base salary, a level we view as disproportionately high and misaligned with the pension arrangements available to the broader workforce.

Outcome: Given our expectation that long-term incentive plans (LTIPs) should be subject to robust performance conditions, the absence of such criteria in this case makes it difficult to support the proposed remuneration policy, therefore we placed a vote against.

Amazon.com - Governance

Objective: To raise concerns and seek clarity on the significant salary increases for certain executives.

Several executives were awarded substantial time-vesting stock grants, with each non-CEO executive receiving awards at or above the median compensation level of peer CEOs. While these grants are typically awarded periodically and the company has provided a strong rationale for its overall compensation approach, it is notable—and concerning—that no portion of compensation is tied to the achievement of pre-defined performance metrics. We opposed this structure in last year's vote.

Outcome: We voted against in this instance owing to concerns regarding the lack of performance-based metrics in executive pay. We communicated our vote decision to the company.

Anglo American - Governance

Objective: To voice concerns regarding the level of discretion applied to executive remuneration.

During the year in review, the remuneration committee applied discretion to a key ratio: return on capital employed (ROCE) used in determining the long-term incentive payout. This resulted in a material uplift in the overall payout to executive directors. We engaged with the company, and it was highlighted that the adjustment to the ROCE better reflects the long-term impact of commodity price cycles, rather than short-term fluctuations on company performance.

Outcome: While we do not typically support retrospective adjustments to elements of the remuneration policy, in this instance, we are comfortable with the rationale provided.

Bank of America - Governance

Objective: We engaged with the company to discuss concerns related to executive compensation.

Our proxy advisor recommended voting against management on the advisory 'say on pay' resolution at the 2025 AGM. There are concerns that the short-term incentive program lacks key disclosures and relies on discretionary board outcomes, leading to potential pay for performance misalignment. Our proxy advisor also recommended voting against the proposed omnibus stock plan owing to potential dilution of the share base.

On the latter issue, we have engaged with the company on this item previously and have been comfortable in supporting the program given the company's commitment to repurchase common shares at least equal to the value of equity awards, which offsets the dilutive impact of the stock plan. The plan has been in operation for several years with no dilutive problems created.

Regarding concerns over the transparency of short-term incentive outcomes, the company highlights that the move away from more formulaic outcomes is something pursued by peers and encouraged by regulators since the financial crisis. We have engaged the company on the issue in previous years. We welcome recent enhancements in the reporting of the rationale and metrics used by the board to assess short-term executive performance and award quantum. Based on previous requests by shareholders (including Quilter Cheviot), the company has stopped using one-off awards. It should also be noted that the outcome of the short-term incentive program is not deemed to be misaligned with performance either by us or our proxy advisor. We suggested the board explore disclosing more general target and maximum opportunity thresholds to move closer to a hybrid incentive model without moving too far from regulatory expectations and peer norms on short-term awards.

Outcome: We did not follow our proxy advisor's recommendation and voted to support management on items related to executive pay. We welcome the company's openness to engage on the topic and recognise the progress made in recent years.

Bayer - Governance

Objective: To raise concerns related to the proposal to hold virtual only shareholder meetings.

The proposal seeks to grant a broad authorisation for holding AGMs exclusively in a virtual format until 2027. While virtual-only shareholder meetings have become more common, largely as a continuation of pandemic-era practices, we generally favour a hybrid format (i.e. a mix of in-person and virtual attendance). This ensures shareholders have the option to attend in person and engage directly with the board and management, an interaction that is more limited in virtual-only settings.

Outcome: Given there are limited instances where shareholders (irrespective of ownerships levels) have the opportunity to engage with management in person, we consider this option an important one to protect, therefore we voted against the request to hold virtual only meetings. We outlined our voting decision to company ahead of the AGM.

BlackRock World Mining - Governance

Objective: To revisit our concerns regarding the independence of the Senior Independent Director (SID).

Following engagement with the trust earlier in the year regarding the succession plans for the SID, we note that the issue remains unaddressed. As the SID's tenure now exceeds the nine-year threshold beyond which we no longer consider a director to be independent, we believe a vote against is warranted.

Outcome: The SID position being held by a non-independent director is not something we typically support. As outlined in earlier correspondence with the company, we placed a vote against.

BMW - Governance

Objective: To highlight concerns regarding board accountability.

Given the symbolic nature of discharge votes in Germany (where incumbent directors are released from their duties), and considering that BMW has, within a span of less than five years, once again been implicated in collusion with other automakers, this was an opportunity to hold the supervisory board accountable through the voting mechanism. It is worth noting that none of the current management board members were in office at the time of the controversy, so casting votes against them may have limited practical impact.

Outcome: Considering the company has failed to adequately address controversies in recently years, we placed votes against. We outlined our vote decision with the company.

Canadian Pacific Kansas City - Governance

Objective: To outline concerns related to a proposal to amend the advance notice requirements relating to shareholders nominating a director.

The board is proposing an amendment to the shareholder nomination process that would grant it the authority to request additional disclosures (specifically in the form of a questionnaire) from any proposed director nominee. While presented as a measure to enhance transparency, the current board and management may use this provision to block or delay shareholders and their nominees from accessing the company's proxy disclosures. As a result, it could undermine shareholders' ability to nominate directors for board elections. Moreover, the disclosure requests in question may have little or no bearing on a nominee's qualifications or effectiveness as a board member.

Outcome: We voted against this proposal and outlined our voting decision with company ahead of the AGM.

Danaher - Governance

Objective: Discuss concerns regarding share- pledging activities.

Our proxy advisor raised concerns regarding the re-election of the incumbent audit committee members for failure to sufficiently address problematic pledging activity. This is a recurring area of concern, and one which we have previously engaged the company on. The company has implemented a policy prohibiting directors and executive officers from pledging Danaher shares they own or control as collateral for any obligation, except for shares already pledged at the time the policy was adopted. Additionally, the audit committee conducts an annual review of pledged shares.

Outcome: We did not follow our proxy advisor's recommendation. The company has implemented a policy to ensure further share-pledging does not take place; therefore, we supported the re-election of all audit committee members, consistent with our approach in previous years. We shared our voting decision with the company.

East Japan Railway - Governance

Objective: To raise concerns on the re-election of a non-executive director.

We have concerns regarding the election of a non-executive director who is considered an affiliated outsider as he previously worked at the Company's current audit firm. and is set to serve on the Audit Committee, which raises questions about the committee's independence.

Outcome: We voted against the director as the director did not meet the threshold to be considered independent. We outlined our voting decision to the company.

Equinix - Governance

Objective: We engaged the company regarding concerns related to the newly proposed employee share plan.

The company has requested an additional tranche of equity issuance to make available as part of the employee equity plan. These requests facilitate the incentive awards dispersed to the employee base and typically fund the scheme for four to five years. The granting of equity is an important part of the company's pay-for performance philosophy and Equinix believes equity ownership creates an important link between the interests of long-term shareholders and Equinix employees. We would agree with this philosophy and are supportive of such schemes. The main concern relates to the size of the request (3.3m shares) and the company's historic burn rate (rate at which they are distributed). This rate is above the sector average and significant issuance could be potentially dilutive to shareholders. The company has assured us the any use of the plan is carefully evaluated by the board against equity plan governance practices and the potential dilutive impact on shareholders is considered.

Outcome: While we support the use of an employee equity plan to align employee and shareholder incentives, we are still not comfortable with the size of the plan relative to the historic use of equity issuance. We placed a vote of abstention on the proposal to approve the plan. Additionally, we supported management in not approving a shareholder proposal to reduce threshold for the ability to act by written consent, as the company already has reasonable measures in place to enable this right.

EssilorLuxottica - Governance

Objective: Examine the rationale behind the recommendation to vote against several compensation related items at the upcoming AGM.

Our proxy advisor raised concerns about the remuneration outcomes for the CEO/ chair and vice- CEO as the company is proposing exceptional awards without a compelling rationale. Additionally, the company has not addressed persistent shareholder concerns regarding executive remuneration, previously raised at past meetings. Notably, at the 2024 AGM, over 40% of shareholders opposed the CEO/chair, and vice-CEO's pay packages. In such instances, we generally expect the company to engage with shareholders and provide a clear response.

Outcome: As the binding resolution received low support at the last AGM and the company has not addressed the concerns, we voted against the corporate officers' report and executive remuneration policy. We contacted the company for comment but did not receive a response.

Euronext - Governance

Objective: To raise concerns regarding the CEO's remuneration policy.

There are significant concerns regarding the discretionary upward adjustment applied to the total shareholder return metric outcome for the long-term incentive plan. For the CEO, this adjustment resulted in a significant uplift in the total amount shares vesting. Additionally, the company did not address the substantial shareholder dissent on last year's remuneration report, which received less than 45% support. We opposed the proposal last year due to concerns over a discretionary payment awarded to the CEO during the reporting period.

Outcome: Owing to ongoing concerns regarding discretionary payments made to the CEO, we voted against the approval of the remuneration report. Although we contacted the company for clarification, we did not receive a response.

GE Aerospace - Governance

Objective: To raise concerns and seek clarity on the executive officers' compensation structure.

There are significant concerns regarding the disclosure, structure, and overall scale of executive pay. The rationale for increasing the maximum opportunity under the Short-Term Incentive Plan (STIP) is insufficiently explained, and the disclosure of performance goals for regular-cycle equity awards remains incomplete. The awards are based on performance but do not have clear targets and can exceed standard payouts. Similar concerns have been raised at previous AGMs, particularly following the one-time award granted to the CEO in 2020, although the board had taken steps to address these issues. However, this year's inadequate disclosure surrounding the STIP increases undermines those prior efforts.

Outcome: As the company has not committed to addressing the ongoing concerns, we voted against this item. We contacted the company for further context but did not receive a response.

Goldman Sachs - Governance

Objective: To raise concerns regarding executive compensation.

There are concerns surrounding one-time grants made to the CEO and COO during the year in review. The $80 million value of each award is over two times the CEO's FY24 performance year pay, which has also significantly increased year-over-year. While the company attributes this to strong company performance, the one-off grant was double the CEO's annual package for the prior year, and the overall pay packages lack rigorous performance criteria.

Outcome: We voted against ratifying the executive officers' compensation, we outlined our voting decision with company ahead of the AGM.

Hermes - Governance

Objective: To raise concerns and seek clarity on the recommendation to vote against several compensation related items at the upcoming AGM.

Concerns have been raised about a lack of transparency in a consulting deal involving two external parties, making it unclear if the arrangement benefits shareholders. Additionally, there is a major conflict of interest in governance, as executive pay is decided by a General Partner closely tied to both General Managers, undermining independent decision-making.

Outcome: We placed votes against on several compensation related items, as the company has failed to address concerns in recent years. We contacted the company for comment but did not receive a response.

Howden Joinery - Governance

Objective: To raise concerns and seek clarity on the significant salary increases to the CEO and CFO.

The Executive Directors were granted significant benchmark-driven salary increases for 2025 at c.17% for the CEO and c.8 percent for the CFO, which are substantially above the 2% increase received by the wider workforce. These increases, when combined with the higher long-term incentive opportunity, will considerably enhance their overall pay potential.

Outcome: We typically expect pay increases to be in line with the wider workforce, where deviations occur, we expect the company to provide a robust and well-substantiated explanation. In this case, no such justification was offered, therefore we voted against management. We tried to engage with the company for further context; however, we did not receive a response.

Intel Corp - Governance

Objective: To raise concerns related to executive officers' compensation.

During the year under review, the company provided a cash severance payment to the former CEO following his voluntary resignation. Additionally, the company disclosed substantial sign-on awards granted to the incoming CEO. While this was structured as performance-based equity subject to stringent performance criteria, the overall size of the award was considerable.

The disclosure regarding change-in-control award (a payout given to an employee if the company is sold or taken over and their role is affected) vesting provisions is either incomplete or appears to be discretionary, and the plan grants broad authority to accelerate vesting. We opposed this proposal when it was last presented for shareholder approval in 2023.

Outcome: On balance, the company's rationale, specifically relating to the cash severance paid to the CEO is uncompelling, therefore, we placed a vote against. We outlined our voting decision to the company.

InterContinental Hotels Group - Governance

Objective: To raise concerns and seek clarity on the recommendation to vote against the remuneration report and policy.

The proposed increase in executive director remuneration significantly exceeds typical UK market standards, positioning the CEO among the highest-paid executives across FTSE-listed companies. Furthermore, the remuneration structure includes restricted share awards (which do not have performance related hurdles) without the standard 50% reduction in award opportunity, resulting in a substantial uplift in total pay for both executive directors. The CEO's 6.8% salary increase for FY2025 also notably surpasses the average increase awarded to the wider workforce. We generally expect executive pay increases to be more closely aligned with those of the broader employee base.

Outcome: The company's rationale and peer group for justifying this pay are not compelling. We tried to engage with the company for further context; however, we did not receive a response.

Intertek Group - Governance

Objective: We engaged the company to discuss concerns around the newly proposed remuneration policy.

A year after the approval of the last remuneration policy a new policy was put forward at the 2025 AGM. While many parts of the existing structure have been kept in place, the company proposes adding an enhanced long-term incentive plan (LTIP) to sit over the core LTIP. If fully achieved both policies will pay out 300% of salary each (making a 600% total LTIP opportunity). The performance metrics of the 'enhanced' policy largely echo that of the core one, with further earnings-per-share outperformance one of the main targets. With the revised policy the board is aiming to incentivise (and reward) best in class FTSE 250 performance, and they see this additional opportunity as an important element to motivate management to fulfil the three-year business strategy during a key period of growth. We would agree that the design of the structure largely aligns with shareholder interests and achievement of the enhanced opportunity will be stretching for management. The principal concern is whether this significant increase in potential reward is appropriate for a company of this size, with any material achievement placing remuneration well in excess of peers. There is also a debate over whether the additional reward is proportionally motivating or simply a high price for outperformance.

Outcome: While we acknowledge the efforts to align the enhanced pay opportunity with shareholder interests, we are not comfortable with the size of reward on offer relative to company size, peer benchmarks and UK remuneration norms. We outlined our intentions to vote against the policy, but the item was rescinded by the board prior to the AGM, with a reversion to the current policy.

IWG - Governance

Objective: To raise concerns and seek clarity on several remuneration related items.

The company is adjusting its executive pay structure by introducing restricted share awards and increasing the maximum performance share opportunity from 250% to 300% of salary, with a performance multiplier of base salary up to 1.33x. The Remuneration Committee will maintain discretion over the composition of long-term incentives. We engaged with the company, and while management acknowledges that the proposed changes represent an increase in overall quantum, they consider the adjustments necessary to remain competitive on a global scale to attract and retain top talent.

Outcome: The significant changes in both scale and structure of the remuneration structure are not sufficiently justified by the company, therefore we placed a vote against the remuneration policy and restricted share plan.

JD Sports - Governance

Objective: To raise concerns and seek clarity regarding the remuneration policy.

The company intends to implement a new hybrid incentive plan, combining restricted shares equivalent to 50% of salary with performance shares capped at 250% of salary. This will replace the existing Long-Term Incentive Plan (LTIP) set at 200% of salary, which was introduced at the 2022 AGM. The company believes that this will provide greater certainty and growth opportunities for the newly formed team. However, this represents a significant increase in quantum, with management guaranteed (apart from in exceptional circumstances) to receive the 50% of salary incentive as it does not have performance related element. Given that the company has experienced a decline in profitability and poor shareholder returns, this seems somewhat inconsistent.

Outcome: In the absence of a compelling rationale provided by the company, we voted against approving the remuneration policy. We contacted the company for additional context but did not receive a response.

JD Sports - Governance

Objective: Last year we engaged the company as it was reported that a non-executive director, Kath Smith, had an undisclosed financial interest in one of the company's suppliers (Montirex), leading to allegations of a potential conflict of interest.

In the company's 2024 annual report it did disclose that Smith chairs the board of Montirex but did not disclose that it was a supplier. JD Sports re-iterated that the role was approved by the board prior to initiation and the financial interest that Smith holds in Montirex is of a level that is considered 'non-material' based on current policies and procedures. However, this is not an example of best practice which would involve board approval plus detailed disclosure of the item. Whilst Montirex is not a material supplier for JD Sports, we outlined our expectations of better disclosure on the issue.

Outcome: In the 2025 annual report the company now clearly highlights Kath Smith's role and links this disclosure to the level of JD Sport's financial exposure to Montirex. This is a positive development.

Jersey Oil & Gas - Governance

Objective: We engaged the company regarding concerns over annual bonus awards.

Our proxy advisor recommended voting against the company's financial reports and abstaining on the re-election of the board chair. The board had awarded a discretionary bonus, which is not best practice as these should be defined by achievement of pre-set targets. The recommended abstention vote against the chair echoed this concern as they are ultimately responsible for the company's governance practices. We engaged the company, who contended that the bonus was granted (in a similar manner to the 2024 bonus) for the completion of a two-phase project in leasing out interests in oil fields to external companies as part of an effort to drive down costs. In this sense the completion of the leasing was pre-set in the executives' key performance indicators (KPIs), and the bonus quantum echoes that of 2024.

Outcome: We disagree with our proxy advisor's assessment and take note of the company's explanation. We voted to support management on all items. Based on previous concerns and engagement we also note that the board member who we considered over tenured has now stood down.

JPM Morgan Investment Trusts - Governance

Objective: To provide insights to NEDs on what we look for in investment trust boards.

One of our fund research analysts was invited to speak at the annual JP Morgan conference for its investment trusts to provide insights on how we view investment trusts. Through our ongoing engagement with the investment trust sector, we have engaged numerous times with JP Morgan, either with boards or the marketing and investment trust teams. Our focus on boards building robust succession plans (part of our board composition rating) was emphasised as was the need to clear and transparent communication with key stakeholders, as well as boards providing constructive criticism of the manager where appropriate (board effectiveness).

Outcome: This was well-received, and we will continue with our ongoing engagement with the sector. There was no change to any of the related investment trusts' RAG ratings.

JPMorgan European Discovery Trust - Governance

Objective: To discuss the tenure of the chair.

The broker asked for our feedback regarding the chair potentially exceeding his nine-year term. The rationale is that the chair will stay on owing to the review of the investment manager, the tender offer and managing the attentions of the activist investor, Saba. In our view, given that we had been assured by the chair that succession was being managed, this was not sufficiently compelling as the plan for the new chair should have been well in train.

Outcome: We indicated we will vote against the chair if he exceeds his term and downgraded the board effectiveness RAG rating for the trust.

Kering - Governance

Objective: To raise concerns related to the re-election of several directors at the upcoming meeting.

We shared concerns regarding the re-election of the CEO as the roles of CEO and chair are combined, a structure we view critically, particularly in European companies. Additionally, the company operates a multi-class share structure where the shares are not subject to sunset provisions (a timeline to convert to ordinary shares). When sustained over the long term, we consider this share structure to disadvantage ordinary shareholders.

Outcome: Owing to governance concerns over the combined CEO/chair role and unequal share structure, we voted against the CEO and a non-executive board member (who also benefited from the multi-class share structure) and communicated our decision to the company ahead of the AGM.

KION Group - Governance

Objective: To raise concerns regarding the long-term incentive (LTI) portion of the remuneration awarded in 2024.

The former Chief Technology Officer (who departed in 2022) received a 100% of salary payout as part of the legacy long-term incentive plan, although based on the performance metrics achieved this should have equated to just 17.5%. Additionally, the company does not disclose specific targets for granted awards under the LTI in advance of the performance year, which is uncommon in the German market context and compared to companies of similar size.

We also opposed several directors whose terms exceeded four years, as we expect re-election at least every four years, in line with German market norms.

Outcome: We have previously voted against the remuneration report due to similar concerns and maintained this position in the current year. We also opposed the re-election of directors who had served for more than four years. We have communicated the rationale behind our voting decisions to the company.

L'Oréal - Governance

Objective: To voice concerns regarding the remuneration policy of the company's CEO.

In L'Oréal's 2025 remuneration policy, it is increasing its CEO's total remuneration, including base salary (+15%) and short-term incentive (STI) award from a maximum of 120% of base salary to 130.4%. We engaged with the company to discuss this as we had concerns regarding the increase and the lack of disclosure of the contribution of each metric to the variable remuneration. The company considers the increase consistent with its external benchmark and employees based in France.

Outcome: We voted against the company's remuneration policy of the CEO because the rationale provided for the increase in base salary and STI was not fully compelling.

London Stock Exchange - Governance

Objective: To voice concerns regarding the ambition of variable remuneration targets.

For the 2025 long term incentive plan (LTIP) award that vests in 2028, the company's remuneration Committee proposed 50% threshold award levels for median total shareholder return achievement. Previously the award level sat at 25% for median performance. We engaged with the company, and it was highlighted that the adjustment was made to align the company's remuneration practices to the global peer group.

We could not get comfortable with the changes to the threshold vesting, particularly in the absence of a revised remuneration policy. We saw this as a material change. This should also be set in the context of the significant scrutiny of the 2024 policy which we supported (and understood the rationale) but was a material shift from UK market norms.

Outcome: We voted against the remuneration report owing to the proposed changes outside of a newly proposed remuneration policy.

LVMH - Governance

Objective: To voice concerns regarding several ongoing AGM items, notably, on remuneration and share issuance.

We maintain concerns over the CEO's re-election due to the combined CEO/chair role, which conflicts with European governance norms. We contacted the company for comments, but did not receive a response.

We also voted against several compensation related items due to the lack of transparency on the performance criteria of the annual bonus and long-term incentive plans. These items have been contentious in previous meetings, and we have consistently voted against them.

Lastly, we voted against several equity issuance items because the requests exceed the recommended 10% guidelines for issuances without pre-emptive rights.

Outcome: Voted against the re-election of the CEO and Chair, as well as against management on several remuneration proposals and matters concerning share issuance.

Melrose Industries - Governance

Objective: We engaged the chair of Remuneration Committee to discuss concerns related to executive remuneration prior to the 2025 AGM.

Our proxy advisor recommended voting against the remuneration report based on several concerns. The first was related to the level of variable awards paid out through the legacy share plan. We do not share these concerns as, the legacy policy paid out in line with the existing formula, and we have engaged the company over several years, requesting a move to a more traditional policy (with fixed salaries, annual bonus, and long-term incentive plans). This new, more traditional policy was approved at the 2024 AGM and is how executives are rewarded moving forward.

Other concerns related to the treatment of awards for the departing CEO and CFO. Firstly, the discretionary decision to allow accelerated vesting of the 2020 portion of the legacy share plan and the waiving of the holding period for portion of award. Secondly the 2024 annual bonus for the departing CEO and CFO was not pro-rated and based on the full year performance of the incoming CEO.

The board rationale for using discretion to remove vesting and holding restrictions on the legacy variable award was owing to the two executive's good leaver status and recognition of the contribution to historical long-term performance. The executives are required to holding 300% of final salary in shares, which they already exceed, so the board did not believe waiving holding requirements for this portion of reward improved shareholder alignment or protection against adverse outcomes. On the issue of not pro-rating of annual performance, given the significant period of upheaval facing the company (giving the transition of two long-standing executives and the change in business model to a more traditional aerospace firm), the board wanted to use the 2024 bonus to incentivise a smooth transition of leadership.

Outcome: We supported management on all items at the 2025 AGM. Ultimately, we disagreed with the full evaluation of our proxy advisor and welcome the improvements we have seen in the company's remuneration policy over our period of engagement. We recognise the use of the annual bonus as a incentivise for smooth management transition during a challenging period for the company. We do not fully agree with the application of discretion for vesting or holding periods and have communicated this to the company.

Mercedes-Benz Group - Governance

Objective: To raise concerns and seek clarity on the company's proposition to approve virtual only shareholder meetings.

The company put forward a motion to hold virtual only company meetings until 2027. The new proposal appears to be a blanket authorisation to continue holding AGMs in the virtual format without in-person participation. While the trend of virtual-only shareholder meetings has grown, largely as a continuation of practices adopted during the pandemic, we generally advocate for a hybrid model. This allows shareholders the option to attend in person and engage directly with the board and management, which is more challenging in a virtual-only setting. There are also only a few instances where shareholders (irrespective of ownerships levels) have this opportunity to engage with management and the board.

Outcome: While we occasionally support a request for virtual only meetings, if the request is for one year only, we tend to vote against multi-year requests, as we did in this instance. We outlined our voting decision with the company.

Meta Platforms - Governance

Objective: To raise concerns and seek clarity on the re-election of two directors and several of remuneration related items.

We hold several concerns related to governance issues, including the company's multi-class share structure and significant increases in director compensation. We withheld support for several directors last year on similar grounds.

We also have concerns regarding the employee share award plan, Notably, the dilutive nature of the equity programme. Additionally, the compensation of the executive officers does not utilise any formulaic pre-set performance criteria, as the annual bonus is awarded based on the compensation committee's discretion while long-term incentives were entirely in time-vesting equity.

Outcome: Consistent with previous years, we withheld support for the re-election of several directors who benefit from the multi-class share structure, which we view as misaligned with the interests of ordinary shareholders. We also opposed several remuneration items due to the lack of a compelling rationale for the equity programmes and bonus criteria. We outlined out voting decision with the company.

Mortgage Advice Bureau - Governance

Objective: To discuss the CEO's significant increase in salary during the year in review and the re-election of a non-independent director.

Both the CEO and Deputy CEO received notable salary increases during the year. The company explained that this was the first review of their remuneration since its IPO in 2014, and that the adjustments were broadly in line with the average salary increases awarded to employees.

A non-independent director has served on the board for ten years, raising questions about his independence. Furthermore, as he is both the chair of the Audit Committee and a member of the Remuneration Committee, his continued role does not align with best practice, which recommends these committees be composed entirely of independent non-executive directors. The company has provided additional context, stating its intention to appoint two new Independent non-executive directors in the near term, with a view to reassessing the composition of both the Audit and Remuneration Committees.

Outcome: We provided a cautionary support on both agenda items, with the intention to revisit at next year's meeting.

Netflix - Governance

Objective: We engaged the company to discuss concerns related to the board attendance of the lead independent director.

The lead independent director attended fewer than 75% of board meetings in the 12 months prior to the 2025 AGM. We engaged with the company who were unable to disclose any further reasons related to the absence but noted the director's high level of attendance when measured over a longer time horizon.

Outcome: We voted against the re-election of the lead independent director at the AGM. The director in question only attended c.50% of board meetings without disclosing any reasons for non-attendance. On a separate item we rejected our proxy advisor's recommendation to support a shareholder resolution to reduce the ownership threshold to call a special meeting. The company's current threshold is in line with market standards.

Nokia - Governance

Objective: To voice concerns regarding the remuneration policy.

The company plans to introduce a Restricted Share Unit (RSU) plan (a type of compensation where company shares are granted, typically only time vesting and lacking strict performance criteria) as part of the long-term incentive structure. The company has not provided a strong justification for introducing the plan, which lacks performance conditions. While it aims to expand in the US and cites challenges in attracting and retaining executive talent under the current pay structure, we maintain that all share-based awards should be tied to robust performance metrics.

Outcome: While the majority of the policy is well described, due out concerns regarding the RSUs, we voted against approving the remuneration policy.

Octopus Renewables Infrastructure Trust - Governance

Objective: This engagement was an opportunity to catch-up with the board chair on a range of topics including fees and share buybacks.

In this wide-ranging dialogue, we discussed the future of the infrastructure trust sector. The chair shares our concerns around the size of some vehicles and agrees that many are subscale, with further consolidation needed but many trusts unwilling to explore this. The chair believes that the trust's assets are more diversified than peers in terms of geography and technology, but they are still looking for ways to address the significant discount to net asset value (NAV) which is not unusual in the sector. The trust will extend a tactical buyback program and looking to recycle more assets. The chair also sought our opinion proposals in the sector to base investment management fees on market capitalisation rather than charging by NAV, as the board are in the process of reviewing fees. We are relatively agnostic and are open to hybrid models that utilise both but are opposed to some exit fees that have been implemented, preferring a clean fee.

Outcome: This was a helpful catch-up with the board chair and a chance to provide shareholder input into some of the topics being considered by the board. We maintain our responsible investment rating and there was no change to the trust's RAG rating.

Pfizer - Governance

Objective: To raise concerns related to executive compensation ahead of the AGM.

We shared concerns about the vesting and performance periods for the long-term portion of the payment plan. The compensation committee adjusted both factors during the year in review which provides executives with additional time to meet performance targets and earn the awards, which would otherwise be forfeited if targets are not met within the original timeframe.

Outcome: We typically do not support adjustments made during the year in review; therefore, we voted against ratifying the executive compensation. We contacted the company for comment, but did not receive a response.

Prudential - Governance

Objective: We joined an update meeting with the chair convened by the Investor Forum. We currently hold no material concerns, but this was an engagement for information following a relatively significant board refresh.

The chair covered a range of topics focused on business strategy and investor sentiment following a period of significant renewal at board level. According to the chair, since the COVID-19 pandemic, the company completed its transformation from a global holding company to an 'Asian operating company'. During this time, there has been a significant board and management refresh, bringing in a number of new executives including a new CEO. The chair also believes the board refreshment has given them a high quality 'Asia focused' governance structure.

A key strategic aim has also been to increase the transparency of the company's approach. Insurance is long-term and complex, and Prudential often writes policies that can last for 40 years. The clarity and prudence of assumptions being made has been an area of improvement, which they believe adds to the culture of high performance and transparency. A big part of the transition of the past few years has been the drive from board management to simplify the business, having completed two demergers (M&G and Jackson) over the past five years.

The chair noted that the London listing brings some difficulties with the approval of remuneration policies for a global talent pool in the context of UK governance standards. The company has not let recent US-focused political developments deter the company's pursuit of a meaningful climate transition plan or DEI approach. In the case of DEI (diversity, equity, and inclusion), they do not want to have a monoculture and believe they are implementing a strategy for (among other things) the right commercial reasons.

Outcome: This was a useful chance to touch base and hear the chair's priorities. We maintain our responsible investment rating.

Regional REIT - Governance

Objective: To readdress our concerns regarding the independence of a non-executive director.

Our proxy advisor has recommended supporting all resolutions at the upcoming Regional REIT meeting. However, we previously engaged with the company regarding concerns over the independence of a non-executive director, emphasising our view that all non-executive directors should be independent. Given the director serves as a manager representative, we believe this compromises his independence. As such, we issued a cautionary vote of support in 2024 and informed the board of our intention to oppose his re-election at this year's AGM should he stand for reappointment.

Outcome: We did not follow our proxy advisor's recommendation and voted against his reappointment and communicated the decision to the company.

S&P Global - Governance

Objective: To express concerns and seek greater transparency regarding the compensation arrangements for a former executive officer.

We have concerns regarding the executive officers' compensation. Although pay and performance are reasonably aligned, there is significant concern about the board's decision to materially enhance a former executive officer's severance payments and benefits beyond the company's executive severance plan. He will receive more than three times the cash severance he was eligible for and enhanced equity treatment. The company provided additional context, highlighting that he provided transition services through March 2025, additionally there are longer than usual non-compete and non-solicit restrictive covenants.

Outcome: On balance, considering the company's rationale, we are comfortable providing cautionary support.

Schneider Electric - Governance

Objective: To raise concerns and seek clarity on the significant salary increases for the CEO.

ISS recommends voting against approving the compensation of the CEO The reason for the termination payment is unclear, the amount appears to go against the approved pay policy, and it is more than the total cash the former CEO earned during their entire term.

Outcome: We contacted the company for further context; we did not receive a response. We voted against the CEO's compensation due to a misalignment between the payout awarded and the terms outlined in the company's compensation policy.

SigmaRoc - Governance

Objective: To raise concerns and seek clarity on the recommendation to vote against a non-executive director owing to independence concerns.

The proposed director is a significant shareholder and currently serves on the Remuneration Committee, raising concerns about both their individual independence and the overall independence of the committee. Our expectation is that such committees be composed entirely of independent directors.

We contacted the company for more context; it was explained that the relatively small size of the board presents challenges in fully meeting independence guidelines. Additionally, at the time of the director's appointment, the company was a smaller business, and the appointment was made at the request of a major shareholder who sought to strengthen the Board with an experienced industry professional.

Outcome: The company has indicated that it will reassess the composition of the Remuneration Committee in response to shareholder feedback ahead of next year's meeting. Considering this and given that we found the rationale provided to be generally acceptable, we provided a cautionary support, with the intention to review at next year's meeting.

Smithson Investment Trust - Governance

Objective: To meet the new chair and discuss the future direction of the board.

A new chair was appointed in late January, replacing the incumbent chair who remains on the board. The chair confirmed that he is looking to expand the board from four to five members and is mindful of meeting diversity targets which the board currently falls short of. Additionally, over time he would expect to appoint a Senior Independent Director, but that is not an immediate priority. The board had come under criticism last year, following a decision to not hold a continuation vote, this was later reversed and as a result the trust has changed its broker.

The chair is committed to being independent and representing shareholders' interests and gave assurances to this effect. He is reviewing several aspects including the trust's marketing strategy. Over the next twelve months he would be happy if the following were achieved: the discount is below 10%, performance is above benchmark, and the board changes have been implemented as above; whilst acknowledging that performance is up to the manager.

Outcome: We will see what changes the next twelve months bring and until then the trust's RAG rating remains unchanged.

Standard Chartered - Governance

Objective: To discuss concerns related to the remuneration policy put forward at the 2025 AGM.

The discussion primarily revolved around the changes in the remuneration policy, concerning significant increases to variable awards for the CEO, CFO, and other executives. On a related, but separate point, the Remuneration Committee also highlighted their ability to abandon pro-rating for CEO Bill Winters' awards upon his departure, provided certain criteria are met. Although this discretion is available to most company boards, the signalling has been read by some as an early indicator that the company will not pro-rate variable remuneration when the current CEO leaves. Our proxy advisor also raised questions over the suitability of the peer group chosen to determine the remuneration packages for the CEO and CFO, with the inclusion of significantly larger US peers.

We engaged the company to raise concerns about the increase in the CEO's long-term incentive plan opportunity to 490% of salary, which is substantially higher than the previous opportunity of 132% of salary. Other executives will experience similar increases. Although the face value of this increase looks excessive, it should be taken in the context of the removal of the bonus cap applied by UK regulators following the financial crisis. These measures reduced the ability to increase variable pay and led to much higher fixed rewards (i.e. salaries). The new policy represents a reduction in the fixed, guaranteed structure of the previous pay plan and a move towards increasing the total opportunity for meeting stretching variable financial outcomes.

Questions have been raised regarding the peer group used to determine the total opportunity laid out in the new plan. The company admits that it has a smaller market capitalisation that some of the company's analysed but believes the significant global footprint of the business adds complexities to executive roles that are not represented by equivalently sized UK peers. The company has a history of attracting senior hires from US investment banking backgrounds (like the current CEO) and the board believes continuing to benchmark against the direct reports of large US bank C-Suite is essential to attracting talent and overall retention. The company also highlighted issues around executive pay clustering. There are a growing number of senior staff who are now paid more than CEO, following a period of stagnation in the wake of the bonus cap. The board wants to create headroom to allow room for growth and make the senior executive positions attractive to internal candidates.

Outcome: We recognise the significant headline increases to total pay opportunity, but believe this should be set in the context of a shift from higher levels of guaranteed reward towards performance related pay following the removal of the regulatory bonus cap. As a shareholder the latter is something we generally support. We also recognise the relatively slow growth in the CEO's pay opportunity over the period the cap was in place. As such, we voted to approve the proposed remuneration policy.

Stellantis - Governance

Objective: To raise concerns related to the size of executive remuneration awarded.

The CEO and executive chair received generous awards in 2024, particularly the long-term incentive component. We contacted the company for comment, but did not receive a response. We previously engaged in 2023 on similar issues and supported the remuneration report then, as the CEO's payouts were contractually required.

Outcome: Given the current package is already competitive and no compelling justification was provided, we voted against the remuneration policy.

T-Mobile US - Governance

Objective: To assess the board's independence.

Our proxy advisor recommended voting against several directors owing to concerns around board independence. With overall board independence at just 46%, the company falls short of best practice standards, and none of the Compensation, Governance, or Nomination Committees are fully independent.

Outcome: Considering board independence levels are below the threshold we could expect, we placed votes against several directors. We communicated our voting position to the company.

Taylor Wimpey - Governance

Objective: To voice concerns regarding executive remuneration awarded in 2024.

In the full year 2024, the annual bonus awards made to the executive directors paid out at 94% of maximum opportunity, despite a decline in revenue and operating profit. However, there was an increase in sales rate and build quality score. Taylor Wimpey has positioned its annual bonus in line with other housebuilders for the most recent year's performance through a cyclical downturn. From our view, the rationale provided by the company on the formula used for the payment was in line with the remuneration policy approved by shareholders, which heavily weights towards factors like build quality.

Outcome: We voted in support of the remuneration report.

Templeton Emerging Markets - Governance

Objective: To provide feedback at the request of the trust.

As part of our long-term engagement with investment trusts we have encouraged them to ask for shareholder feedback, in this instance this was a survey commissioned by the board and conducted by an independent third-party. The survey focused aspects of the trust's mandate as well as the marketing of it.

Outcome: We are encouraged to see boards take further steps to interact with shareholders. There was no change to the RAG rating as a result of this.

Thermo Fisher Scientific - Governance

Objective: We engaged the company to discuss concerns related to the outcomes of 2024 executive pay.

Multiple remuneration-based concerns were raised by our proxy advisor prior to the 2025 AGM. The primary concern centred on the short-term incentive (STI) award granted to the CEO in 2024. This bonus paid out significantly above the target level despite targeting a negative financial growth metric. Since the COVID-19 pandemic the company has needed to manage a short-term decrease in revenue growth as COVID-19 related activities wind down. This challenging environmental has led to the targeting of some negative organic growth metrics as part of the STI. Despite negative total shareholder returns over a one- and three-year period, the company has outperformed peers.

Given the outperformance and negative growth targets, concerns are raised over ambition of short-term incentive structuring. In addition to the above target STI payment, the CEO received a one-time retention award, leading to a 73% increase in year-on-year remuneration. Our proxy advisor also raised concerns regarding overlapping metric from the STI program is also used in the long-term incentive grant, with pay-out largely contingent on one-year performance. This duplication allows the opportunity to be rewarded twice for the same achievement but given the importance of organic revenue growth to the company, theoretically it can be twice penalised for non-achievement.

Outcome: Our engagement helped us to better understand the reasons for relatively idiosyncratic performance of the annual bonus over the past couple of years and we are reasonably comfortable with the annual bonus outcomes. We are, however, not in favour of the one-off retention payment made to the CEO (which sits outside of the remuneration policy), and we voted against management on approving executive officers' compensation.

TotalEnergies - Governance

Objective: To discuss the appointment of a new non-executive director to the board.

The director currently holds an executive role and serves on two external boards, which raised concerns about his capacity to dedicate sufficient time to this position. In our engagement with the company, they emphasised the valuable expertise and perspective the director brings to the board.

Outcome: Whilst we appreciate the skillset the director brings, it is not unique and therefore we did not regard this to be a compelling rationale, and we voted against the re-election of this director.

Unilever - Governance

Objective: To voice concerns regarding executive remuneration.

The incoming CEO's base salary is significant and represents a small discount to the former CEO's base salary. Unilever does not appear to have sufficiently accounted previously raised shareholder concerns regarding the former CEO's pay arrangement. We engaged with the company to voice concerns and gain more context. Unilever has positioned the fixed pay of the new CEO in line with the lower quartile and median of the FTSE 10. From our view, the rationale provided does not justify the quantum of pay and the FTSE 10 is not a suitable peer group for setting the threshold.

Outcome: We voted against the remuneration report.

Valero Energy Corporation - Governance

Objective: To raise concerns regarding executive officer compensation.

There are significant concerns raised by a recent pay decision. In February 2025, the committee made a change to in-flight awards, including removing any cap on the awards vesting in the case of negative absolute total shareholder return (TSR). A cap is generally a feature that is regarded as positive (and was regarded as such by the company in recent proxy statements). The feature was specifically added in 2023 in response to shareholder feedback after receiving low say-on-pay support in 2022.

Outcome: On balance, the company's rationale justifying adjustments to the in-flight awards pay are not compelling, therefore, we placed a vote against. We communicated our voting decision to the company.

Warpaint London - Governance

Objective: To raise concerns regarding an increase to the CEO salary prior to the 2025 AGM.

Our proxy advisor recommended voting against the remuneration report at the 2025 AGM. The company raised the CEO's salary by over 20% and did not disclose a rationale in the annual reporting. The point at issue here is the disclosure of the rationale. We are supportive of the increase in salary, given that the CEO's salary (even after the increase) is not excessive relative to peers. That said, a rationale should be provided for any increase in remuneration.

Outcome: We did not follow our proxy advisor's recommendation and voted to support management on all items, as after engagement the company committed to disclosing remuneration related rationales in annual reporting moving forwards.

Overview

When we refer to the universe of holdings covered by our responsible investment approach this is what is included.

Activity	Universe
Voting	Discretionary holdings within the global equity and investment trust monitored lists where we have voting rights.
	Discretionary holdings in UK listed companies which are IM (investment manager) led ideas where we own more than 0.2% or £2 million of the market cap.
	MPS (Managed Portfolio Service) Building Blocks
	Climate Assets Balanced Fund and Climate Assets Growth Fund
	Quilter Cheviot Global Income and Growth Fund for Charities
	Quilter Investors Ethical Fund
	AIM Portfolio Service
	Quilter Cheviot International Funds
Engagement	Centrally monitored holdings
	AIM Portfolio Service holdings
	UK holdings where we own more than 0.2% or £2 million of the market cap (governance matters only)
ESG integration	Centrally monitored holdings

We use the ISS proxy voting service in order to inform our decision making, however we do not automatically implement its recommendations. When we meet a company to discuss governance issues, the research analyst usually does so alongside the Responsible Investment team as we are committed to ensuring that responsible investment is integrated within our investment process rather than apart from it. As Quilter, we are a signatory to the Stewardship Code. In order to maintain our signatory status, we submit a Stewardship Code report to the Financial Reporting Council (FRC) every April. We have successfully maintained our signatory status from 2023 onwards.

Where clients wish to vote their holdings in a specific way, we will do so on a 'reasonable endeavours' basis; this applies whether the investment is in the core universe or not, and also to overseas holdings.
We have ensured that two clients were able to instruct their votes over the last quarter.

For information regarding our approach to responsible investment, including our response to the UK Stewardship Code and our voting principles, as well as more granular detail on how we voted at each meeting please visit our website **Responsible Investment | Quilter Cheviot.**

Responsible Investment at Quilter Cheviot

Active ownership and ESG integration – for discretionary clients
We vote and engage with companies and fund managers on environmental, social and governance (ESG) matters. Integrating ESG considerations into our investment process can have direct and indirect positive outcomes on the investments we make on behalf of our clients.

We take a more targeted approach for clients that want their portfolios to reflect their specific interests or preferences.

A Direct Equity Approach* - DPS Applied

The strategies harness Quilter Cheviot's research and responsible investment process, as well as data from external providers, to implement ESG factor screening on a positive and negative basis. To ensure more emphasis is placed on ESG risks beyond the firm-wide approach to active ownership and ESG integration which forms the basis of the Aware categorisation.

A funds based approach – Positive Change
A pragmatic approach that combines funds that invest with a sustainability focus or for impact, with funds managed by leading responsible investment practitioners. Meaningful engagement by fund houses with company management is prioritised over formal exclusions on the basis that engagement can encourage change where it is needed most.

Sustainable Investment – The Climate Assets Funds and Strategy**
Through an actively managed multi-asset approach, these are suitable for clients who want to support the development of sustainable societies by focusing on investment opportunities in the areas of Clean Energy, Food, Health & Well-Being, Resource Efficiency, and Water. Ethical exclusions are also applied to avoid investments in controversial sectors.

Ethical And Values Oriented Investment – Client Specific

This is incorporated on an individual client basis, informed by their specific ethical preferences and values. These will vary from client to client and will focus on industry groups, industries or individual companies.

* For UK, North American and European equity holdings

** Climate Assets Balanced Fund and Climate Assets Growth Fund.

Glossary

Welcome to our comprehensive responsible investment glossary. We're aware the investment world is full of specialised terminology, so hopefully you'll find the following key terms and concepts will enable you to navigate the world of Environmental, Social, and Governance (ESG) more easily.

Active ownership (Stewardship): Investors actively use voting and engagement to influence the management of companies with respect to environmental, social or governance factors. Similar principles are also used by investors in other asset classes such as fixed income, private equity or property. This will also involve active participation in industry and peer group collaborative initiatives.

Annual General Meeting (AGM): An annual general meeting is a requirement for all publicly listed companies. This meeting, held annually, provides an opportunity for shareholders to vote on company decisions either in person or by proxy.

American Depositary Receipts (ADRs): An ADR is a negotiable certificate that evidences an ownership interest in American Depositary Shares. ADRs allow U.S. investors to invest in non-U.S. companies and give non-U.S. companies easier access to the U.S. capital markets.

Source: US Securities and Exchange Commission

Carbon footprint: The total amount of greenhouse gases (including carbon dioxide and methane) that are generated by our actions.

Carbon pricing: Operates by placing a fee on emitting and/or offering an incentive for emitting fewer carbon emissions. This may refer to the rate of a carbon tax, or the price of emissions permits.

Carbon pricing has emerged as a key policy mechanism to curb and mitigate the dangerous impacts of greenhouse gas pollution and drive investments towards cleaner, more efficient alternatives.

Source: CDP

Circular economy: The model of production and consumption which involves sharing, leasing, reusing, repairing, refurbishing, and recycling existing materials and products as long as possible. In this way, the life cycle of products is extended.

Clawback (and malus): Incentive plans should include provisions that allow the company, in specified circumstances, to ensure that a recipient:

- forfeits all or part of a bonus or long-term incentive award before it has vested and been paid – this is called 'malus' and/or
- pays back sums already paid – this is called 'clawback'

Climate change: This refers to a change in the state of the climate that can be identified (e.g. by using statistical tests) and that persists for an extended period, typically decades or longer. Climate change may be due to natural internal processes or external forcings such as changed of the solar cycles, volcanic eruptions, and persistent anthropogenic (environmental change caused or influenced by people directly or indirectly) changes in the composition of the atmosphere or in land use.

This is one of the three Quilter responsible investment priorities.

Source: Intergovernmental Panel on Climate Change (IPCC)

COP: An acronym for 'Conference of the Parties' that can be used to refer to the meetings of countries as part of the United Nations (UN) Framework Convention on Climate Change (UNFCCC).

Disapplication of pre-emption rights: Existing shareholders do not have first refusal on new shares and therefore their holdings will be diluted.

Engagement: Investors enter into purposeful dialogue with companies, funds, industry bodies, and governments to discuss environmental, social, and governance related issues in order to gain more information or to encourage and achieve change. This may be in collaboration with other investors.

ESG (Environmental, Social, and Governance): The risks and opportunities related to ESG issues.

Environment - relating to the environment. Examples include resource, water and land use, biodiversity, pollution, atmospheric emissions, climate change, and waste.

Social - relating to the relationship between companies and people, such as their employees, suppliers, customers, and communities. Examples of social issues of interest to investors include health and safety, labour standards, supply-chain management, and consumer protection.

Governance - relating to the governance of an organisation, also referred to as corporate governance. Examples include board composition, executive remuneration, internal controls, and balancing the interests of all stakeholders.

ESG integration: Analysing ESG data to better inform investment decisions.

ESG screening: Ethical and values-oriented investment based on client requirements is incorporated on an individual client basis within the Discretionary Portfolio Service. This is informed by their specific ethical preferences and values and will vary from client to client and will focus on sectors, industries, or individual companies.

Executive director: These are directors who act perform managerial duties within a business. They are held to account by the non-executive directors.

Global Depositary Receipt (GDR): A Global Depositary Receipt (GDR) is a negotiable certificate held in a country's local banks representing title to a certain number of foreign shares. Non-domestic companies wishing to list on the local exchange must offer GDRs.

Source: Morningstar

Green bonds: Differentiated from a regular bond by being "labelled" i.e., designated as "green" by the issuer or another entity, whereby a commitment is made to use the proceeds of green bonds (i.e., the principal) in a transparent manner, and exclusively to finance or refinance "green" projects, assets or business activities with an environmental benefit.

Greenhouse gases (GHG): Greenhouse gases (GHGs) are carbon dioxide, methane, nitrous oxide, and ozone. They account for a tiny fraction of the atmosphere, but they are a critical part of the overall atmosphere composition as they play a significant role in trapping the earth's heat and warming our planet. Since industrialisation, GHG concentrations have rocketed, warming the planet at unprecedented rates. The major cause of the increase in carbon emissions has been the use of fossil fuels in producing energy.

Greenwashing: Greenwashing describes misleading or unsubstantiated claims made by businesses including investment firms about the environmental performance of their products or activities.

Human rights: Human rights are the rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion, or any other status. Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, and many more. Everyone is entitled to these rights, without discrimination.

This is one of the three Quilter responsible investment priorities.

Just transition: Just transition is a framework to ensure the substantial benefits of a green economy transition are shared widely, while also supporting those who stand to lose economically – be they countries, regions, industries, communities, workers, or consumers.

Lead independent director: The role of a lead independent director is to serve as an intermediary between the independent directors, chairman and chief executive officer. Where a company maintains a combined Chief Executive Officer (CEO)/chair position, a lead independent director can serve as an independent counterweight to an executive (non -independent) chair.

Long-term incentive plan (LTIP): A type of executive compensation that pays out usually in the form of shares company. The reward is linked to performance metrics and the pay-out will be calibrated in line with the achievement of these. The quantum of the pay-out is linked to multiples of salary.

Natural capital: Natural capital is stock of renewable and non-renewable natural resources (e.g., plants, animals, air, water, soils, or minerals) that combine to yield a flow of benefits and ecosystem services to society.

This is one of the three Quilter responsible investment priorities.

NEDs (Non-Executive Directors): These are directors who act in advisory capacity only, however they should hold the executive directors to account. They are not employees of the company; however, they are paid a fee for their services.

Net zero: Achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period. Where multiple greenhouse gases are involved, the quantification of net zero emissions depends on the climate metric chosen to compare emissions of different gases (such as global warming potential, global temperature change potential, and others, as well as the chosen time horizon).

Source: IPCC

Over-boarded: Where non-executive directors are deemed to have a potentially excessive number of non-executive positions and the concern is whether they have sufficient time to contribute to the board of a company.

Paris Agreement on climate change: The Paris Agreement was a global agreement to strengthen the global response to climate change. It was agreed in 2015 that the global temperature rise this century should be kept to well below 2°C above pre-industrial levels and ideally below 1.5°C.

Power of Attorney: An instrument used to bestow authority to act on someone's behalf.

Pre-emption rights: These give shareholders first refusal when a company is issuing shares.

Premium listing: This was previously known as a primary listing for the London Stock Exchange. A company with a premium listing is expected to meet the UK's highest standards of regulation and corporate governance.

Principles of Responsible Investment (PRI): The world's leading voluntary initiative on responsible investment. Launched in 2006 it now has thousands of investor signatories globally who commit to adopt six principles for responsible investment and report against these annually. Although voluntary and investor-led the PRI is supported by the United Nations.

Proxy voting: Where a shareholder delegates their voting rights to be exercised on their behalf. Often voting rights are delegated to investment managers who exercise votes on investors' behalf. Votes are used to express shareholder opinions to company management.

Responsible investment: A strategy and practice to incorporate ESG factors in investment decisions and active ownership.

Source: PRI

Restricted share plan (RSUs): Some companies (and indeed investors) prefer the use of these plans as opposed to LTIPs (see above). The idea is that this type of plan encourages long-term behaviours and does not have the same use of targets that you would see within an LTIP. Therefore, it is expected that companies which adopt such an approach award a lower amount than would be seen under an LTIP which has a variable structure dependent on performance outcomes.

Share blocking: This refers to a rule prohibiting shareowners from trading or loaning shares that they intend to vote for some period of time leading up to, and often following, the company meeting date.

Short-term incentive plan (STIP): A type of executive compensation schemed that seeks to align a proportion of overall executive pay with a company's short-term strategy. STI have a performance year of one year or less and are typically paid in cash but may also be paid in shares.

SID (Senior Independent Director): The SID position is taken by an independent NED. The SID often plays a critical role in ensuring communication channels are open between the board and shareholders.

Stranded assets: Stranded assets describe the assets on corporate balance sheets that could rapidly lose their value because of forced write-offs. An example of this would be fossil fuel reserves remain unburned.

Stewardship: The responsible allocation, management, and oversight of capital to create long-term value for investors and beneficiaries leading to sustainable benefits for the economy, the environment, and society.

Source: Financial Reporting Council (FRC)

Sustainability focused investment: Sustainability-focused investment is an investment approach that selects and includes investments on the basis they fulfil certain sustainability criteria and/ or deliver on specific and measurable sustainability outcomes. Investments are selected based upon the sustainable solutions that they provide, such as what a company produces or the services it delivers. Consideration is often also given to how the company or asset delivers those products and services. There are different methods for assessing the sustainability characteristics of an investment, many of which reference an established framework such as the UN Sustainable Development Goals.

Task Force on Climate-related Financial Disclosures (TCFD): The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information.

Tender – bid waiver: This is the right to waive the requirement to make a general offer under Rule 9 of the Takeover Code, resulting in a request to procure a good or service to take place without public bidding.

The Shareholder Rights Directive II (SRD II): Establishes rules promoting the exercise of shareholder rights at general meetings of companies with registered offices in the EU and the shares of which are admitted to trading on a regulated market in the EU .The 2017 revision (Directive (EU) 2017/828) aims to encourage long-term shareholder engagement to ensure that decisions are made for the long-term stability of a company and take into account environmental and social issues. A notable requirement within this is for asset managers to report on their voting activity and shareholder engagement on an annual basis.

Source: EU Directive

Task Force on Nature-related Financial Disclosures (TNFD): TNFD was formed to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature related risks. The ultimate aim is to support a shift in global financial flows away from nature-negative outcomes and towards nature-positive outcomes.

Total shareholder return (TSR): Is a measure of the performance of a company's shares; it combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage.

UN Sustainable Development Goals (SDGs): The 2030 Agenda for Sustainable Development adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 UN Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth - all while tackling climate change and working to preserve our oceans and forests.

Source: United Nations

Voting Rights: Shares in listed companies typically come with specific voting rights which can be exercised at the company's annual general meeting or extraordinary meetings. They can be used as a means of expressing the opinion of the shareholder about how the company is being managed. This is also referred to as proxy voting when voting rights are delegated, for example to investment managers who exercise voting rights on an investor's behalf.

Our offices

1 Belfast

Montgomery House
29-33 Montgomery Street
Belfast BT1 4NX
t: +44 (0)28 9026 1150

2 Birmingham

8th Floor, 2 Snowhill
Birmingham B4 6GA
t: +44 (0)121 212 2120

3 Bristol

3 Temple Quay
Temple Way
Bristol BS1 6DZ
t: +44 (0)117 300 6000

4 Dublin/Europe

Hambleden House
19-26 Lower Pembroke Street
Dublin D02 WV96
Ireland
t: +3531 799 6900

5 Edinburgh

Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN
t: +44 (0)131 221 8500

6 Glasgow

Delta House
50 West Nile Street
Glasgow G1 2NP
t: +44 (0)141 222 4000

7 Jersey

3rd Floor, Windward House
La Route de la Liberation
St Helier
Jersey
JE1 1QJ
t: +44 (0)1534 506 070

8 Leeds

2nd Floor, Toronto Square
Toronto Street
Leeds LS1 2HJ
t: +44 (0)113 513 3933

9 Leicester

1st Floor
7 Dominus Way
Leicester LE19 1RP
t: +44 (0)116 249 3000

10 Liverpool

5 St Paul's Square
Liverpool L3 9SJ
t: +44 (0)151 243 2160

11 London

Senator House
85 Queen Victoria Street
London EC4V 4AB
t: +44 (0)20 7150 4000

12 Manchester

4th Floor, Bauhaus
27 Quay Street
Manchester M3 3GY
t: +44 (0)161 832 9979

13 Salisbury

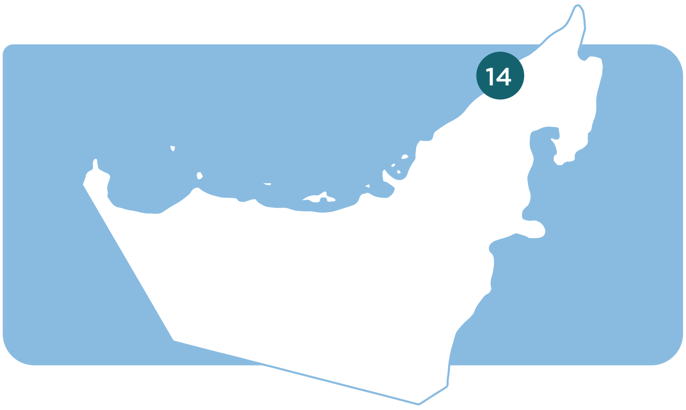
London Road Office Park
London Road
Salisbury SP1 3HP
t: +44 (0)1722 424 600

14 Dubai

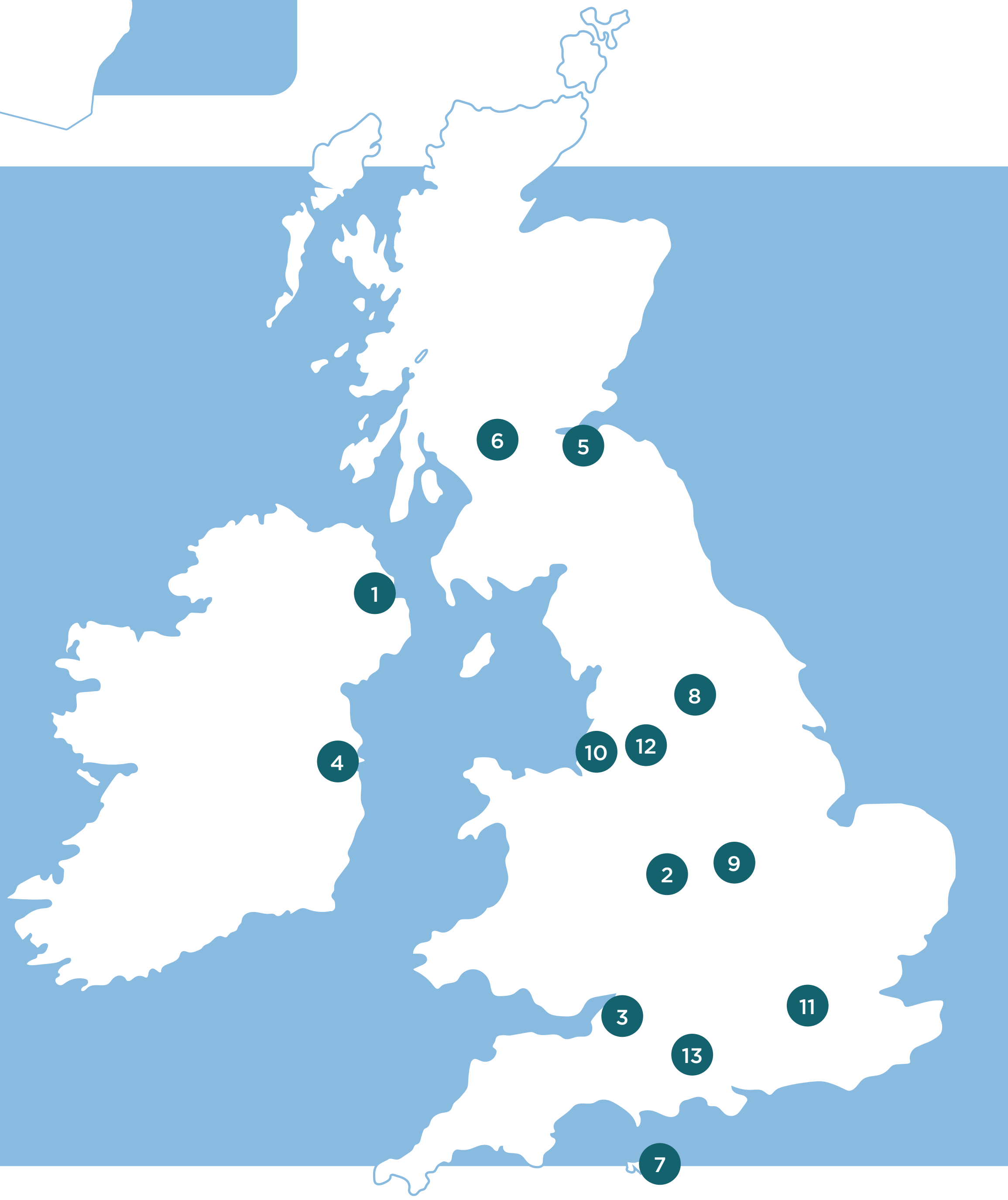
DIFC BRANCH
Office 415, Fourth Floor Index
Tower, Al Mustaqbal Street
DIFC, PO Box 482062
t: +971 4 568 2360

To find out more about Quilter Cheviot or how we can help you, contact us on 020 7150 4000 or **marketing@quiltercheviot.com**

Our experts are here to help you



1 Belfast
2 Birmingham
3 Bristol
4 Dublin
5 Edinburgh
6 Glasgow
7 Jersey
8 Leeds
9 Leicester
10 Liverpool
11 London
12 Manchester
13 Salisbury
14 Dubai



QUILTER CHEVIOT

SPECIALISTS IN INVESTMENT MANAGEMENT

Approver: Quilter Cheviot, July 2025

QC000364_1 (07/2025)