RBC Wealth Management

Stewardship Report

For full year to 31 December 2024

RBC Wealth Management UK & CI

Incorporating RBC Brewin Dolphin and RBC Private Wealth

April 2025

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Welcome

On the 4th November 2024, Brewin Dolphin's operations were transferred to RBC Europe Limited, forming a significant milestone in our journey. The size and scale of RBC allows us to continue to build on the strength of our stewardship work, while maintaining independence to pursue the best interests of our clients.

With continued global unrest and political uncertainty, not to mention extreme weather and stalling progress on climate change, investment returns have been challenged but markets have proven to be resilient. Our stewardship work adds to this resilience by protecting and enhancing the value of our clients' investments through thoughtful voting and engagement.

I am proud to share this report with you, which shows how we seek to do just that alongside our fiduciary duty, and as you'll read, these two are far from mutually exclusive. Members of the Executive Committee of RBC Wealth Management (Europe), including myself, have reviewed this Stewardship Report.

Robin Beer
Chief Executive Officer, RBC Wealth Management (Europe)

In my introduction last year, I highlighted how 2024 would be a busy and important year for stewardship and responsible investment. This certainly proved to be true. As we face challenges including governance failings at companies in which we invest, anti-ESG campaigns and limited progress on climate and nature legislation, it would be easy to lose hope. However, we know from surveys that our clients still want their investments to drive positive change, and our stewardship team has only become more ambitious about achieving the most for them and their assets.

The past year has also brought many positives. I have been encouraged to see nature become more prominent in the general industry conversation and am pleased with the progress being made by Nature Action 100.

Furthermore, the take up of the Financial Conduct Authority's Sustainability Disclosure Requirement labels has been reassuring, and with 80 funds using labels and more in the pipeline, I am confident this will lead to greater choice and transparency for investors. The ability to reflect and recalibrate when necessary is key, and therefore we have also been supportive of the Financial Reporting Council's consultation on the future of the UK Stewardship Code.

I am proud that, as of the date of our integration into RBC Europe Limited, our stewardship team has taken on responsibility for the assets held in the RBC Private Wealth business. From day one, we have voted on and monitored assets across both businesses, bringing this expertise and added value to even more of our clients.

Tom Blathwayt
Director, ESG, Chair of Stewardship Committee

For us, stewardship in practice means using our investor rights and influence to help protect and enhance the value of our clients' investments. Being good stewards means that we strive to safeguard our shareholder interests, make better investment decisions and aim for positive client outcomes. We do this by advocating for healthy and robust governance structures, to align corporate management teams with shareholders; and encouraging companies to think long term, and consider a broader range of risks and opportunities, such as ESG-related ones.

At a time when ESG in general, and voting and engagement in particular, are being politicised and face increased scrutiny, we need to stay the course and do all we can to help ensure that our work continues to be meaningful, grounded in materiality and with our clients' long-term interests at heart.

We recognise the importance of transparency and clarity in all parts of the investment chain; therefore, as an investor we have become even more transparent over the year, with the introduction of public voting rationales for significant votes within our Quarterly Stewardship Updates.

Our four stewardship priorities help guide and focus our efforts, and remain as relevant as ever: climate, nature, human rights, and governance. With these in mind, during 2024 we once again approached stewardship from several angles, aiming to maximise the resources we have available to monitor and engage with our investee companies and funds. We are delighted to share the many different aspects of our work in this report, reflecting the combined hard work by our research analysts and dedicated stewardship professionals, as we work to achieve the best value for clients.

Athanasia Karananou
Head of Stewardship

Our awards

defaqto DFM Bespoke 2024 EXPERT RATED

defaqto DFM MPS (Platform) Family 2024 EXPERT RATED

defaqto DFM MPS on Platform 2024 EXPERT RATED

defaqto GOLD DFM Service 2024 EXPERT RATED

About us

RBC Wealth Management UK & CI is one of the UK's leading providers of discretionary wealth management. We have grown our business to become a trusted wealth manager, with our success built on the strength of our talented team and client relationships. As part of RBC, we have the backing of a large, multinational bank to further our work and reach more clients.

We specialise in helping clients protect and grow their wealth by creating financial plans and investment portfolios that meet personal and professional objectives. Our clients have high aspirations for themselves, for their families and their futures. We support them in taking a responsible and long-term view throughout their financial journey. While we have a long-term asset owner mindset, aiming to preserve value for our clients, we believe that for reporting purposes our business model mainly fits within the definition of asset manager.

Lead by RBC's Purpose of helping clients thrive and communities prosper, we believe that focussing on the long-term remains important to our success. Over time we have seen the ebbs and flows of the markets, which has taught us the importance of being a responsible and sustainable business, and effective stewardship helps to ensure that our investee companies think this way too. We are committed to building on this strong track record by delivering continued value to our stakeholders.

About this report

Since 4 November 2024, RBC wealth management operates through two platforms in the UK and Channel Islands: RBC Brewin Dolphin and RBC Private Wealth (both trading names of RBC Europe Limited). The stewardship activities carried out by RBC Brewin Dolphin now cover all the assets under management in this region, referred to as 'RBC Wealth Management UK and CI' for the purposes of this report.

This report relates to the stewardship activities in the UK and Channel Islands of RBC Brewin Dolphin (which, as detailed further below, resided within the legal entity Brewin Dolphin Limited (BDL) until 4 November 2024) for the period 1 January – 31 December 2024 and, additionally, to the activities of RBC Private Wealth for the period 4 November – 31 December 2024.

Further to the purchase of the Brewin Dolphin group by Royal Bank of Canada which completed in September 2022, BDL transferred, with effect from 4 November 2024 its UK client-facing staff, clients, client money and assets and licenced activities, to RBC Europe Limited (RBCEL); and its UK supporting operations and functional staff to Royal Bank of Canada (London Branch).

Also, with effect from 4 November 2024, BDL completed the transfer of its Jersey Branch client-facing staff, clients, and client money and assets, to Royal Bank of Canada (Channel Islands) Limited. As a result of these transfers, BDL no longer conducts any regulated activity in the UK or Jersey.

This Report makes up our annual application for continued signatory status to the Financial Reporting Council's UK Stewardship Code 2020. This is the fourth Stewardship Report published in respect of RBC Brewin Dolphin's activities for the past calendar year, and the first to relate to RBC Private Wealth for the period since 4 November 2024. We continue to take steps towards integrating our processes across RBC Brewin Dolphin and RBC Private Wealth.

1) Except as otherwise noted, any references to we/our/us refer to RBC Brewin Dolphin, a trading name of RBC Europe Limited

Information about our clients

As a wealth manager with over 30 offices across the UK, Ireland and Channel Islands, we serve a diverse group of clients and look after approximately £66.9bn of funds under management (FUM)[1] on their behalf. Clients vary significantly in size, type and objectives as well as the level of advice they seek; some take a fully advised service and others are clients of external financial advisors. Because of this broad spectrum, and the large quantity of different stocks, bonds and funds they may hold, our stewardship processes must be prioritised to generate the greatest impact. This is discussed in detail in a later section, and the figures below give some context to the makeup of our clients and FUM.

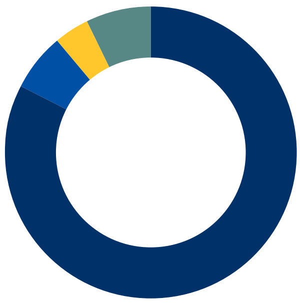
83%

of our FUM has a discretionary mandate[1]

64%

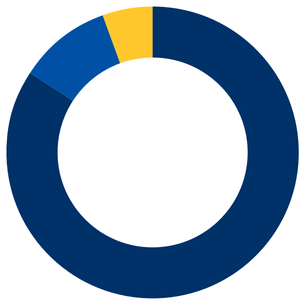
of our FUM is held by clients with a direct relationship with us[1]

Client type breakdown by FUM[1]



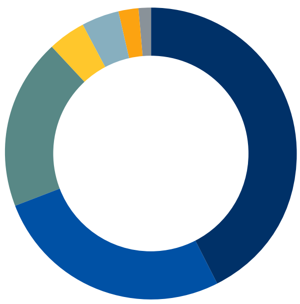
Private clients and trusts	82.73%
Charities	6.29%
Corporates	3.96%
Unclassified	7.01%

FUM across our office locations[1]



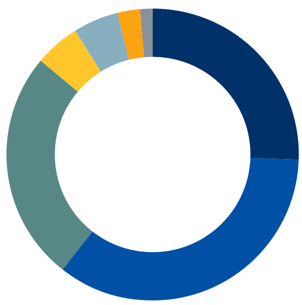
UK	84.33%
Ireland	10.30%
Jersey	5.37%

Asset allocation[1]



Equity collectives	42.59%
Direct equity	26.68%
Bonds	18.98%
Alternatives	4.16%
Cash	4.02%
Commodities	2.20%
Property	1.38%

Geographical allocation[1]



UK	25.64%
North America	34.95%
Global	25.73%
Europe	5.04%
Asia ex Japan	4.85%
Japan	2.47%
Emerging Markets	1.33%

1) As at 31/12/2024

Purpose and ambition

We have a strong sense of purpose; an understanding of what it means to serve our clients.

RBC's Purpose is helping clients thrive and communities prosper

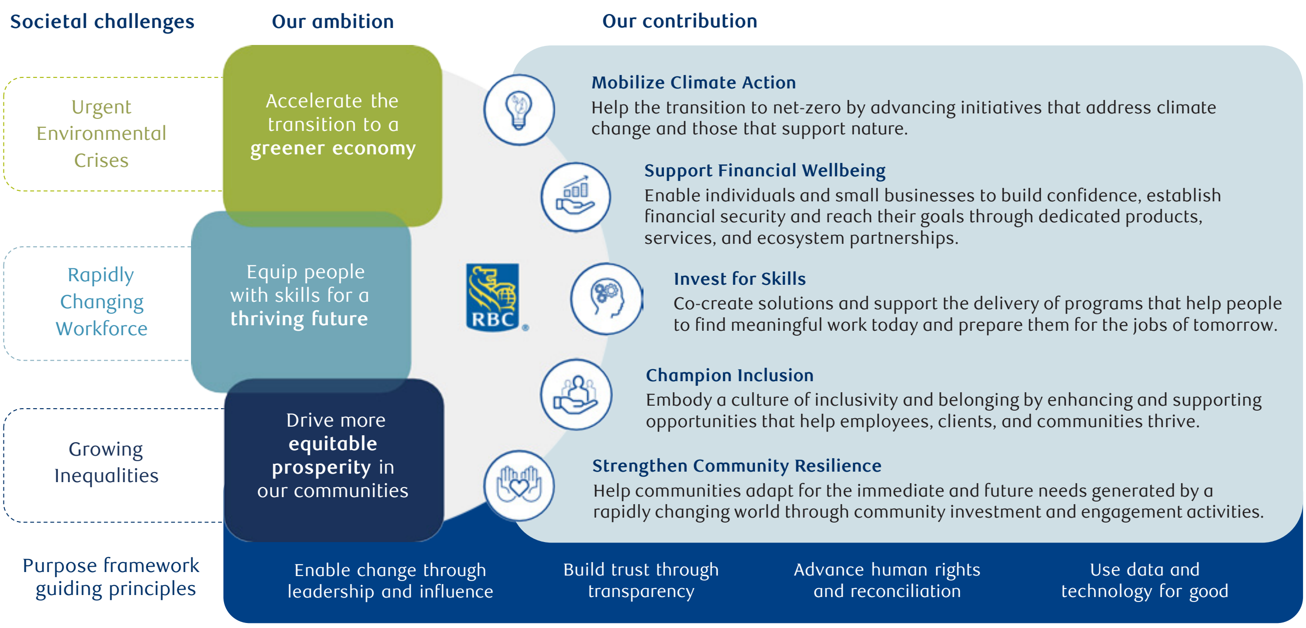
Our approach to responsible and sustainable investing is one way that we bring our Purpose to life, and the objectives of colleagues across the business are aligned to this Purpose. How colleague performance contributes to this Purpose is a factor in remuneration decision-making.

Remuneration and rewards for all colleagues are aligned with our business strategy and incentivise prudent risk management and good stakeholder outcomes. Our rewards drive performance over both the short and long term and avoid incentivising excessive risk taking. This is very much aligned with stewardship and responsible business, as the nature of both tend to be skewed towards the longer-term time horizon and are focused on the reduction of risk.

The remuneration of our Executive Committee members is based on both financial and non-financial targets, and is set by the HR Committee at a global level. One example objective relevant to stewardship reflects productive engagement with third parties to resolve actual or potential concerns that might impact client outcomes. This is the ultimate aim of our stewardship activities, demonstrating the alignment of priorities across the business and recognition of the importance of stewardship.

Today's societal challenges have the potential to undermine the ability of our clients, employees, shareholders, and communities where we operate to thrive and prosper. We want to do our part to help address these challenges and aim to engage others to contribute to addressing them. We have released our RBC Climate Blueprint, RBC Skills Blueprint and RBC Equitable Opportunities Blueprints which provide details on our ambitions and strategy to address societal challenges. These can be found on our website.

RBC's Purpose Framework: Ideas for People and Planet™ considers significant societal challenges and sets out RBC's ambition and contribution as a global organisation. We are proud to contribute to this ambition.



Investment beliefs and philosophy

What we believe:

- We consider successful investment management to be the robust and thoughtful selection of assets, curated into carefully constructed portfolios that meet client needs.
- Economic and business cycles are important drivers of capital markets.
- Protection against inflation is paramount, while balancing risk and return through well-diversified portfolios.
- High quality companies, as characterised by those with attractive growth and reinvestment opportunities with strong management, will make attractive investment opportunities over the longer term.
- As long-term investors it is important to take a patient ownership mindset, while maintaining flexibility to respond decisively to changing market opportunities.
- Those companies that manage ESG risk and opportunities well, are more likely to be resilient over time.
- Effective stewardship, including engagement and exercising voting rights, is a valuable tool in delivering returns.
- Integrating our stewardship work with our research team contributes to thoughtful engagement and incorporation of outcomes into investment decisions.

What we do:

- We have a robust and repeatable asset selection process, which incorporates close monitoring and assessment of existing recommendations as well as a high standard for new investment recommendations.
- Focus on high quality companies based on thorough corporate and industry analysis.
- Seek sustainable long-term growth and reinvestment opportunities, including an assessment of ESG risks and opportunities, within each component of our analysis of industry positioning, corporate quality and valuation.
- Expect our third-party fund providers to hold themselves to the same standards.
- Regularly engage with the board of directors (the board) and management of large companies and fund providers, as part of the due diligence and monitoring process.
- Work with external research providers to support the investment process and our responsible investment and stewardship work.
- Monitor controversies related to companies we own indirectly through third-party funds and actively engage with fund managers to understand the investment rationale and any related engagement activity.
- Provide investment managers with a wealth of information to support investment decisions. This includes enhanced discussions of ESG risks and opportunities, and increased information on our engagement and voting activities.

Governance and policy

Governance structure

Our governance structure and policies have been designed to support the delivery of effective stewardship. Our committees crucial to stewardship include our Stewardship Committee and Sustainable Investment Committee.

Stewardship Committee

Our Stewardship Committee, set up in 2014, is now in its eleventh year. With the broader aim of protecting and furthering our clients' interests as holders of securities, the Stewardship Committee works closely with our Research team to help ensure that our stewardship activities are integrated into our wider investment process. The Stewardship Committee is a subcommittee of our Investment and Advice Governance Committee[1].

The Stewardship Committee is responsible for:

- The oversight of stewardship matters
- Evaluating whether our Stewardship Policy is being adhered to
- Regularly reviewing the Stewardship Policy
- Monitoring voting records to help ensure the effectiveness of the Stewardship Policy
- Reviewing any stewardship matters that have been escalated to determine the appropriate approach

Our Stewardship Policy, which was updated in 2024, is designed to support and promote effective stewardship. It outlines our approach to stewardship and how we discharge our responsibilities, including monitoring, engaging, voting, escalating and reporting. We update our Stewardship Policy on an annual basis, and it is available on our website.

The Stewardship Committee meets quarterly and on an ad hoc basis as required. As of 31st December 2024 it was comprised of the Committee Chairman and representatives from our:

- Research team, including RBC Brewin Dolphin and RBC Wealth Management International
- Investment management teams
- Charities and Intermediaries investment management teams
- Compliance department
- Operations department
- Legal team

Sustainable Investment Committee

The Sustainable Investment Committee is a sub-committee of the Investment and Advice Governance Committee. It sets the sustainable investment goals and strategy for RBC Wealth Management in Europe and helps to ensure that investment offerings are clearly defined and have clear monitoring and reporting criteria, which often includes our stewardship work. Our Sustainable Investment Committee is comprised of a diverse range of key internal stakeholders.

As at 31 December 2024, these included:

- Head of Investments
- Stewardship Committee Chair
- Head of Client Strategy & Experience
- Chief Strategist
- Head of Research
- Chief Investment Officer
- Head of Sustainable Investing, BI & Asia
- Head of Stewardship
- Associate Director, Compliance
- Sustainable MPS Portfolio Manager
- Stewardship Manager
- Representative from Brewin Dolphin Wealth Management (Ireland)

Internal assurances

It is vital that everything we do is fair and not misleading. As we develop our approach to responsible investment and stewardship, a key question we ask is 'how can we measure and report what we do?'. Current regulation, including the FCA's Consumer Duty requirements and anti-greenwashing rules help to guide us in this area. Our Head of Stewardship and Head of Research have oversight of the decision-making processes followed by our analysts with regards to voting and engagement, and key relevant activities are reported to appropriate committees on a regular basis.

We strive to ensure this report is fair, balanced and understandable through a network of internal expert and non-expert colleagues and disclosure committees. Our Risk and Compliance function serves as our second line of defence, providing challenge on our Stewardship Policy and processes. Furthermore, our stewardship reporting, processes and approach are under the remit of our internal auditors.

1) Previously known as the Wealth Governance Committee

Conflicts of interest

From time-to-time conflicts of interest related to stewardship will inevitably arise, and in these instances our primary duty is to act in the best interest of our clients. We have therefore set out our approach in our Conflicts of Interest Policy, which is reviewed at least annually. In addition, its effectiveness is assessed by our Compliance team on an annual basis. Our Conflicts of Interest Policy, an overview of which can be found on our website, sets out the minimum requirements that must be followed to identify and manage conflicts.

The key principles of this policy are as follows:

- The identification, assessment and recording of all potential and actual conflicts of interest in accordance with the applicable legislation and regulations
- Effective communication and training of all colleagues regarding their roles and responsibilities in identifying, resolving or managing actual and potential conflicts of interest
- That all conflicts of interest, of whatever nature, are managed in accordance with the applicable rules and regulations

We undertake our stewardship activities based on what we determine is in our clients' best interests. In order to mitigate risk in relation to conflicts, independence is maintained between those most involved in our stewardship work and those directly involved in making investment portfolio management decisions on behalf of our clients.

Our Conflicts of Interest Policy also prohibits any undue influence being exerted on our stewardship activities from RBC or any other issuer that might have a relationship with RBC or any of its affiliates.

When an actual or potential conflict of interest arises from our stewardship activities, we put our clients' best interests first. Any identified conflicts of interest, both actual or potential, must be reported to management and a register is kept by a dedicated liaison point in each department. Conflicts are then managed through a series of controls and disclosures.

Our Stewardship Policy clearly outlines actual and potential conflicts specific to stewardship. These have been identified by assessing our various stewardship activities and how they relate to the investment process.

Examples of conflicts related to stewardship include:

- **Where the director or major shareholder of an investee company is a client.** We strive to ensure that our votes are exercised in the interest of our broader client base and all decisions are made by non-client facing staff in our Research team.
- **Where we are engaged with an investee company in the context of a potential corporate transaction or strategic alliance, or our stewardship activities may conflict with other relationships with the investee company.** In the unlikely event that our Research team is aware of the engagement, our Stewardship Committee would take responsibility for the vote. They would help to ensure that there is no overlap between the Stewardship Committee membership and decision-making (in respect of the corporate matter). If it was not possible to manage the conflict in this way, we would not vote.
- **Where an officer of RBC Wealth Management UK and CI also serves as an officer of an investee company.** In these circumstances, our Research team would be made aware of the conflict and would abstain in voting for their election.
- **Where we are exposed to price sensitive information relating to a third party.** We believe that acting in our clients' best interests involves us retaining the freedom to make independent investment decisions on their behalf. In the unlikely event that one of our employees receives price sensitive information, we follow company policy regarding insider dealing and market abuse and comply with our legal and regulatory obligations. Mechanisms such as information barriers can be put in place to help ensure this information does not influence investment decisions.
- **Where the stewardship preferences of our clients differ.** Our clients are free to vote their own shares via our Vote Your Shares platform if they have a particular view. Therefore, clients can have different views and still exercise their votes accordingly.
- **Where any RBC securities (including listed subsidiaries) become part of our voting process.** In the unlikely event that these become part of our voting process, our Research team will not be exercising our votes.

In 2024, we did not encounter any material conflicts of interest relating to our stewardship activities.

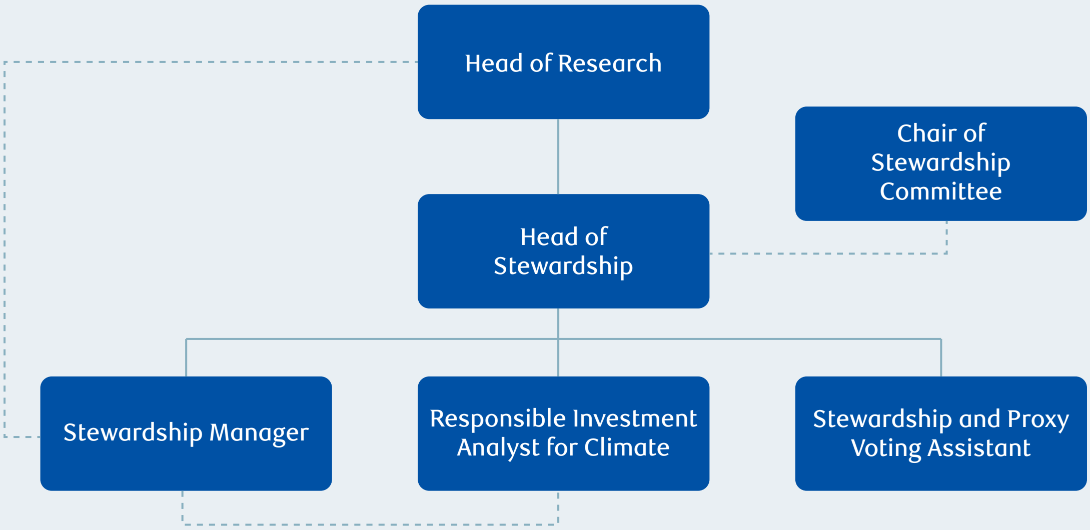
Our commitment to stewardship

Well documented processes, strong leadership and a clearly defined approach are the foundation for our investment analysis, within which we include stewardship and all other responsible investment processes. By cementing our approach before any action is taken, we can embed efficiency and consistency in what we do.

This chapter demonstrates our commitment to stewardship by outlining our approach to engagement, voting and escalation. It answers the question of 'how do we act as responsible owners?'.

Our commitment

Our commitment to stewardship is evidenced by our dedicated team of four stewardship professionals, who are fully integrated within the Research team. This team includes our Head of Stewardship who promotes clarity, consistency and increased ambition across our stewardship programme. While our stewardship processes are integrated in our Research team and therefore in investment decision-making, having a dedicated team allows us to better contribute to investment returns, the environment and society.



Our stewardship activities are also shaped by colleagues across the business, via formal and informal channels and ongoing feedback. This includes representatives of our leadership team, Stewardship Committee members and client facing teams, who have been instrumental in helping us set and deliver on our stewardship goals. Biographies for these colleagues, detailing their experience and qualifications relevant to stewardship, are shown in the appendix.

To help ensure that our leaders in this area are well qualified, they, including the Stewardship Committee, are provided with learning materials, exposure to industry events, updates and regulatory developments. We believe that this way we can complement members' diverse skills and experience, enhance or maintain their knowledge, and enable them to effectively challenge the process where necessary. Our stewardship team spend a lot of their time staying on top of industry and regulatory developments, contributing to discussions and working groups, and attending stewardship-related events.

Service providers

To support our ambitions, we work with various ESG and stewardship-related service providers. They provide us with in-depth research, data, recommendations and tracking capabilities far beyond what we could produce independently. These relationships are overseen and managed by our Head of Research Governance. They are reviewed regularly to confirm service providers are fulfilling our expectations and complying with necessary regulatory requirements.

Climate Action 100+ | The Investor Forum | Columbia Threadneedle Investments | Sustainalytics | Nature Action 100 | MSCI | Moody's ESG | Maanch | ISS

ESG integration

We are signatories to the UN supported Principles for Responsible Investment (PRI) and have adopted their six principles as our guide to integrating ESG issues into our investment process. Responsible ownership of our clients' assets underpins our investment approach.

Alongside stewardship, we see ESG integration as an integral element of responsible investment and a formal part of our research process. While the processes may differ slightly, ESG integration is present across all asset classes and geographies that are covered by our analysts.

The responsible investment objectives of the Research team are to support long-term value creation for investors as well as good societal outcomes in line with the interests of our clients and our fiduciary duty.

Direct equities

Our equity analysts think beyond 'traditional financial' factors. They assess and incorporate material ESG risks and opportunities into their research and recommendations. This proprietary work is supported by data and insights from Sustainalytics as well as several other sources that cover ESG aspects as required and is disseminated to investment management teams across the group. ESG considerations will vary with each company, depending on its business model and the sector and location in which it operates. We will consider the risks and opportunities deemed material in each circumstance. Our assessment of what is material is based upon the expert knowledge of our analysts and the research they undertake, rather than set thresholds. We are likely to consider the outcomes of previous engagements and votes, incorporating our stewardship work into our investment decisions.

An example of this ESG integration in action is shown below for Industria de Diseño Textil, or Inditex, a Spanish multinational clothing company whose flagship brand is Zara. With a global presence, this 'fast fashion' retailer poses a number of ESG risks and opportunities, which are integrated into our investment analysis.

Research Factor	Company traits sought may include:	ESG related considerations
External Positioning	• Attractive growth characteristics • Durable competitive strengths • High return on capital • Efficiency of company within industry • Resilient and adaptable business model	As the largest player in the highly polluting apparel retail market (and more specifically in 'fast fashion', where the production of garments has doubled since 2000), Inditex is extremely well placed to find innovative solutions to the key environmental and social issues that plague the sector. These are numerous, including significant use of microplastics, energy and water. In particular, polyester, a form of plastic derived from oil, is the main fabric used in garment production and is a large source of microplastic pollution. Other issues affecting the sector are social. Production is often in South East Asia by subcontractors over whom the relevant fashion company has little to no control. Despite attempts and pledges by fashion companies to have stricter controls over their supply chains, human rights issues often emerge (worker exploitation, child labour, unhealthy work conditions and many more). Finally, the proliferation of lower-quality garments with very limited shelf life leads to significant waste (53 million metric tons of clothes are disposed of every year according to Columbia University). While it is in part up to the consumer to develop an understanding of these issues, fashion companies can undertake initiatives to educate the consumer and mitigate this issue. Inditex's stated objective is to be an agent of change. It has six goals across environmental and social areas, namely: • Using 100% textile raw materials that deliver a lower impact on the environment, so-called preferred fibres, by 2030 • 25% reduction of water consumption in its supply chain by 2025 (plus a commitment with CEO Water Mandate to preserve fresh water through collective action in 100 water-stressed river basins around the world by 2030) • New commitment to its supply chain via its Workers in the Centre strategy, aimed at creating partnership with contractors and ensuring fair payment for labour (82% of workers in Inditex's supply chain received digital wages in 2023) • Protecting, restoring, regenerating or otherwise improving biodiversity across five million hectares • Commitment to reduce its emissions by over 50% (including the design and manufacture of products, their distribution, and their end-of-life management) • Achieving zero-net emissions by reducing its carbon footprint by at least 90% in comparison with 2018 What gives us confidence in Inditex's plans is its clear roadmap to achieve its objectives and the publication of key metrics every year. Back in March 2024, Inditex was widely accused in the press of not being transparent with the full list of its suppliers. While the list is not available publicly, Inditex does disclose it (names and addresses) to IndustriALL, which conducts social audits. IndustriALL is a respected union of trade unions, with well-known and independent leaders. Hence, Inditex combines two goals – keeping its business away from competitors' sight and having a truly independent third-party look into its suppliers' practices. As such, we are currently comfortable with their approach, while also having engaged with Inditex directly and indirectly to highlight the importance of full transparency. These commitments to a better world combine with strong financial performance – Inditex continues to grow revenues, an achievement in a sector where it is difficult to maintain market share leadership. It also commands a 30% Return on invested capital – a rarity in the wide consumer/retail space.

1) https://www.reuters.com/business/retail-consumer/investors-push-zara-owner-inditex-publish-full-supply-chain-2024-03-11/

Research Factor	Company traits sought may include:	ESG related considerations
Internal Qualities	• Corporate individuality • Allocation of capital • Positive corporate culture • Strong corporate governance	Inditex commands a special niche in the apparel retail space. It was the pioneer of 'fast fashion' with new items being designed and available on the shop floor in four-to-six weeks. Many copycats have emerged but none has had the longevity and customer appeal of Zara and Massimo Dutti, which are the key Inditex brands. As a family-owned company (64% of Inditex shares are in the hands of Amancio Ortega and his family), we feel it can be more patient in the achievement of its sustainability objectives. Whilst its annual performance bonus and Long-Term Incentive plan(LTIP) are mostly based on financial incentives (sales growth, total shareholder returns), both include ESG metrics, including progress made on diversity and corporate governance, and water and emissions reductions.
Analytical Assessment	• Comfort with E, S & G risks	As the largest player in a very polluting sector, Inditex might not seem to be the natural choice when it comes to champions of sustainability. However, we believe that in addition to government regulation, change must come from inside, and Inditex is committed not only to reduce its negative impact on the environment but also to restore and regenerate. Inditex has established a Sustainability Innovation Hub, whose mission is to reduce the environmental impact of the raw materials and processes used in the textile industry. In particular, it is developing new materials in cooperation with start-ups and universities – for example, fibres derived from textile waste. It is also attempting to develop and deliver better production processes and improvements around traceability, packaging, product use and end life. Finally, in order to reduce garment waste, it has launched Zara pre-owned, which offers repair of garments to extend their useful lives, resale of secondhand Zara clothes or the opportunity to donate used clothes (any brand) to various charities. These initiatives are welcome, and we hope that not only will Inditex continue its efforts but also that other players in the sector will follow its attempts to create a more sustainable way forward in the apparel space.

Stewardship is present throughout the investment recommendation process. Where possible, we engage with companies before initiating coverage, cultivating relationships that make our ongoing monitoring and engagement work more effective. Once coverage is initiated, we will monitor and engage on an ongoing basis on material factors, including those related to ESG issues. Once we are invested, exercising our voting rights in a considered manner becomes a priority and we update our list of core companies monthly to help ensure we do not miss any new holdings. Using voting and engagement as concurrent, linked up strategies, is important to achieve our stewardship objectives.

Fund selection and monitoring

Active funds

Due to the diverse size of our client portfolios, we place a lot of emphasis on the quality of our third-party fund manager selection. Investing money on our clients' behalf, the managers of these collective investments take on the ESG integration and stewardship responsibility for the underlying holdings. To measure alignment with our own approach and expectations, our fund analysts will examine the capabilities of each fund manager and fund house as part of the selection, recommendation and monitoring process. Our ESG due diligence for approved list funds covers four broad sections: firm culture and commitment to responsible investing; ESG analysis integration in investment philosophy and process; active ownership; and reporting.

As a subset of the funds approved list, we have a separate socially responsible investing (SRI) list for funds which aim to deliver attractive investment returns while contributing positively to global environmental and social challenges. All the funds on our SRI list go through a further selection process, which consists of three parts:

1. **Exclusions** – funds that seek to exclude companies involved in tobacco, controversial weapons, thermal coal, gambling and adult entertainment[1]
2. **ESG leaders** – funds that we assess as industry leaders in integrating ESG factors into investment decisions and stewardship activities
3. **Impactful companies** – funds that invest in companies who contribute positively and measurably to social and/or environmental challenges

We do not stop at the fund selection process but actively track and monitor funds as we build and maintain positions. The Research team holds at least two meetings per year with our core fund managers, one of which is a group-wide meeting. This gives our investment managers an opportunity to hear directly from our external managers and ask questions, which often include those relating to ESG integration. In our experience, our external managers also welcome this set up, which gives them the chance to provide context and get direct feedback.

Another aspect of our approach to monitoring is through our controversy tracking process. We continually track news flow for controversies in the companies to which we are indirectly exposed. We assess specific issues and, if significant enough, reach out to our active fund managers that hold the company in question. We aim to understand how they are monitoring and engaging on these issues, the strength of their ESG integration and stewardship processes and the effect on their investment approach. Furthermore, we monitor the voting activity of our third-party funds on an ad-hoc basis, and as of 2024, we also monitor how it aligns with our own thinking on significant or important votes. More details can be found on page 31.

In 2024, as we did in the previous year, we asked a selection of fund managers to provide us with an engagement case study of their choice for this report. We requested case studies aligned to our four stewardship priorities that would clearly highlight the outcomes of an engagement. A selection of these case studies can be found throughout our report, demonstrating implementation of the principles of the UK Stewardship Code.

1) Involvement is defined as greater than 10% of sales/revenue in the listed areas.

Passive funds

Passive funds, with their low cost and whole market coverage, are widely held amongst our clients. We conduct annual meetings with our biggest passive providers to assess their stewardship practices. As owners of entire indices and without the option to divest, engagement and voting activity from these big market players can be very influential. This is particularly true for very large companies, where the top institutional shareholders tend to be one or more of the biggest passive providers.

In our annual meetings with these passive providers, we discuss their approach to stewardship and climate and question them on specific engagements stemming from controversies that we have identified. This past year was the second year of using our scorecard to rank the best and worst performing fund houses, provide feedback and track progress, and to help consider changes to asset allocation where feasible.

We once again saw differentiation between those with the highest and lowest scores, as well as a clear split between European and North American fund houses, reflecting the political pressure facing the latter in particular. While the rankings have moved around slightly, overall those that performed well last year did so again in 2024. It was also encouraging to see some improvements made by those in the lowest quartile.

Indicators for passive fund house assessment
Commitment/ambition on stewardship
Commitment to climate
Quality of case studies
Responsiveness and access
Quality of dialogue with RBC Brewin Dolphin
Voting process strength
Engagement process strength
Engagement and voting link
Escalation strength

Accommodating clients' preferences and firm-wide restrictions

Our research analysts highlight ESG risks and opportunities so that our investment managers, who know their clients best, can make informed decisions that align with their objectives. We are conscious of our diverse client base and their varied objectives and strive to offer appropriate options.

For example, clients can request that screens be added to their portfolio to exclude assets from the investment universe. Investment managers have access to a number of ethical and sectoral screens, which can be matched to preferences to avoid investments in certain sectors, for example, tobacco or alcohol.

We continue to apply our Firmwide Restrictions framework, developed in 2022. The framework sets out our approach and process to set, manage and monitor firm-wide restrictions on direct investments. While divestment is not a central part of our responsible investment approach, the framework allows us to manage the risks of being directly invested in highly controversial sectors or companies by giving us the ability to identify sub-sectors and activities that we will not invest in. Companies involved in such highly controversial activities can pose greater investment and reputational risk to us and our clients.

In 2022, we introduced a firm-wide restriction on companies with involvement in weapons banned under international treaties (anti-personnel mines, cluster munitions, chemical weapons, biological weapons, incendiary weapons, non-detectable fragments and blinding lasers). This restriction has remained in place throughout 2024. We also restrict certain asset types or sectors if required by law or regulation, such as cannabis, Russian securities and contingent convertible bonds.

Stewardship approach and processes

Over the course of the last quarter of 2024, following the completion of the integration of RBC Brewin Dolphin into RBC Europe Limited, we set about expanding our stewardship coverage to both legacy RBC Brewin Dolphin and RBC Wealth Management International assets. The stewardship team has assumed responsibility for assets under both brands, including the Channel Islands. Our processes have and will continue to evolve as we continue to work closely with our new colleagues, building our joint capabilities over time.

Direct engagement

We believe active engagement is key to being a responsible owner, particularly when linked to material factors which have the potential to impact the long-term value of our clients' holdings.

Material issues identified via our stewardship monitoring may lead us to engage directly with an investee company, or with a fund manager that is invested in said company. These issues could include concerns about the company's strategy, performance, governance, climate approach or approach to risk, or severe controversies, including those linked to ESG-related matters. Companies may also approach us for engagement, for example to participate in a remuneration consultation.

Given the nature of our business, the ultimate investment decisions are made by our community of investment managers and in some cases directly by clients. We cannot meaningfully engage with every company in which we invest and therefore prioritise our engagements, considering PRI guidance for different asset classes. For directly held listed equities, we focus our engagements on those companies on our recommended buy lists and any others that make up the top 75% of holdings by FUM. We believe that, as our largest direct holdings, stewardship issues at these companies represent the biggest potential risks, and opportunities, to our clients. Our analysts build strong relationships with the management teams of the companies under their coverage, sometimes meeting multiple times per year to understand strategy, discuss upcoming results or get clarity ahead of an Annual General Meeting (AGM).

As listed vehicles, investment trusts also feature in our direct engagement programme. Our engagements often centre around AGMs, in particular where we may require additional disclosure on topics like board diversity or independence. Furthermore, severe corporate governance failings in the sector over the past few years have led to significant time being dedicated to engaging with a small number of investment trusts in order to preserve the value of our clients' investments. Case studies relating to this can be found in the 'Our Stewardship Activities' section of this report.

For companies outside of this 75%, we engage on an ad hoc basis when significant risks or opportunities have been identified or following a controversy that we consider material. For example, a controversy that impacts a whole industry or region may lead us to engage with multiple companies, some of which we may hold relatively little.

Only a small proportion of our FUM is held in direct bonds, with the majority allocated towards government debt. As a result of the relative size of our holdings, we do not generally undertake direct engagement, especially with sovereign holdings. Our position as both bondholder and shareholder in the same company, however, may influence our decision to engage.
The majority of our FUM across all asset classes is managed externally via third-party fund managers, whose engagement approach we monitor as part of our own processes. Our exposure is mainly in equities and bonds but we also have significant investments in property, absolute return and infrastructure funds. We prioritise these engagements based on the size of our holdings, the scale of the risks or opportunities, where applicable, and where we identify specific ESG-related risks or areas where we can influence real change.
For more information on how we engage with fund managers including through our controversy tracking process, please see page 31.

The overriding objective for our engagements is the execution of our fiduciary duty to our clients and the creation of long-term value. This does not mean that we will pursue financial objectives at the expense of sustainability, or vice versa, as the two may go hand-in-hand. We are cognisant of our suitability obligations to our clients and their specific preferences.

Collaborating to achieve our objectives

We believe that collaborating with other aligned investors is a powerful way of influencing companies, regulators and policy makers on priority issues. We acknowledge the value of collaborative engagements, understanding that our influence is sometimes limited by our size or geography in the case of overseas stocks. By collaborating with other investors with similar objectives, we can increase our chances of achieving the desired outcome.

Our memberships

We work closely with Columbia Threadneedle reo® as our provider of ESG-specific collaborative engagement services. Columbia Threadneedle reo® will engage on our behalf, on agreed priority issues, into which our investment managers have the opportunity to contribute. Through this collaboration, we can increase our leverage in addressing a range of systemic issues. This is evidenced by the breadth and depth of engagements undertaken on our behalf in 2024.

Our engagement highlights

395 Engagements

270 Companies engaged

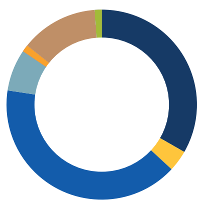
84 Milestones achieved

27 Countries covered

Engagements by theme *

Climate Change	194
Environmental Stewardship	100
Human Rights	115
Labour Standards	145
Public Health	19
Corporate Governance	136
Business Conduct	25

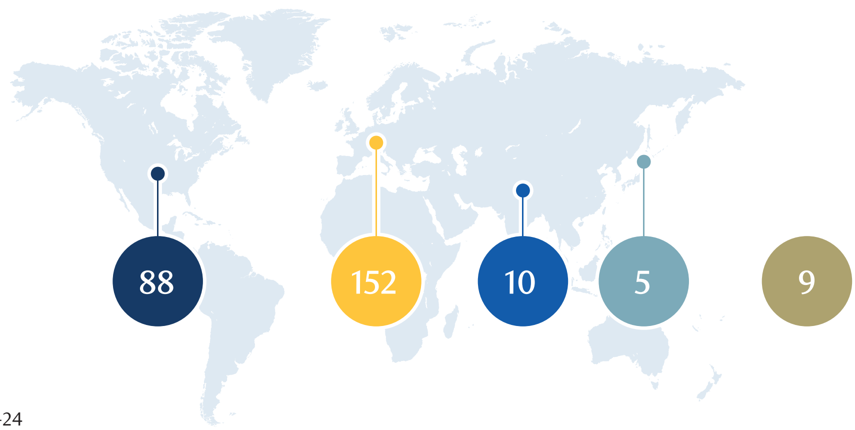
Milestones achieved by theme



Climate Change	28
Environmental Stewardship	3
Human Rights	34
Labour Standards	6
Public Health	1
Corporate Governance	11
Business Conduct	1

Companies engaged by region

- North America
- Europe
- Asia (ex Japan)
- Japan
- Other



Source: CTI Asset Management, 31-Dec-24

*Companies may have been engaged on more than one issue.

We are members of Climate Action 100+, an investor initiative to encourage the world's largest corporate greenhouse gas emitters to take necessary action on climate change. With their second phase launched in 2023, we plan to be even more involved, encouraging the world's largest corporate emitters to transition to a low-carbon economy. We welcome the thematic and sectoral work that the initiative will be undertaking in the future.

In 2023, we become members of Nature Action 100, a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss.

We are working as part of an engagement group and individually to encourage greater ambition in this area. This year, our engagement group for Costco, the world's third-largest retailer, achieved good progress. We mapped out the current approach being taken by Costco and had an introductory meeting with the company in the late spring. Our work continues with the publication of the inaugural Nature Action 100 benchmark assessment of Costco and we await a further meeting in 2025.

We are proud to be a member of the Investor Forum, whose purpose is to position stewardship at the heart of investment decision-making by facilitating dialogue, creating long-term solutions and enhancing value. The Investor Forum helps investors work collectively to escalate material issues with the boards of UK companies, communicating investor concerns and expectations in a comprehensive and consistent manner. We are one of few wealth manager members, and use our membership as a way of connecting with other investors, keeping up-to-date with industry developments through facilitated dialogues (company meetings, events and educational webinars) and getting involved in high-priority collaborative engagements. We participated in four collaborative engagement calls with The Investor Forum in 2024 and attended a further 10 of their events, which included sessions on defence, routine gas flaring and carbon accounting.

Selecting and prioritising collaborative engagements

There are often several collaborative engagements available to us to join, coming from various sources on multiple worthwhile topics. We are mindful of the need to balance the expected benefit of the engagement with the work it will require, to help ensure our resources are being used as efficiently as possible. To that end, we prioritise opportunities based upon the materiality of the issue on which the engagement is based and how it fits into our priorities and other engagement work. In 2024, we once again collected feedback from our investment managers on stewardship priorities for the years ahead. Through this process, we confirmed our stewardship priority themes of climate, nature, human rights and governance, as being the ones that resonated most with our investment managers and their clients. We saw an increase in our collaborative work through our membership in Nature Action 100 and continued membership in Climate Action 100+ and The Investor Forum.

Our voting rights and responsibilities

Our voting process

When we act as discretionary investment manager, we are in most cases the 'legal owner' of the investments. Because of this, we have the right and responsibility to vote on behalf of our clients, the 'beneficial owners', in respect of their investments held via our nominee companies.

On a daily basis, we receive data informing us of any upcoming meetings for all companies in which we invest, both in the UK and overseas.

In line with our engagement activity, we prioritise our voting activity according to the size of our holdings which we categorise as 'core' and 'non-core'. This includes assets from the legacy RBC Brewin Dolphin and RBC Wealth Management International businesses.

Core holdings represent the following categories and are updated monthly. These criteria are unchanged from last year.

- 75% of our listed holdings by FUM
- Equities on our recommended buy lists
- All recommended investment trusts
- All other holdings where we own at least 5% of the share capital, and hold over £5m

With regards to 'non-core' holdings, these include all other listed holdings, ranging in size from several hundred pounds to millions of pounds. We are aware of calls for investors to vote on all holdings regardless of size as part of our stewardship responsibilities. However, as with our engagement work, we do not believe that we can actively vote on each of these companies in a thoughtful and meaningful way, and that any blanket voting policy could lead to unintended consequences and potentially contradictory votes. We believe we create more value by balancing resources and prioritising our efforts.

The right to vote

We strongly believe that the voting rights attached to shares in our investee companies should reflect the views of the underlying beneficial owners. For over 20 years, we have offered all our clients the option to vote their own shares directly using our electronic platform Vote Your Shares.

As shown in the chart below, during 2023 we saw a significant uptake of this option among our clients, which has been largely sustained throughout 2024. We believe that this was driven by the implementation of the Shareholder Rights Directive II (SRD II)[1] communications, and greater awareness of the importance of stewardship. However, most clients choose not to vote themselves and so in the closing days before each company AGM, we vote the balance of each shareholding over which we have discretion. We do not vote for shares held under managed advisory or execution-only arrangements, unless instructed to do so by our clients.

Description	2024	2023	2022
No. of eligible meetings	4,468	4,985	5,227
Meetings voted at by clients using Vote Your Shares	467	498	92
Meetings attended by clients	77	60	59

Where we (rather than our clients) vote, our Research team considers the proposals at each core holding individually, and reviews the recommendation of our third-party proxy research service provider, ISS, based on their Sustainability Policy recommendations. We also receive their default recommendations to give us a full picture. Our Research team's decision is final and we do not necessarily follow ISS's advice or the investee company's management recommendation.

We track all our voting decisions and rationales, allowing us to review our approach and report back to clients when required, for example, through our quarterly updates or for dedicated pension scheme reporting. A record of how we have voted is publicly available via our website and is regularly updated. In 2024, we began publishing rationales for all votes where we have voted against management or ISS recommendations. This has been well received by our clients, who appreciate the transparency and additional information on how we are stewarding their assets.

While we do not have set policies that require our research analysts to vote in a certain way, we have published a set of voting guidelines that are consulted by our analysts when making voting decisions. These can be found on our website.

Our voting approach applies across all geographies. We strive for best practice governance and therefore, in principle, treat all our holdings in the same way, including our listed collective investments, namely investment trusts. There may be exceptions, for example, when regional context or specific listing rules need to be considered.

In terms of our approach to external, non-listed collective investments, we do not impose restrictions as we find it more practical and impactful for all involved to let external managers vote consistently across the portfolios that they run. We do, however, maintain oversight as part of our regular stewardship monitoring and engage with our managers on their voting record, and particularly on linking engagement and voting. This applies to both active and passive holdings.

We have been in discussions with many stakeholders about voting choice, in which clients, such as ourselves, may direct the votes of our third-party fund managers. Throughout 2024, we engaged in several discussions with different stakeholders on voting choice, otherwise called 'pass through' voting. We wanted to understand more about this option, which may allow us to direct the votes of our third-party fund managers for our proportion of indirect holdings. We concluded that taking away the voting rights from our active managers would disenfranchise stewardship from investment decision-making. At the same time, our due diligence and ongoing monitoring processes on our active managers' stewardship efforts – including voting and links to engagement – is a fundamental part of our process. We also feel that we are well placed to provide constructive feedback to our active managers when misalignment may occur.

However, we also concluded that voting choice may have merit as a potential option for our passive providers. As trackers of a whole index there is no option for these managers to divest, and we have often found that escalation does not occur at a pace we feel is appropriate. We also think that our ability to influence change or inform the thinking of many of our passive providers is limited. In our 2024 dialogues, we were pleased to commend a small number of our passive providers for the ambition, clarity and consistency in their voting approach, which was quite aligned with our own, and took comfort in many examples of good stewardship. At the same time, we also found substantial misalignment for the majority of our providers on votes that were of particular importance for our clients' holdings. We will therefore continue working on this project, with a view to start exercising our voting rights directly when we find that this misalignment persists.

We do not engage in stock lending and this is made clear to our clients at the outset of our relationship with them via our terms and conditions.

1) SRD II is a European Union (EU) directive, adopted by the UK, which sets out to strengthen the position of shareholders and to improve corporate governance in companies whose securities are traded on EU regulated markets.

Our approach to escalation

Sometimes it is necessary to escalate matters within an investee company and take a more proactive approach, or to escalate a decision internally to achieve the desired outcome.

External escalation

We continuously monitor the outcomes of our engagement work and will hold companies to account for a lack of appropriate shareholder engagement, if agreed or expected changes are not implemented or particular, reasonable requests are repeatedly ignored. In the event that it is necessary to escalate matters, we may do so by:

- Engaging with the company ahead of AGMs where appropriate and practicable
- Attending ad hoc meetings with the company including via analyst conference calls
- Expressing concerns through the company's advisers
- Meeting with the Chairman or other Board members to discuss concerns
- Making a public statement in advance of AGMs
- Submitting resolutions and speaking at AGMs
- Using our votes to hold Board members to account

We believe that engaging with companies to encourage them to run their operations well and manage their material ESG risks appropriately can be more impactful than divestment and demonstrates the value of investor stewardship. However, in extreme cases, we will consider the option to divest as our final escalation measure. Divestment might occur as the result of a recommendation change from the Research team, implemented according to the best interests of individual clients.

Our partnerships also provide us with additional options when we cannot escalate an issue ourselves or find that it would be more impactful to do it collectively, for example via The Investor Forum.

We find that escalation often occurs around company AGMs, either before or after submitting a vote. Through escalation, we can help ensure that the company in question understands our voting rationale and that we have all the relevant information, as there may be additional information provided that may change our opinion.

We believe it is important to be clear on objectives and escalation pathways and communicate this effectively to concerned companies. While we may occasionally choose to escalate at a quick pace, particularly when major concerns have been uncovered, developing and implementing an escalation strategy can be a multi-year approach.

Escalation by external fund managers

We do not set specific expectations for escalation strategies employed by our external managers. However, we will often review their voting approach to understand how they escalate when objectives are not met. For our active managers, we review escalation pathways as part of our controversies tracking process, while we also incorporate relevant questions in our meetings with passive managers. Once again, in 2024, we used our climate engagement programme (as mentioned on page 36), to monitor our fund managers' stewardship practices as they relate to climate and placed escalation policies and evidence at the heart of our assessment.

Internal escalation

Escalation can also occur, whereby an analyst may seek the input of others on a particular vote or engagement. This could be, for example, if a vote appears particularly contentious, or goes against a stance we have taken previously. The analyst will usually seek the input of the Head of Stewardship, who may also engage with the Head of Research or the Stewardship Committee as needed. In 2024, we applied this escalation process in one meeting, when deciding how to vote for a shareholder proposal focused on climate. In the same meeting, as part of our escalation, we voted against the Chair of the Audit Committee to show our dissatisfaction at the lack of progress on climate disclosure.

Our stewardship activities

Our engagement and voting activity this year focused on a range of issues and desired outcomes. This section, whilst not a complete record, aims to showcase our stewardship work. We have been careful to provide a balanced view, by selecting examples where we achieved our desired outcomes, along with engagements that perhaps did not lead to a change as we had expected. It is important to reference the latter, showing that stewardship takes time and effort.

We are also reporting on the work of some of our third-party fund managers. Externally managed funds make up a significant proportion of our funds under management, often due to the preferences of clients. Therefore, the stewardship work they do on our behalf, and how we monitor it, is at times as or even more impactful than direct engagement from us.

Voting activity

Votes over the year

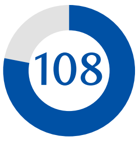
We strongly believe in the importance of using our right and responsibility to vote on behalf of our clients, the beneficial owners, in respect of their investments held via our nominee companies.

We vote on what we consider to be our core holdings, which represent the following categories:

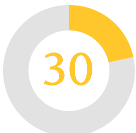
- 75% of our listed holdings by FUM
- Equities on our recommended buy lists
- All covered investment trusts
- All other holdings where we own at least 5% of the share capital, and hold over £5m

The below charts show the meetings at which our analysts actively voted on our core holdings and some of the decisions they took. We also show votes cast by proposal category, to give transparency on the topics that come up most often on agendas. Electing directors remains the resolution that we see most often, which is why it is a key mechanism for holding companies accountable.

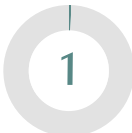
Number of meetings



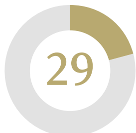
Meetings in which we voted For



Meetings in which we voted against management at least once



Meetings in which we abstained at least once



Meetings in which we disagreed with ISS at least once

Proposals recorded

1973

Voting instructions

Engagement activity

Our engagement activity this year once again has been broad in its scope, covering a variety of asset classes and topics. Given our exposure, expertise and resources, the main asset classes covered have been direct equities and collective investments, which includes investment trusts.

In the year to 31 December 2024, we had 22 direct engagements across 18 companies and investment trusts. While these figures may appear to be relatively conservative, we consider our definition of engagement to be robust; we only count as engagement purposeful interactions with a specific objective and where a particular change or outcome is sought.

On top of the engagements outlined above, over the year we had an additional 21 meetings across 18 companies covering ESG issues more broadly or focusing on other aspects of strategy. These additional conversations were about providing feedback and/or information gathering exercises, however they are still important. They are necessary for building relationships with senior management and board members and sharing our priorities and broad expectations relating to stewardship and engagement. These conversations also pave the way for meaningful engagement if we identify a material issue in the future.

Direct Equities

A key issue within our direct engagements this year has once again been to understand the approach of the company to ESG issues. Many of our interactions focused on fundamental aspects of good governance such as board composition and diversity. Remuneration continues to be an important topic of engagement, especially for UK companies that are required to seek shareholder approval for their remuneration policies every three years. The remaining engagements this year focused on climate and transition strategies, and other environmental and social issues such as nature-related risks and supply chain transparency.

Some of these engagements are ongoing and not yet at the stage where we can disclose details. We believe that it is important to respect the confidentiality some sensitive engagements require and will release further details if and when it is appropriate to do so. However, we are mindful of the need to balance confidentiality with expectations for greater transparency. We provide more visibility to clients and other stakeholders via our Quarterly Stewardship Updates that include engagement case studies, and as of 2024, more information on our proactive engagement efforts as well.

Internal case study

Company: Reckitt Benckiser

Theme:
Product safety, legal risk

Issue summary:
Towards the end of March 2024, a US court awarded $60m in compensation to the mother of a baby who died of necrotising enterocolitis (NEC) after being fed Enfamil baby formula, produced by Reckitt Benckiser subsidiary Mead Johnson. This is one of many lawsuits in the US against Mead Johnson and another manufacturer of baby formula, Abbott Laboratories. The size of the compensation awarded by the courts, the subsequent drop in share price of as much as 20%, not to mention the safety of infants made this a material issue.

Objective:
Given that we are not greatly exposed to Reckitt Benckiser via our own shareholdings but it is held by our fund managers, we wanted to understand their views on the issue, if they had engaged with the company and any impact this situation might have on the investment case.

Action:
We engaged with the fund managers who hold Reckitt Benckiser on our behalf, asking them to provide us with information on their engagements and views. We spoke to five fund managers, all of whom answered our questions and shared insights that helped us to form a better view of the situation. In addition, we engaged with the Chair of the company via The Investor Forum, alongside a group of other investors. While being limited in what he could say due to the ongoing nature of the situation, the Chair assured us that their products are backed by the medical community and that the board is committed to achieving the best outcome at the end of this process. By undertaking this engagement, we were able to hear firsthand how the company responded to questions and justified its actions. All fund managers responded to our queries and we consider this engagement to be closed, albeit with further ongoing monitoring.

Outcome:
We were satisfied with the quality of responses and noted that several fund managers had engaged with the company and/or medical experts. What we took away is that while the situation is tragic and there is a risk to the reputation of Reckitt Benckiser, the scientific evidence does not necessarily back up the outcome of the court case and that Reckitt Benckiser will appeal the verdict. For the time being, most fund managers continue to have conviction in the stock, but one fund manager has sold its position in the company. We will continue to monitor the situation and engage again if necessary.

Internal case study

Company: Ashtead

Theme:
Engaging and voting on remuneration

Issue summary:
Remuneration is a topic we often focus on when voting and engaging, as we believe in the importance of correctly aligning the interests of management and shareholders. In previous years, Ashtead has seen high levels of shareholder dissent regarding remuneration votes, and we have reported on this and our approach in earlier stewardship reports.

Objective:
Participate in company engagement regarding remuneration, to help ensure our views as shareholders are considered and the remuneration policies are aligned with shareholder interests.

Action:
We engaged with the company prior to the AGM, who contacted us as part of their remuneration consultation. Engaging gave us a chance to hear rationales and provide our feedback, which was taken into account by Ashtead's final policy. Ultimately, we voted in favour of amendments to the remuneration of Ashtead's executive management, against the recommendations of Institutional Shareholder Services (ISS), our proxy voting provider.

Outcome:
We were encouraged by the fact that Ashtead had engaged a significant proportion of its shareholders and appreciate the challenges it faces in recruiting and retaining talent as a U.S.-based company listed in the UK, where remuneration is somewhat more modest. The engagement has given us confidence that the new policy brings remuneration levels more in line with U.S. peers, and we believe it is positive for shareholder value creation. This helps with talent retention, while maintaining a strong degree of shareholder alignment through long-term incentives.

Collective investment funds

Because of the nature of our business, many of our clients own a combination of third-party funds and direct equities. As a responsible investor, we believe that stewardship must extend beyond our direct investments and into the funds we own as well. When we have engaged with fund managers on ESG issues, these often focus on ESG integration practices, whether they are industry leading or falling below average. We may also speak to them about their own engagement activity and reporting.

Investment Trusts

As a listed collective investment, investment trusts act as a third-party fund in their investment activities but are set up as a company with a board of directors, AGMs and the potential governance issues that come with such a structure. We are significant owners of many of the UK's largest investment trusts. Therefore, and as highlighted in the previous voting section, our influence can be great. As a result, for the second year running, we reached out to our largest holdings at the end of 2023 in an engagement campaign on governance expectations. The letter resulted in a number of engagements with investment trust boards over the course of 2024, and subsequently the building of better relationships.

Controversy tracking

With respect to third-party funds, our primary method of monitoring the activities of such entities is through our controversy tracking initiative. This enables our specialist global manager research analysts to work with the managers of our approved list funds, to help ensure that companies to which we are indirectly exposed are being correctly monitored and engaged with where appropriate. We receive inputs from Sustainalytics, other reputable news outlets and on an ad-hoc basis from members of our Sustainable Investment Advisory Group who are tasked with providing feedback on our controversies process and monitoring the tracking and decision-making. We may also on occasion engage on controversies based on feedback from our investment managers, who represent the client voice.

In 2024, our process highlighted seven controversies that we felt warranted further engagement. In total, we contacted 27 fund managers to confirm their awareness of the issue, rationale for continuing to hold the company in question, engagement efforts and next steps. These controversies represent real-world issues that have the potential to affect not only investment returns but wider society. These include, for example, supply chain transparency, plastic pollution and bribery allegations. Through this process, not only do we encourage better outcomes for the underlying companies, but we also effectively monitor funds' ESG and stewardship processes.

It is not just a case of simply highlighting controversies to fund managers. Our Global Manager Research team requests detailed responses from managers, explaining their position on the controversy, any engagement work they are undertaking and any impact it might have on the rationale for continuing to own the stock. Some responses have been exceptional, whereas some have been lacking in detail, which has led to further interactions with management to express our concerns and suggest improvements to processes.

Engaging with asset managers

In 2024, we were very active in monitoring the asset managers with whom we work. Over the year, a number of asset managers have withdrawn from collaborative initiatives such as Climate Action 100+ and the Net Zero Asset Managers Initiative. As members of Climate Action 100+ and firm believers in the value of collaborative engagement, we reached out to the asset managers to whom we are exposed to better understand their rationales.

Once again, in 2024, we carried out our climate engagement project using the Transition Pathway Initiative (TPI) dataset to identify companies not aligned with the goals of the Paris Agreement.

Internal case study

Company: UnitedHealth Group

Theme:
Data security

Issue summary:
Earlier in 2024, UnitedHealth's subsidiary Change Healthcare suffered an unprecedented data hack, which saw private patient information, such as medical data and payment information, stolen by hackers.

Objective:
We used our controversy tracking process to understand how third-party managers were dealing with this issue and if they have engaged with the company.

Action:
As investors via our third-party funds, we engaged with fund managers who hold UnitedHealth Group to assess how they are monitoring the company's response. We reached out to a total of six fund managers, and as we have come to expect, they all responded.

Outcome:
We learned that one fund had sold the holding earlier in the year. The general consensus among the others was that the disruption the data breach caused to the highly complex U.S. medical industry was severe, and may have led to some customers diversifying by using another provider alongside UnitedHealth. However, given the low level of revenue that Change Healthcare contributes to its parent company UnitedHealth, the overarching investment thesis for the stock remains intact. A couple of the responses lacked sufficient detail and one quoted out-of-date information. As a result, further discussions were conducted with managers, and expectations of higher standards were communicated.

Internal case study

Company: Multiple asset managers

Theme:
Monitoring of Climate Action 100+ members who withdrew from the initiative

Issue summary:
Over the course of 2024, some asset managers announced they had left Climate Action 100+. Whilst the number of entities represented a small proportion of remaining members, their numbers and AUM alone were not insignificant and we felt it was important to speak to those whose funds we hold for our clients.

Objective:
To understand the rationales behind the departures, so as to identify trends and any red flags if they did exist, and discuss the impact of departure on climate stewardship.

Action:
We communicated, via email or in person, with a number of asset managers as departures were announced over the year. We explained to them that, given our position as their client, we wanted to ensure that the interests of our own clients were being considered and protected. We questioned not only the rationale for leaving CA100+ but also their commitment to other initiatives that they were a part of. The discussions were held on a confidential basis, so as to help ensure a constructive dialogue and get the most accurate reflection, which could be translated into our own monitoring and investment decision-making processes.

Outcome:
We heard various reasons for leaving, which included misalignment of values and philosophy, legal and regulatory concerns, and enhanced in-house capability. While we gained a deeper appreciation of the issues the asset managers might be facing, and how they came to the decision to depart, we did not identify any red flags with the initiative itself and continue to see its value. While we remain nonprescriptive in terms of which initiatives our managers choose to join, we reinforced our expectations for them to maintain high standards of stewardship and showcase their efforts to address systemic issues, such as climate, using all possible levers at their disposal.

Responding to systemic risks

Systemic risks pose a threat to an entire industry or system, such as the financial system, or even the economy as a whole. Our extensive and ongoing macroeconomic research allows us to identify these systemic risks, both existing and future, which can be slow-building or acute in nature.

2024 was another challenging year for investors globally. The world was once again buffeted by economic, geopolitical and weather-related shocks, which, coupled with the number of national elections, created challenging conditions for investment. There were, and still are, many sources of uncertainty and stress for the markets. These include multiple ongoing conflicts, extreme weather events and subsequent volatile energy prices. As investment managers, it is our job to position portfolios to best protect, and grow, the value of our clients' assets.

We consider that we are well placed to respond to these risks from an investment point of view, by adjusting our internal asset allocation and stock selection accordingly.

Our Asset Allocation Committee meets monthly to review the current market and geopolitical situations and where necessary or prudent, alters our tactical asset allocation in an effort to position portfolios to maximise risk-adjusted returns. The Asset Allocation Committee will take into account issues such as those listed above, alongside more acute shocks and longer-term risks. This past year has seen the Asset Allocation Committee increase exposure to gold and government debt and reallocate some of our equity exposure geographically in response to changing market dynamics.

A vital part of stewardship is the promotion of a well-functioning financial system. The separation of ownership from management has the potential to create conflicts of interest, especially considering the misalignment of priorities, where management usually has a shorter time horizon than shareholders. Our work on governance, as outlined throughout this document and specifically in the next section, promotes the transparent running of companies. For example, aligning the compensation of management with longer-term company performance, or even sustainability metrics, can help to remedy, at least in part, this conflict.

We understand that as an asset manager, we don't exist in isolation, and stewardship is not just about votes and company engagement. Therefore, we are very aware of different market dynamics and, where needed, actively engage in dialogue with policymakers through our industry association memberships. We attempt to contribute towards making the UK market more competitive, while maintaining its integrity and world-leading standards, and balancing the risk to investors and society from corporate failures.

Where appropriate, RBC Brewin Dolphin will contribute to the policymaking process for the benefit of our clients and their long-term interests. For example, this year we hosted other wealth managers for a roundtable with the Financial Reporting Council to provide feedback on proposed changes to the UK Stewardship Code, and contributed to a consultation from the PRI. We also continued our work with the Investment Association Stewardship Committee, FRC's Stakeholder Insights Group and various PRI Reference Groups, feeding into consultation responses and responding ourselves directly when needed.

Our stewardship priorities

Reacting to company-specific controversies and engaging around AGMs are important parts of stewardship, and go hand-in-hand with proactive engagement on key, systemic issues. Such issues, for example climate change or diversity, often require working with others over years to help correct market failures and reduce risks. We consider this important for protecting and enhancing the value of our clients' assets, a key objective of our stewardship programme.

Over the past few years, a number of ESG issues have come to the forefront, affecting our investments and clients in various ways. However, our resources are not infinite and trying to address every single issue or controversy is not the most effective means of promoting and supporting change. This has led to the development of our four stewardship priorities, through which we can prioritise engagements to maximise the positive benefits we can achieve.

Our programme of proactive engagement focuses on four broad themes that, in our view, encompass the most material ESG issues and most pressing systemic risks.

Climate	Nature
Human rights	Governance

Climate

In 2024, events linked to climate change were, once again, one of the biggest threats we faced. Wildfires, floods and unprecedented heat waves, even compared to the year before, caused disruption not just to daily life but also to companies. Risks posed to businesses may play out in lower returns to shareholders, as companies must budget more for insurance or adapt to changing regulation or customer demands. Compounding these issues, little progress was made at the COP29 UN Climate Change Conference in November 2024.

Supporting the transition to a low-carbon economy remains a key priority for our stewardship work. We have carefully considered climate-related votes at AGMs since the development of our responsible investment approach in 2020. In 2024, we published our first Taskforce for Climate-Related Financial Disclosures (TCFD) report and developed internal guidelines to help us assess climate transition plans put forward to company shareholders for a vote.

As part of our work on our stewardship priorities, we have developed a climate and nature watchlist. Through our analysis, we have prioritised engagement with companies responsible for 59% of our directly held financed emissions in 2024. This has taken the form of extensive research into each company's current situation and future goals, and the plan they have in place. Our aim is that each company on our watchlist, and eventually all companies where climate is a material risk, will have a credible climate transition plan. Furthermore, we expect these plans to incorporate their approach to nature, on the understanding that nature and climate are inextricably linked issues.

Internal case study

Company: Multiple third-party funds

Theme:
Paris Agreement Alignment

Issue summary:
Climate change is one of the biggest challenges facing our investee companies. We are cognisant of the potential risks involved if no action is taken and how this might affect the value of our clients' assets. For the past three years, we have engaged with our external fund managers regarding their exposure to companies and the actions (or lack thereof) such companies are taking with respect to climate change.

Objective:
To question our third-party fund managers on their exposure to companies not showing as aligned with the goal of the Paris Agreement, according to the Transition Pathway Initiative (TPI)[1]. This goal aims to keep global temperature rises to 1.5°C, to avoid the worst effects of climate change. We want to understand their views on the risk this mis-alignment poses, as well as explore their approach to climate stewardship in more general terms.

Action:
Using the TPI and via our fund managers, we identified our indirect exposure to companies flagged as 'not aligned' with the goal of the Paris Agreement. We reached out to 44 fund houses, covering 103 funds, which hold approximately 96 companies showing as not aligned. We asked managers to comment on various parts of their process, including how they have assessed the attempts of these companies to reduce emissions and the financial implications of failing to comply with global pledges.

We were pleased that all fund managers responded and we identified the need to escalate our concerns with the fund managers scoring the lowest marks and push for a better, more thorough approach. Throughout the year, we held further meetings to provide feedback to managers and question them further on their approach. These meetings provided deeper insights into how resources, such as large stewardship teams, can sometimes mask superficial efforts, compared to genuine commitment from smaller teams with less resources. We also explored challenges in integrating climate concerns at the fund level when firm-wide standards are lacking. We observed the defensive nature of some climate policies versus more proactive, belief-driven approaches. Importantly, these meetings allowed us to challenge managers that are lagging compared to their peers, and encourage more robust climate stewardship practices.

Outcome:
As an ongoing engagement campaign, this will be repeated in 2025. What we have learned from this work is where strengths and weaknesses lie among our external fund managers, and have gained some new insights into some of the companies highlighted as being not aligned by TPI.

1) The Transition Pathway Initiative (TPI) is a global, asset owner-led initiative which assesses companies' preparedness for the transition to a low-carbon economy.

Columbia Threadneedle reo®: Engagement Provider case study[1]

Company: Vale SA

Theme:
Mining giant aims to rebuild trust through enhanced risk oversight

Issue summary:
Vale is a diversified global mining company, headquartered in Brazil, producing iron ore, nickel, copper, coal, and other minerals and metals. We have engaged the company consistently in the last 2 years on the remediation and mitigation efforts following the catastrophic tailings dam collapses at Brumadinho in 2019 and Samarco in 2015. Both tragedies resulted in loss of life, environmental damage, and widespread community impacts.

Action:
We met with Vale's Climate and Social lead this quarter. We spoke about how the company is improving its risk management practices and, crucially, what Vale is doing to restore its social license to operate. We also asked for an update on its victim compensation. Vale has been prioritizing the elimination of its highest-risk tailings dams, while building out new global safety standards. The company is making progress on compensating victims and restoring communities, though the Samarco reparations process remains complex, with lawsuits still threatening the company's bottom line. On the environmental front, Vale is taking firm steps towards net-zero, announcing $6-8 billion in investments to achieve its Scope 1 and 2 emissions targets and is evaluating approaches for Scope 3 emissions.

Outcome:
While Vale still has significant work ahead, we appreciate the openness of our dialogue and the company's intent to learn from the disasters. Enhancing governance transparency, tightening safety oversight, and prioritizing environmental resiliency are crucial to regaining investor confidence. In our view, Vale's community engagement and victim compensation programs will be critical to fully restore its social license. Proactive management of emerging legal cases and social risks will remain an area of focus for the company. We will continue monitoring Vale's progress through ongoing engagement.

1) This, and all subsequent Engagement Provider case studies featured in this Report have been written by Columbia Threadneedle reo® and as a result any reference to we/our/us refers to Columbia Threadneedle reo®, not RBC Wealth Management UK & CI. All actions, opinions and statements made in the featured Engagement Provider Case Studies are those of Columbia Threadneedle reo® and not of RBC Wealth Management UK & CI. While information presented in this Engagement Provider Case Study is believed to be factual, its accuracy is not guaranteed by RBC Wealth Management UK & CI.

Columbia Threadneedle reo®: Engagement Provider case study

Company: Waste Connections Inc

Theme:
Addressing environmental stewardship: emissions, recycling and PFAS management

Issue summary:
Waste Connections (WCN) is the third-largest waste manager in the US, with a large presence in rural America. It has a key role in enabling a circular economy and mitigating environmental impacts like emissions and plastic pollution. In light of these environmental risks, we engaged with the VP of Engineering & Sustainability to discuss WCN?s net zero strategy, recycling initiatives, and approach to managing PFAS (Per- and polyfluoroalkyl substances) exposure.

Action:
We were keen to assess the company's emissions management strategy, including their view on expanding their Renewable Natural Gas (RNG) processing capabilities. We were interested to learn that WCN is exploring technologies to better model and capture fugitive emissions from landfill. It is also spending aggressively on RNG facilities for enhanced biogas generation. We discussed earnings opportunities available from recycling, as well as PFAS related regulations expected to be enforced in the US. While WCN's lack of ambition on recycling may prove to be a missed earnings opportunity, we still expect some focus here with enhanced recycling goals due to previous targets not having factored in the increased use of recycling robots or developments at new facilities. In light of this, more quantitative data on its emissions reduction roadmap as well as recycling efforts would be welcome. Finally, WCN intends to process at least 50% of its leachate (ie contaminated water in solid waste landfills) on site which is likely to position them well given pending legislation on wastewater and the Comprehensive Environmental Response Compensation and Liability Act. It is encouraging to note that they are also partnering with wastewater treatment plants and vendors on the use of foam fractionation technology in order to improve PFAS management. We believe this is a potential commercial opportunity for the company and will monitor its progress.

Outcome:
In our view, an ambitious environmental strategy could benefit WCN in meeting their public climate and recycling commitments as well as developing new revenue streams. WCN expects to achieve its climate targets through enhanced modelling, the capturing of fugitive emissions, and the electrification of their fleet. RNG facilities are also expected to enhance revenues & generate carbon offsets. Their expansion of their recycling offering is currently muted, but we will continue to encourage greater ambition, especially once US Extended Producer Responsibility regulations are enforced. WCN is unique in setting targets on leachate treatment on-site we will monitor progress on this with great interest.

Columbia Threadneedle reo®: Engagement Provider case study

Company: Procter & Gamble Co

Theme:
Innovations in sustainable product design, but questions remain

Issue summary:
Procter & Gamble (P&G) is a multinational consumer goods company specializing in a wide range of personal health, personal care and hygiene products. As a leading consumer goods company, P&G faces significant environmental challenges, including climate change, plastic waste, and deforestation risks in its supply chain. We engaged with the company to understand its strategies for addressing these issues and promoting sustainable practices.

Action:
We attended P&G's ESG investor update, led by the CEO, CFO, sustainability, and legal leads, to review progress on a range of material topics, including plastics, deforestation, and climate change. The company presented examples of embedding sustainability into product design, such as dissolving facial tissues and low-temperature, dry detergent pods, which can help reduce energy, water use, and greenhouse gas emissions during use. P&G also discussed its efforts to address plastic waste, including conducting a life-cycle assessment of its plastics sourcing and finding considerable advantages for recycled materials. However, the company acknowledged challenges in securing sufficient volumes of recycled materials. On deforestation, P&G stated that it is engaging with suppliers and is confident in complying with the new European Union deforestation regulation, although specific details were not provided.

Outcome:
It was positive to note that product development is providing a range of improvements through substitution and light-weighting, contributing to reducing environmental impacts. However, we have concerns over the effectiveness and scalability, particularly regarding securing sufficient recycled plastic feedstock and assessing nature impacts from plastic pollution. For a company highly exposed to deforestation risk, we would have welcomed more detail on its assessment of coming regulation. While the company update was welcome, we plan to engage on the details of its strategies and progress in addressing these critical environmental issues. Nonetheless, P&G demonstrates a commitment to sustainable product design and responsible sourcing practices.

External Fund Manager Case Study[1]

Manager: Trium Capital LLP

Fund: Trium ESG Emissions Improvers Fund

Asset class: Alternatives

Company: Saint-Gobain

Theme:
Sustainable products & Regulatory advantage

Background:
Compagnie de Saint-Gobain (SGO) is a leading global producer and distributor of sustainable and light construction materials, including insulation, flat glass, plasterboard, roofing, mortars, construction chemicals, and other building materials.

The company's products enable energy and resource efficiency in buildings. Saint-Gobain's energy-efficient and recycled building materials leave the company well-positioned to benefit from regulatory and customer support promoting the decarbonisation of buildings.

Objective:
Engage with Saint-Gobain to further understand the impact of their products on a building's life-cycle emissions and performance, and how they can fully benefit from the EU Green deal in sales and valuation.

Action:
We began our engagement with Saint-Gobain in September 2019 by meeting with the sustainability team. Between 2019 and 2024, we met with CEO Benoit Bazin and CFA Sreedhar Natarajan several times individually and at investor conferences. We also joined Saint-Gobain's Capital Markets Day in October 2021, where the management introduced its new strategy. We were also invited to an ESG call organized by management in February 2022, and in 2023 we joined the field trip at two of the company's production plants and its R&D innovation centre.

Outcome:
We were interested in discussing Saint-Gobain's sustainable products and their impact on a building's life cycle emissions and performance. One sustainable solution we discussed with management was the environmental footprint of using glass in high buildings. This was an area of interest for us as glass can have a lower environmental footprint than steel and concrete if it is used in the buildings as specified.

Following our discussion, as the CEO assured us, the management of each segment introduced many examples of sustainable solutions, which in total, account of 72% of the group's sales during the last Capital Markets Day.

Additionally, we are interested in how Saint-Gobain and its sustainable products can fully benefit from the EU Green Deal. We believe Europe can be a leader in sustainable buildings, and European countries will be able to prevent "carbon leakage" due to imported building products. We discussed this vision with Saint-Gobain and focused on which regulatory changes are the most important. We also discussed how to stimulate demand for environmental products and increase awareness of best practices.

Overall, we are pleased with our conversations with management so far and will continue to discuss these topics in 2025.

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External Fund Manager Case Study

Manager: Ninety One

Fund: Global Environmental Fund

Asset class: Equities

Company: Schneider Electric

Theme:
Decarbonisation – resource efficiency & electrification

Background and Objective:
Schneider Electric provides energy-management and industrial-automation solutions, playing a key role in the efficient buildout of data centres. It supports the global shift toward electrification, decarbonisation, and digitalisation through its EcoStruxure platform. In 2024, Global Environment portfolio managers Deirdre Cooper and Graeme Baker, alongside sustainable equity analyst Yuxin Lin, engaged with Schneider's chairman to assess progress on the company's Scope 3 emissions targets and its alignment with SBTi goals.

Action:
Schneider recently set an ambitious goal to cut its top 1,000 suppliers' CO_2 emissions by 50% by 2025. While commendable, we sought clarity on feasibility and accountability. The chairman highlighted that each target is backed by concrete plans and that achieving them is a long-term priority. Importantly, Schneider ties these targets to financial incentives:

- A long-term incentive plan for 60,000 employees is linked to meeting Scope 3 targets, with financial repercussions for underperformance.
- The CEO's variable compensation includes a 20% weighting to Schneider's sustainability impact score, which is reported quarterly.

We view this remuneration linkage as best practice for achieving science-based targets. Additionally, the chairman confirmed that rather than severing ties with underperforming suppliers, Schneider will support them in improving their carbon profiles.

We also stressed the importance of carbon avoided as a key performance indicator (KPI) and encouraged Schneider to enhance disclosures on the drivers of this metric. This KPI is critical to our investment case, as Schneider's growth is underpinned by demand for its decarbonisation solutions.

Outcome:
This engagement reinforced Schneider's strong commitment to its environmental goals. We believe its approach—linking sustainability to financial incentives and engaging across its supply chain—is best-in-class. We will continue to monitor its carbon avoided disclosures and delivery against SBTi commitments to ensure progress remains on track

External Fund Manager Case Study

Manager: BNY Mellon

Fund: BNY Mellon Sustainable Global Dynamic Bond Fund

Asset class: Fixed income

Company: Cemex

Theme:
E - Climate transition risk and net zero strategy

Issue summary:
Cemex is a significant GHG emitter and has significant exposure to climate risks. It has set ambitious 2025 emission reduction targets and signalled willingness to discuss scaling down coal usage. Being in an industry that is emissions-intensive, the company's business model is exposed to transitions risks and opportunities and are important strategic priorities for business resiliency and the long-term success of the company.

Objective:
Increase stringency of 2025 emission reduction targets and provide clarity on a target date for scaling down the use of pet coke and coal.

Action:
The company is exposed to coal consumption and other energy-intensive fuels like pet coke. It is challenging to bring this exposure down and will take a few years. It has an ambition to use a significant number of alternative fuels in their energy mix by 2030 at the expense of coal or pet coke. We encouraged the company to keep focusing on replacing pet coke and coal as this could have sizable impact on emissions.

We also encouraged the company to increase the ambition around the 2025 emission-reduction target that the company has already achieved.

Outcome:
On both points, the company acknowledged our arguments but highlighted that target setting is a complicated exercise that involves multiple factors, and they are comfortable with the current challenging nature of their targets without making the transition plan a race towards unrealistic targets. This is a continuous discussion.

External Fund Manager Case Study

Manager: Nuveen

Fund: Global Real Estate Carbon Reduction Fund

Asset class: UCITS Public Real Estate

Company: AvalonBay Communities, Inc.

Theme:
Climate Risk Management

Issue summary:
Buildings owners are exposed to material climate-related transition risks, or the financial and operational challenges stemming from a shift towards a low-carbon economy. This includes increased costs for upgrading properties to meet increasingly stringent energy standards, potential regulatory penalties for non-compliance, and market risks as properties that fail to meet new standards may lose value or attractiveness to tenants.

On the other hand, the energy transition also presents opportunities that offer financial and competitive advantages to property owners, in addition to risk mitigation. Green building projects may unlock financial incentives, which can offset initial investment costs and lead to long-term savings for property owners. Furthermore, energy efficiency improvements can decrease utility bills, reducing operating costs for tenants. Additionally, these enhancements can improve a company's market positioning and reputation, and future-proof against regulatory changes to improve a portfolio's long-term viability and resilience.

Objective:
To maintain property value and competitiveness, it is essential that REITs proactively monitor their portfolios' exposure to transition risks and opportunities and integrate findings into their decision-making processes. Nuveen believes that doing so will best position companies to manage risks and reduce emissions, while improving their bottom line.

Action:
AvalonBay Communities, an owner of apartment buildings in the US, is a property owner that has recognized the climate-related risks and opportunities their portfolio faces and begun to assess and integrate them into their business planning. Nuveen engaged with AvalonBay in 2024 to encourage the company to further assess, monitor and disclose its portfolio's exposure to transition risks, building on historical assessments. In particular, we expressed interest in seeing market-level risk exposure and additional disclosure surrounding how these assessments inform capital allocation decisions.

Outcome:
AvalonBay's most recent reporting provides additional detail on its process of identifying and assessing new or emerging regulatory, technological, market-related, and reputational climate-related transition risks. This process analyzes its portfolio's exposure to asset stranding risk and regulatory risk to inform the company's mitigation strategy, capital planning, and investment decisions. These improvements demonstrate enhanced transparency and AvalonBay's commitment to systematically manage climate-related transition risks, more closely aligning with our expectations.

Nature

Nature, as a subject, encompasses issues such as biodiversity loss, deforestation and ecosystem disruption. The destruction of natural habitats has pushed many species to extinction, altering delicately balanced ecosystems. With more than half of global gross domestic product (GDP) dependent on nature in one way or another as of 20231 , the loss of species and natural environments pose a systemic risk to the global economy.

Nature Action 100, a collaborative engagement initiative of which we are part, cited a 2021 World Bank report that estimates that protecting nature could avoid a global GDP decline of $2.7 trillion[2] annually by 2030. Given this importance, understanding nature-related risks and opportunities should be a priority for long-term investors. Our nature-related work this year has included the analysis of our holdings. Understanding how we are exposed to high-risk sectors, from both an impact and dependencies perspective, is a concrete way of determining how and when to engage.

Furthermore, we have made progress with our Nature Action 100 work. Following the release of Nature Action 100's inaugural benchmark assessment, we analysed the results for the three companies that we work with. The below case study details our work with Costco via our engagement group, and we have also initiated our engagements with Nestle and Unilever, with whom we are engaging on an individual basis.

1) https://www.pwc.co.uk/press-room/press-releases/more-than-half-of-global-gdp-is-exposed-to-material-nature-risk-.html
2) https://www.worldbank.org/en/news/press-release/2021/07/01/protecting-nature-could-avert-global-economic-losses-of-usd2-7-trillion-per-year

Internal case study

Company: Costco

Theme:
Nature and biodiversity

Issue summary:
As a member of Nature Action 100, we are part of the engagement group for Costco, the world's third-largest retailer. The initiative brings together 230 investors with over $230 trillion in AUM, and targets 100 companies in sectors with significant impacts and dependencies on nature.

Objective:
The goal of Nature Action 100 is to support greater corporate ambition and action on tackling nature and biodiversity loss. The objective of our engagement with Costco is to encourage them to enhance their existing approach to nature loss, including assessments of their supply chain and setting targets where appropriate.

Action:
Our engagement group has met several times throughout the year, undertaking research into how Costco is approaching nature, their ambition, governance and disclosures so far, using the Nature Action 100 benchmark assessment as an input. We had our first meeting with the company during the year to establish the relationship and have also exchanged a number of emails.

Outcome:
We see this as a multi-year, ongoing engagement as the changes we believe are necessary will take time to implement. However we are encouraged by the drive of our engagement group, the access to the company that some of them already have and the responsiveness of the company so far. As a small shareholder in the UK, access to such a large U.S. company would have been most likely impossible without the backing of Nature Action 100.

Columbia Threadneedle reo®: Engagement Provider case study

Company: Costco Wholesale Corp

Theme:
A holistic approach to sustainability risks

Issue summary:
Costco is an American multinational corporation operating in over 800 locations. As a major retailer with a global supply chain, Costco faces various environmental and social risks, including climate change, deforestation, and labour standards issues. We engaged with the company to understand its strategies for mitigating these risks and ensuring responsible business practices.

Action:
We spoke with Costco's investor relations directors about how the company manages social and environmental risks in its operations and supply chain. The discussion covered topics such as climate risk assessment, supply chain monitoring, and board oversight of sustainability issues. Costco highlighted its comprehensive supply chain risk assessment and monitoring processes, which involve internal teams and third-party auditors taking a risk-based approach. The company is involved in initiatives addressing modern slavery in various industries and has implemented additional age verification measures following recent cases of child labour in the U.S. market. Finally, we also discussed Costco's efforts to integrate sustainability aspects into purchasing practices, such as collecting greenhouse gas data from suppliers, addressing deforestation and human rights issues, and improving traceability in commodity supply chains.

Outcome:
Costco's sustainability program appears well-tailored to the risks it faces, with a holistic approach to managing environmental and social issues across its operations and supply chain. However, we encouraged the company to provide additional reporting on the relative investments and contribution of energy efficiency measures in its climate transition plan. While the board receives briefings from the sustainability director, we suggested further exploring ways to strengthen board oversight and exposure to sustainability issues. Overall, we believe that the company is responding well to risks but we would encourage further integration into purchasing practices and a focus on identifying nature-specific metrics.

External Fund Manager Case Study

Manager: Liontrust Fund Partners LLP

Fund: Liontrust Sustainable Future Global Growth 2 Acc

Asset class: Equity

Company: Trex, Inc.

Theme:
Nature

Background:
Trex manufactures non-wood decking and railing products from waste wood fibres and recycled plastic, upcycling 400 million pounds of plastic each year from post-consumer waste. Although the products mimic wood, they require less maintenance and last longer. Since investing in Trex, the team has had several discussions with the company about the opportunities for improved circular practices, mainly related to its considerable and vertically integrated plastic recycling facilities.

However, in 2024, the team wanted to learn more about the sourcing of its wood fibre. The waste wood used in Trex's products comes from several streams, including lumberyards, sawmills, flooring, and cabinet makers. The company stated in its sustainability reporting that it sources a significant percentage of wood fibre from suppliers whose wood products are certified by leading forestry management organisations, but did not provide further details or proportions.

Objective and Action:
To better understand the company's wood sourcing practices, ensure that wood fibre is from certified sources, and encourage improved reporting of the proportion of reclaimed wood from certified sources.

Following a meeting with the CEO in January, the team set up a meeting with Trex's VP of Marketing and ESG Development and the company's Sustainability Manager for a more detailed discussion on its sourcing of reclaimed wood, among other sustainability topics. At the meeting in March, the company reiterated that it believed much of its reclaimed wood comes from certified sources, but it could not provide the percentage as this wasn't known. The team encouraged the company to confirm with suppliers and requested more information, including the proportion of wood fibre from certified sources. In the meeting, Trex committed to investigating this with a view to providing this information. Trex explained that in addition to lumberyards and furniture makers, some of the waste wood it sources comes from orchards after trees are cut down at the end of their fruitful life, which are often otherwise burned or composted.

Verdict:
In June, Trex published its latest sustainability report, where it reported the proportion of waste wood that is from certified sources; in 2023, of the wood shipments to its Virginia facility, 98% of reclaimed wood came from certified sources, which gave us increased confidence in its sourcing practices and strong exposure to the sustainable investment theme of delivering a circular materials economy.

Now that the team has this information, it is following up on other aspects related to wood fibre sourcing to understand whether the company plans to track this for its other facilities, to find out where the small percentage of uncertified wood fibres are from, whether they could be certified over time or if Trex is considering changing suppliers to have a fully certified supply chain. The team would also like to know more about the certifications used by its suppliers, for example, the proportion of wood fibre certified by FSC and other certifications such as PEFC.

This engagement has been useful in ascertaining the risks and opportunities from Trex's wood fibre sourcing practices, giving us greater confidence that the company is managing this topic well and continues to lead the field in its use of upcycling materials. Overall, the company's sustainability rating was maintained, and the team added to the position in the funds opportunistically throughout the year on weakness.

External Fund Manager Case Study

Manager: Baillie Gifford

Fund: Baillie Gifford Positive Change

Asset class: Equities

Company: Deere

Theme:
Accounting for and preventing biodiversity loss

Objective:
To raise awareness of the problem of biodiversity loss, to encourage the development of new and impactful products to address the challenge, and to advocate for improved disclosure.

Engagement:
We first engaged with Deere on biodiversity loss in 2020. Since holding Deere in the portfolio, we have spoken to the company about this issue on seven different occasions, across all company levels. At first, our discussions were high-level and aimed to raise awareness of the challenge, however this has developed into more nuanced discussions on the role the company's precision agricultural tools could play and its role in expanding access to mechanisation in emerging markets.

Through our meetings, we learnt of the trials Deere was undertaking to expand the use of cover crops, which can enhance biodiversity and protect soil health. We discussed opportunities for supporting carbon markets and sustainable farming practices. In 2024, we continued the conversation by discussing ways to improve their Task Force on Climate-related Financial Disclosure reporting, drawing upon learnings from the Task Force on Nature-related Financial Disclosure.

Outcome:
Over our engagements, we have seen the company go from disclosing a minimal awareness of biodiversity loss to demonstrating a strong understanding of how it affects its key stakeholders.

As the company formalised its approach to ESG in 2020, we saw the integration of biodiversity loss as a topic to be managed. In 2021, as the company started to focus more on impact reporting, we saw the inclusion of biodiversity-related impacts from using their products, such as savings of agricultural chemicals through See & Spray. This year, we saw Deere disclose its plans to undertake a CDP (Carbon Disclosure Project) assessment of its biodiversity-related risks and opportunities (the CDP is an international not-for-profit organisation that operates the world's largest environmental disclosure system. Through this system, organisations receive comprehensive assessments of their environmental impact and performance).

Human rights

We believe a fundamental respect for human rights should exist in every company, as set out in the United Nations Guiding Principles on Business and Human Rights. Human rights, put simply, are the basic rights and freedoms that apply to all of us, and those that are most relevant in a corporate setting include issues such as modern slavery, child labour and working conditions. Failings in protecting human rights can seriously harm individuals and communities, and can lead to poor staff and customer retention, directly and indirectly impacting the success of a company. We have seen the impacts of poor treatment of staff and communities at a number of corporates, both on a human level and reflected in the financial assessment of the company in question.

Environmental issues are always prominent on the stewardship agenda, but expectations on social issues have also risen, along with a recognition of their importance. We have found that even when climate change seems to be the most material risk for a company, other issues such as community relations can come to the fore. The nexus of climate and human rights is well documented and our work does not operate in silos, but considers all relevant issues across all topics.

The concept of a 'just transition', defined by the International Labour Organization (ILO) as 'greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind', is a clear way in which human rights, climate and nature intertwine.

Internal case study

Company: Amazon.com

Theme:
Workers rights

Issue summary:
n the run up to its AGM, Amazon had been in the media for alleged workplace-related violations, including anti-union coercion in their UK fulfilment centres. Two shareholder proposals had been put forward at the AGM, requesting third-party assessments or audits on working conditions and the company's commitment to freedom of association and collective bargaining.

Objective:
As with all votes for companies within our voting process, our aim was to examine in detail the proposals and determine if a vote for or against was in the best interests of our clients as shareholders.

Action:
We voted in favour of both requests. We felt that the reputational risk associated with poor employee relations was material to the company. Furthermore, we decided that the additional disclosures would be beneficial to shareholders, in helping to assess workplace safety and the overall treatment of employees.

Outcome:
The resolutions received strong support with 31% of shareholders supporting both. Given this high support, quite above the industry averages for shareholder proposals this year, we expect to see management take this on board and provide the requested information to shareholders. In the event that they do not, we will consider escalation at next year's AGM.

Internal case study

Company: Multiple

Theme:
Modern Slavery

Issue summary:
With human rights as one of our priorities, and with an increased scrutiny on companies around this subject, we joined the Rathbones Votes Against Slavery initiative earlier this year.

Objective:
To assess the risk of non-compliance with the UK Modern Slavery Act, section 54, which requires companies of a certain size to produce a Modern Slavery Statement. This statement must outline the steps being taken by the company to identify and prevent modern slavery in its operations, must be approved by the Board, reviewed annually and published on its website. Given the lack of legal consequences for non-compliance, the initiative aims to identify and highlight non-compliance, citing the importance for investors and introducing the possibility of escalation for continued non-compliance.

Action:
We compared Rathbones' comprehensive list of companies assessed with those in our own nominee and voting process. After conducting our own due diligence, we signed letters for two companies within our voting process.

Outcome:
The engagement has led to an increase in the number of companies with compliant modern slavery statements.

Columbia Threadneedle reo®: Engagement Provider case study

Company: Adobe Inc

Theme:
Adobe's leading approach to Responsible AI

Issue summary:
Adobe is one of the largest software companies in the world, offering a suite of products and services used by creative professionals, businesses, and customers to create, manage, measure, optimise content and experiences. Artificial Intelligence (AI) is embedded in many of its offerings and has the power to drive greater innovation and monetization opportunities. With this in mind, their approach to Responsible AI was high on our engagement agenda.

Action:
We held a dialogue with Adobe's Investor Relations and General Counsel to learn more about the company's approach to Responsible AI. We asked about the company's governance approach as well as requesting further details on its impact assessment. We also discussed areas of biggest potential risks and how the company approaches mitigating them. Several years ago, Adobe formed an AI ethics governance committee which is responsible for conducting an AI ethics review every time an AI feature is proposed. It involves identifying potential harm and bias and multiple tests to minimize and eliminate these risks where possible. In order to measure the success of its efforts to mitigate AI bias or harm, the company tracks the percentage of outputs that are categorised as harmful. Adobe provided context about its Firefly tool (its generative machine learning model used in the field of design) which is trained solely on its licensed assets in order to reduce copyright related risks. It also mentioned that a wide variety of teams are involved in the oversight of testing to ensure diversity of perspectives are taken into account. Beyond social issues, the risks on the environmental side in relation to AI are believed to be more nascent. Nonetheless, the topic is addressed at the Board level when considering the potential impact on its net zero commitment.

Outcome:
Overall, it is clear the company has been ahead of the curve on Responsible AI which presents a revenue opportunity, competitive advantage, and the opportunity for proactive risk mitigation. We were encouraged by the constructive dialogue, using the opportunity to better understand Adobe's leading approach. We will take some of these findings and outcomes into our internal Responsible AI assessment framework as Responsible AI remains a key topic for 2024. Engagements such as these are key for us to continuously evolve our understanding of how companies are thinking about Responsible AI and to learn and share good practices as we encourage industry-

Columbia Threadneedle reo®: Engagement Provider case study

Company: ArcelorMittal SA

Theme:
Engaging on worker safety after the deadly fire in Kazakhstan

Issue summary:
ArcelorMittal is the second largest steel-producer globally, with manufacturing facilities in 16 countries and customers in 155. 46 of ArcelorMittal's (MT) employees were killed in a fire at its Kostenko coal mine in Kazakhstan which was triggered by a methane-gas explosion on October 28th, 2023. The explosion is the most severe industrial accident in Kazakhstan's independent history and triggered the nationalization of all MT's assets in the country, consisting of 8 coal mines, 4 iron ore mines and 1 steel plant.

Action:
MT reached out to us following the accident to explain the remediation actions taken, and to outline what went wrong along with the lessons learnt. We have previously spoken to the company about its chequered safety record in Kazakhstan, as there have been consistent indications that the company is not handling occupational safety effectively for example with 14 fatalities in 2022 and 4 fatalities before October 2023. MT quickly outlined the remediation steps taken after the accident, including providing immediate support for families, such as a payment equivalent to a 10-year salary, payment for children's education up to the age of 23 and repayment of all personal loans of the families impacted. Regarding what went wrong, MT highlighted the "complex" geology of the region as well as the "risk-taking culture" as exacerbating risks. We challenged the company on this, as these are in no ways risks that we believe should have been outside of MT's due diligence and safety reviews as it stands, we view these two explanations as inadequate at justifying what went wrong, particularly considering the scale of the accident and the endemic safety issues in the region. We requested evidence of how MT will ensure that its 33,000 employees- who are now being transferred to a nationalized company - will not be exposed to even worse work conditions. The company state they want to ensure a good legacy for MT in the region, however this will be a challenge, with the Prime Minister of Kazakhstan stating on the day of the disaster that MT is the "worst" investor in Kazakhstan's independent history.

Outcome:
We are disappointed by the explanations provided by MT on what went wrong, particularly considering the safety record in the region which should have provided ample warning of the need for significant improvement on safety monitoring and procedures. MT state more information will be provided after the ongoing third-party audit of the whole company's safety practices is published, due in mid-2024. We will re-engage the company on safety after its publication.

Columbia Threadneedle reo®: Engagement Provider case study

Company: GSK PLC

Theme:
Diversity in clinical trials at GSK

Issue summary:
GSK is a global bio-pharmaceutical company which manufactures innovative medicines and vaccines. Upcoming US regulatory requirements due to take effect in 2024 will push the industry to include diversity planning in their trial protocol or justify why this is not necessary. In our view, being under-prepared for this might result in novel drugs and therapies not being approved by the FDA, which poses a very material risk to drug manufacturers and Contract Research Organizations (CROs). As part of our diversity in clinical trials engagement project, we organized a call with GSK's Senior Vice President of Global Clinical Operations to learn more about the company's work on diversity in clinical trials and preparations for stricter regulation.

Action:
We discussed the upcoming regulatory requirements on diversity in clinical trials and how GSK prepares for compliance. The company has a dedicated team that works on diversity in clinical trials, which ultimately falls under the Chief Scientific Officer. While work on trial diversity costs time and effort, GSK considers this a continuous learning curve for the company. They stressed that this is the right thing to do for patients and communities and that financially, the cost of getting it wrong will be more substantial. They also consider it a crucial part of their ambition to reach 2.5 billion patients by the end of 2030. The company shared a number of insightful case studies, for instance on how it works together with patient advocacy groups to assess and better understand patient needs as well as increasing the availability of Decentralized Clinical Trials (DCT). Finally, GSK shared more insight into how they collaborate with CROs, that they expect these to adhere to GSK's third-party vendor rules and that GSK is not interested in working with CROs who do not work on improving diversity in clinical trials.

Outcome:
The key take-away from this conversation was that diversity in clinical trials is increasingly embedded in the company-wide strategy. GSK feels confident about their preparedness for regulatory requirements, having made efforts to increase diversity in clinical trials for over 15 years. This is evidenced by successful progress on their target to have 100% of 2023 phase III trials contain a proactive strategy to enroll appropriately diverse trial participants, consistent with the disease epidemiology. We consider GSK a leader in this space and will monitor further developments.

Columbia Threadneedle reo®: Engagement Provider case study

Company: Koninklijke Philips NV

Theme:
A focus on human capital management and the quantification of access to health

Issue summary:
Philips is a Dutch healthcare conglomerate which offers a range of products across different business divisions: diagnosis and treatment, connected care and personal health. Building on previous engagements, we met with Philips' Head of Sustainability and IR to discuss the 2024 proxy, human capital management and Philips' access to healthcare methodology.

Action:
We followed up on earlier conversations on human capital management as employee morale and satisfaction has been negatively impacted by the ongoing corporate re-organization. We believe that recent news that ASML is exploring further expansion in the Eindhoven tech-hub area in Netherlands is a direct risk to Philips human capital, as technical staff at Philips could be enticed to ASML. We therefore believe that retention should be a priority for Philips Executive leadership. Philips seemed confident in their current focus on creating a culture of responsibility and maintaining high quality standards while ensuring a positive and supportive culture. We reiterated our concerns on Philips' access to health methodology which calculates how many lives the company has improved through its products. Philips aims to improve the lives of > 1 billion people. In comparison, Siemens Healthineers' access to health strategy strives for "260 million patient touchpoints" which we believe is a more realistic target. Against a backdrop of increased regulatory focus on ESG claims and greenwashing, we stated our concerns that the lives improved claim opens the company up for greenwashing claims. Philips acknowledged our concerns while also sharing the challenges inherent to measuring health impacts, something the wider industry also struggles with, as there is no universal metric and data can be sparse. While there is no guarantee that Philips will change this framing, we were encouraged by their reception of our concerns. We will continue the dialogue on measuring health impacts.

Outcome:
We have always been appreciative of Philip's openness to our feedback, their reflections and insightful answers. We shared our Human Capital Framework after the call, and have also been asked to participate in the company's stakeholder consultations on its 2030 supplier sustainability targets. Having had a number of extensive conversations with Philips, we have been increasingly confident in Philips? actions to effectively re-organize the business, learn from the past and begin restoring its market position. Effective human capital management will depend on execution, but the Executive Leadership team appears to be fully aware of this. We will continue to follow Philips' reorganization with great interest.

Columbia Threadneedle reo®: Engagement Provider case study

Company: Amazon.com Inc

Theme:
Still reluctant to shed light on Responsible AI

Issue summary:
Amazon is a leading online retailer and web service provider that offers a range of products and services to customers from electronic devices, media content and on-demand technology services. The company is part of our Responsible Governance of Artificial Intelligence (AI) project as it uses AI across its operations from personalised product recommendations, Alexa voice shopping, powered search to optimization in the warehouse. It's encouraging the company has also outlined AI opportunities particularly how it is using AI to advance its sustainability goals from reducing packaging use to identifying damaged items to prevent waste.

Action:
We had an in-person meeting to discuss the company's approach to Responsible AI in further detail. We gained further insight to the Board's oversight and scope of responsibilities with respect to Responsible AI. The whole Board is well aware of the interest in Responsible AI and the Nominating Governance committee has oversight of the topic. It was encouraging to note that a few members of the Board including the Lead Independent Director has policy experience which helps with monitoring policies and regulations around Responsible AI. While there is no specific Responsible AI committee as the company has various different use cases, there is a group of people from different disciplines (including the Legal department) who provide their insight and views on the topic. The company also states that it conducts risk assessments, although it did not elaborate further, stating that nothing is currently publicly disclosed. We encouraged enhanced disclosure in order to support investors in understanding the company's approach more fully. We learnt that these risk assessments or "vulnerability" mechanisms are not limited to cybersecurity and are designed to cover broader ethical issues, although no specifics were divulged. Amazon has not disclosed any safety issues but asserts that it is an iterative process and the company is conducting a significant amount of testing.

Outcome:
Amazon has made progress with its public commitments to Responsible AI such as the White House Voluntary AI commitments signed in 2023. It has a Responsible AI policy and model scorecards that is limited to Amazon Web Services but we are optimistic that there will be more disclosure on the operationalization of Responsible AI principles beyond this division. This is important to enhance wider customer trust and adoption to scale AI. We also encouraged publication of further information on its human rights impact assessment process on Responsible AI, and the consideration of quantitative impact measurements to demonstrate how its use of AI can drive sustainable outcomes. We will continue to monitor progress on its Responsible AI framework and process.

External Fund Manager Case Study

Manager: M&G

Fund: M&G Japan Fund

Asset class: Equities

Company: Keyence Corp

Theme:
Modern Slavery (human rights)

Issue summary:
M&G engaged with the Japanese electronics company on the theme of social disclosure with a focus on modern slavery.

Objective:
Keyence Corp was identified as a candidate for engagement on modern slavery as it operates in an industry of high risk and we were unable to find adequate information on how the company manages this risk for us to be reassured that they have measures in place to mitigate this risk. Therefore, the internal asset manager requested that the company reviews and provides information on its social disclosure, with a specific focus on measures to prevent/manage instances of modern slavery within its large and complex supply chain.

Action:
M&G met with management representatives from Keyence; M&G shared links to resources to aid with improvements

Outcome:
Following meetings with management over a 15 month period, the engagement is considered a success and the company has updated its disclosure relating to HRDD, has identified 'forced labour, slavery and bonded labour' as some of their top risks, with some measures taken with suppliers.

Keyence is aware of the UK Modern Slavery Act and abides by the necessary disclosures relating to this; the company's Human Rights Policy was approved by the Board in 2022. In addition, the company has introduced a human rights policy / guidelines for its suppliers, which is part of the supplier agreement / contract. Any suppliers (including their subcontractors) found to be in breach will have a set time window in which to address and remediate. If after the period they, or their subcontractors, continue to be in breach of the guidelines the company will terminate the contract and stop working with the supplier. Keyence engineers visit partner sites to ensure they are abiding by the supplier code of conduct (conduct interviews with employees etc).

Governance

Good governance is the cornerstone of a well-run company. Corporate governance encompasses the structure, remuneration, transparency and general corporate behaviour of the board. Engagements in this space can include issues such as board diversity, remuneration policies, political lobbying or independence amongst board members.

With strong governance expertise on our team, we are well-positioned to identify poor governance practices and engage in a thoughtful and knowledgeable manner as showcased in case studies throughout this report.

Therefore, governance underpins all our engagement and voting activities as a cross-cutting theme. Our voting and monitoring processes are designed to identify governance red flags. The relationships developed by our analysts with their respective companies often facilitate timely engagements.

Our engagements on severe governance failures, while relatively rare, are prime examples of stewardship as a means of protecting the value of our clients' assets.

Internal case study

Company: Hipgnosis Songs Fund

Theme:
Poor board oversight

Issue summary:
This has been an ongoing engagement that we reported on anonymously in 2023. Now complete, we are able to disclose more details about our work. Over the course of the past two years, there had been significant issues faced at the asset level (song royalties) compounded by poor oversight by the board. Multiple engagements did not yield results, with a proposed sale of assets that we felt sure would undermine shareholder value.

Objective:
Continued escalation with the board, including a refreshed board and trust wind-down.

Action:
As reported last year, we voted against the continuation of the trust, voted against board members considered accountable for failure to represent our interests, and met with prospective replacement board members prior to the AGM to assess skills and understand their approach. The board was suitably refreshed, and we continued our dialogue with the new board members. In 2024, we supported a proposal to accept a much-improved cash offer for the company, following a bidding war.

Outcome:
We are pleased to have closed this engagement. The refreshed board was able to deliver a wind-down of the trust following a fairer offer for the assets, thus returning the best possible value to shareholders.

Internal case study

Company: Smithson Investment Trust

Theme:
Good governance, continuation vote

Issue summary:
Offering a continuation vote at an AGM is considered good practice for investment trusts, giving shareholders the opportunity to vote on whether the trust should continue to operate, change its objectives or liquidate entirely. Smithson Investment Trust decided last year not to put such a vote on their AGM agenda, a decision that was met with criticism from some analysts and investors.

Objective:
We wanted to understand the rationale for not offering a continuation vote, and to express our view that one was indeed necessary. The trust's prospectus states that if it is trading at a discount to its net asset value of more than 10%, a continuation vote must be considered. The average discount for the preceding year had been 10.9%, which the Chair suggested was more of a market issue than specific to Smithson Investment Trust.

Action:
We met with the Chair of Smithson Investment Trust, and clearly outlined our view that a continuation vote was necessary due to the size of the discount and that we believed withholding such a vote was inappropriate and misguided. We had a constructive conversation with the Chair, and felt that our views had been heard.

Outcome:
The day after our meeting, it was announced, that following feedback from shareholders, a continuation vote would be put on the agenda for the upcoming AGM. We were pleased that our views, alongside those of other shareholders, were listened to and taken into account by the board.

Columbia Threadneedle reo®: Engagement Provider case study

Company: Alibaba Group Holding Ltd

Theme:
A fully independent Nominating and Corporate Governance Committee

Issue summary:
Alibaba Group is the second largest e-commerce retailer in the world. We have concerns that its governing structure allows Alibaba Partnership to appoint a simple majority of members to the Board. By controlling the Partnership, the founder (Jack Ma) can control the Board while only holding as little as 4% of shares in the company. According to the company's Articles, the Nominating and Corporate Governance Committee only has the right to nominate the rest of the candidate seats on the Board. Hong Kong Stock Exchange (HKEX) deemed Alibaba as having unequal weighted voting rights and barred Alibaba from IPO in 2013. However, after Alibaba raised US$ 25 billion on the New York Exchange, HKEX changed its own listing rules and welcomed a secondary listing in 2019.

Action:
Both the founders, Jack Ma and Joe Tsai, have been involved with the nominating committee since listing with their committee memberships also allowing them to influence the nomination of independent directors on the Board. We expect to see a nomination committee without any founding member's interference to ensure a certain degree of Board independence. Therefore, we have been engaging with Alibaba on director nomination rights since November 2022. We raised this concern with ACGA's investor group focused on Alibaba, and also mentioned our expectation of having a fully independent nomination committee to Alibaba in September 2023. Many minority shareholders and proxy advisors have also expressed reservations related to Joe Tsai's nomination committee involvement.

Outcome:
Joe Tsai, the current executive chair, stepped down from the nomination committee after the recent AGM in August, with the result that the committee is now fully independent. Despite his departure from the committee, we still have concerns about the Partnership's ability to appoint up to a simple majority of Board members, and will continue to engage on this point. Alibaba has also recently successfully upgraded the secondary listing status in Hong Kong to a primary listing, but it was able to acquire exemptions from HKEX which prohibits other shareholders from proposing new director's for election or existing director's be dismissed. We will continue to advocate for shareholder's rights and monitor this development.

External Fund Manager Case Study

Manager: Baker Steel Capital Managers

Fund: SVS Baker Steel Gold & Precious Metals Fund

Asset class: Equities

Company: Endeavour Mining

Theme:
Corporate governance

Issue summary:
Endeavour Mining, a mid-cap LSE-listed gold mining company and a holding in the Baker Steel Gold and Precious Metals Fund, announced in early January 2024 that its CEO was dismissed due to an irregular payment instruction he had issued. This had been identified as part of a review of previous acquisitions and disposals, which found that he had repeatedly made attempts to conceal and misrepresent the circumstances of the payment.

Objective:
As a specialist fund manager in the mining sector, Baker Steel is conscious of the harms from financial crime to both company value and broader society. In our targeted engagement with Endeavour, we sought to gain assurance that the issue was isolated and not a symptom of wider corporate governance failings within the company, while encouraging the Board and new CEO to ensure the investigation they carried out was comprehensive.

Action:
Immediately following the announcement of the dismissal, we arranged a call with the company's Chairman to request further details and ensure that the Board was addressing the situation appropriately. Whilst we considered that the Board was doing so, we felt that there remained some risk and decided to reduce our holding. In February, as we considered our remaining position, we held an in-person meeting with management, including the new CEO, to seek an update on the investigation and the Board's and management's response as well as to again emphasise the importance of rigorous internal controls. At the meeting, the new CEO noted that the investigation was nearing completion, and the company was committed to strong controls and corporate governance practices, including the right tone from the top.

Outcome:
As a result of this meeting and the company's handling of the incident, we subsequently added back to our position in Endeavour and have re-engaged on corporate governance in more recent meetings with management. In March, Endeavour announced that the investigation had concluded and confirmed the misconduct of the former CEO as an isolated case. In addition to the clawback of remuneration it had announced previously, the company confirmed it was reviewing internal controls and had made adjustments to controls relating to mergers and acquisitions activity.

Progress and looking ahead

Engaging with our stakeholders

We believe that effective stewardship, like most things, starts at home. This links into much of the work we are doing to help ensure RBC Brewin Dolphin is a good corporate citizen, giving back to the communities in which we operate and where possible, reducing our environmental impact. We recognise the need to consider stakeholders when formulating RBC Brewin Dolphin's strategy. We have concluded that the following five stakeholder groups are key to us.

Clients

Our clients' financial wellbeing is at the heart of our business. We believe that a close relationship between our clients and employees is key to helping ensure that their financial objectives are met. We support our vulnerable clients beyond their finances through our Vulnerable Client Committee.

- *Guidance is provided to all client-facing teams on how to identify and engage with vulnerable clients.*
- *Client engagement survey is conducted annually and feedback is taken into consideration.*

Employees

Our strength is in the service provided by our people, and we have a powerful culture here at RBC Brewin Dolphin. We actively measure and respond to employee engagement.

- *We continue to provide wellbeing benefits for our colleagues and their families, including flexible working, volunteering days and mental health support.*
- *Employee engagement is at the heart of our people strategy and we listen to a network of 'Engagement Partners' across the business.*

Suppliers

We run our business from more than 30 locations in the UK and Ireland, which is dependent upon our relationships with our suppliers.

- *We are a Living Wage Employer, as certified by the Living Wage Foundation. This extends beyond our employed colleagues to contracted staff and certain suppliers.*

Regulators

We strive to engage proactively and cooperatively with the regulators in an open and collaborative way to build and develop a positive and mutually beneficial relationship; and to work proactively with relevant industry bodies, to help ensure that our clients' interests are well represented.

- *We have regular interaction with the FCA on a range of regulatory topics that affect the firm and the industry, including the latest Sustainability Disclosure Requirements and anti-greenwashing rules.*
- *We contribute time and expertise to industry bodies to ensure that our collective interests are represented appropriately, such as the Investment Association (IA) Stewardship Committee and FRC Stakeholder Insight Group, to give wealth managers a voice alongside asset managers.*

Society

We have a responsibility to play our part in our communities, society and the world. We seek long-term investment in good companies that have the potential to benefit society and create a sustainable future.

- *We continue to make time available for our employees to volunteer to support causes that matter to them.*
- *We undertake engagement activities that have a benefit to society, such as our work on climate change and human rights.*

How we communicate

We are supportive of continued learning and development. This is particularly important for fast-changing areas such as responsible investment and stewardship. As a regulated firm, we have a Training and Competence process to help ensure that colleagues across the business have appropriate training and skills to fulfil their roles and responsibilities. These sessions cover topics such as anti-money laundering, data security, conduct and risk. A number of our colleagues have also elected to complete their CFA Certificates in ESG Investing and Climate & Investing, to enhance their knowledge and capabilities.

To bring a level of knowledge of stewardship and responsible investment to all of our colleagues, our Learning and Development team has created a series of videos on these important subjects. These videos give colleagues an insight into the basics of responsible investment, sustainability and stewardship, while also providing updates on our work, commitments and progress. In 2024, we also ran a series of workshops across local offices on our approach to sustainable and responsible investment, which included a section on how stewardship will help us achieve our goals.

Our research is disseminated to investment managers through methods such as our intranet, emails and our daily company-wide research call.

We hold regular 'open analyst hour' meetings for all client-facing teams, in which analysts may present and answer questions on one or two companies or sectors, or fund recommendations, including their ESG credentials.

We strive to communicate our engagement and voting activities to our investment managers in a clear and accessible way, helping them to communicate in the same way to our clients. Over the course of 2024 we produced four Quarterly Stewardship Updates, which complement our annual reporting. These reports continue to evolve and since the beginning of 2024 have included rationales for our significant votes, alongside the existing engagement and voting case studies.

Communicating with clients

As a responsible business focused on delivering good outcomes to our clients, we pride ourselves on being transparent. This is because we believe that transparency and trust are key to strong, long-lasting relationships with our clients.

Our investment managers have been appropriately trained and have thorough conversations with their clients, and this is being extended to discussions around responsible investment and stewardship. We take steps to help ensure that our clients understand information presented in our communications.

We provide a record of how we voted on our website via our Vote Your Shares platform. Our Quarterly Stewardship Updates and annual Stewardship Report give colour to that data and help bring examples of our work to life.

Progress and looking ahead

We have made significant progress over the course of 2024 on our stewardship approach and commitment. Our team has significant expertise on governance, investment management experience, a dedicated climate analyst and administrative support. We work alongside our research analysts and are well equipped to serve our diverse client base and engage with our holdings.

Our work this year has been guided by our stewardship priorities: climate, nature, human rights and governance. While these are issues that require multiyear engagement programmes, we are pleased with the progress made across all priorities as demonstrated in this report and have set out forward-looking objectives for 2025 and beyond.

At the end of 2023, we aimed to look deeper at the nature and climate-related risks in our portfolio. This led to the development of our climate and nature watchlist in 2024, resulting in engagement with the top 59% of financed emissions in our direct holdings. Alongside our continued work with Climate Action 100+ and Nature Action 100, we look forward to deeper conversations and progress in 2025. We are prepared to use our votes to escalate matters should we not see sufficient engagement or progress.

Another goal for 2024 was enhancing the engagement work with our largest passive providers. Throughout the year we assessed their performance against our scorecard (as shown on page 20), reached out to the lowest-scoring providers with feedback and began investigating how we might alter our allocation to these providers. The meetings held in 2024 were constructive and, based on this success, will begin the process again in 2025, providing feedback where we believe it is needed, especially where providers have moved among our rankings.

Going into 2025, our ambition is only growing. Our goals include the continued monitoring of and engagement with companies on our climate and nature watchlist, and further progress made through Nature Action 100. We aim to carry out a campaign of engagement related to human rights in the workplace, and maintaining high standards at the third-party funds in which we invest.

We are proud of our stewardship work and what we achieved in 2024. Our small but growing team strives for continuous learning and improvement with the ultimate goal of better serving our clients. Scrutiny of stewardship work across the industry remains high, which we welcome. We are confident that our work is of the highest quality and reported on in a genuine manner.

Appendix

Reference table for Stewardship Code principles, examples and case studies

Stewardship Code 2020 Principles	Page
Principle 1: Signatories' purpose, investment beliefs, strategy, and culture enable Stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	8, 9
Principle 2: Signatories' governance, resources and incentives support Stewardship.	8, 11
Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	12, 13
Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	22, 34, 35
Case studies relating to Principle 4:	36-43, 45-48, 50-61
Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities.	11, 15
Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their Stewardship and investment to them.	20, 63-64
Principle 7: Signatories systematically integrate Stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	16-20
Case studies relating to Principle 7	17
Principle 8: Signatories monitor and hold to account managers and/or service providers.	15, 19, 20, 21, 25, 31, 36
Case studies relating to Principle 8	32, 33, 36
Principle 9: Signatories engage with issuers to maintain or enhance the value of assets.	21, 28
Case studies relating to Principle 9	29, 30, 45
Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers.	22
Case studies relating to Principle 10	45, 51
Principle 11: Signatories, where necessary, escalate Stewardship activities to influence issuers.	23, 25
Case studies relating to Principle 11	58, 59
Principle 12: Signatories actively exercise their rights and responsibilities.	23, 24, 27
Case studies relating to Principle 12	30, 50

Leadership and Expertise

Marc Wilkinson
Head of Investments

Tom Blathwayt*
Director, ESG, Chair of Stewardship Committee

Athanasia Karananou*
Head of Stewardship

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Our Stewardship Committee

Diana Kanyicska
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Vicky Friedlander
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Stewardship Manager

Alice Farrer
Divisional Director, Investment Manager

Rohit Bhandari
Senior Lawyer

Biographies of key stakeholders

Adam Jarvis is a Senior Investment Manager alongside being Head of Office for the Winchester branch of RBC Brewin Dolphin, where is has worked for 18 years. He is a Chartered Fellow of the CISI, for whom he was a former President of the South Coast Committee and is able to draw on his experience of managing ESG portfolios for private clients and working with professional intermediaries.

Stephen Metcalf is Head of Sustainable Investing for RBC Wealth Management in the British Isles and Asia. Stephen is RBC's sustainability research lead. He's responsible for developing dedicated sustainable investing solutions and selecting the asset managers RBC works with in the ESG space. He's responsible integrating ESG considerations into the investment process, working closely with the wider investments team, and is a regular contributor to ESG thought leadership. Stephen joined RBC Wealth Management in 2018 as an Analyst focusing on our discretionary offering before moving in to the Global Manager Research team, commencing his present role at the start of 2021. Prior to joining RBC, Stephen graduated from the London School of Economics with a degree in Economics. He is a Chartered Financial Analyst® (CFA) Charterholder and Chartered Alternative Investments Analyst® (CAIA) Charterholder.

Antony Champion joined RBC Brewin Dolphin in 2014 and is Head of Intermediaries for the UK, Ireland, and International. This role involves managing the strategy and working with both supporting intermediaries as well as growing and deepening our relationships within the industry. Antony is committed to providing a first-class service to RBC Brewin Dolphin's intermediary clients through our dedicated team of business development managers and investment managers. Antony joined RBC Brewin Dolphin after working for Close Brothers Asset Management as Head of Strategic Accounts. Prior to this, he spent over 12 years at HSBC in a variety of senior management positions within their asset management, investment management, private bank, and insurance divisions as Head of Distribution.

Christina Lewis is a seasoned equity analyst with five years of experience, specializing in covering the energy sector at RBC Brewin Dolphin. As the Responsible Investment Analyst for Climate, she leverages her expertise to enable our responsible investment and stewardship capabilities from a climate perspective. With a BSc in Physics from the United States Naval Academy and as a CFA Charterholder, she brings a unique blend of analytical prowess and environmental focus to her role.

Athanasia Karananou is the Head of Stewardship at RBC Brewin Dolphin, working closely with the research team across equities and funds. She is also a member of the Investment Association Stewardship Committee and the FRC's Stakeholder Insights Group. With more than 15 years of experience in the responsible investment industry, Athanasia has worked for a range of different actors such as a proxy advisor, investment manager, ESG service provider and a global investor network. Before joining RBC Brewin Dolphin in 2022, Athanasia was the Director of Corporate Governance and Research at the Principles for the Responsible Investment (PRI). Her other experience includes positions at HSBC Global Asset Management, Sustainalytics and PIRC. Athanasia has an MSc in European Policy and Management and a BA in History, Art History & Archaeology.

Alice Farrer joined RBC Brewin Dolphin in 2021 as a Charity Investment Manager. She is a strong advocate of responsible investment and part of the Charities Teams' Responsible Investment & ESG Committee. She is a member of the CISI and holds the CISI's certificate in Sustainable and Responsible Investment. Alice holds a degree in Economics and French. She began her financial services career in the Charity Team at HSBC Investments in 2002. In 2008 she joined law firm Slaughter and May within their Charitable Partnerships team. She then managed investments for charities and individuals at Sanlam – as well as being Deputy Chair of the Ethical Committee – before joining RBC Brewin Dolphin.

Vicky Friedlander has worked as an Investment Manager at RBC Brewin Dolphin since 2006 and has increasingly specialised in helping clients to create personalised responsible mandates to align their portfolios with their values. Throughout the years, she has worked with direct clients, presented to intermediaries on how to have conversations with clients about their values and more recently has focused on doing the same with charities. Overall, Vicky particularly enjoys working with trusted advisors to help clients achieve their wider financial goals and organisational purpose.

Gillian Abid is the Stewardship & Team Assistant at RBC Brewin Dolphin. She is responsible for administering our voting process, and works with analysts, third-party fund managers and the rest of the stewardship team to assist in our engagement activities. Gill also supports the wider Research team, in particular with organising our firm-wide investment training conferences each year. Gill has over 18 years of experience in the wealth management industry.

Kelly Eva is RBC Brewin Dolphin's Stewardship and Responsible Solutions Manager and has 13 years of wealth management experience, starting her career as a charity investment manager. She holds a BA in Economics and Finance, the CISI Wealth Manager Qualification and CFA Certificates in ESG investing and Climate & Investing. Kelly's work focuses on our stewardship capabilities, where she takes the lead on our voting work, and how we deliver and communicate them to our clients and other stakeholders. She is responsible for the production of this report.

Richard Mack is a Manager in Operations with 20+ years' experience in wealth management in the US and UK. He has experience across Operations, primarily focused on Corporate Actions. His team is responsible for publishing shareholder meeting information and executing instructions to vote at company meetings.

Marina Chernyshova's work in the RBC Brewin Dolphin Research team focuses on our relationships with Governance, ESG and active ownership partners and service providers. Marina has an MSc in International Business and Finance, and over 14 years of experience in institutional sales, business strategy and transformation roles. She is also a CFA ESG qualification holder.

Tom Blathwayt is Director of ESG, Europe at RBC. He supports the evolution and implementation of RBC's European ESG strategy, including the RBC Brewin Dolphin responsible investment strategy. He has chaired the RBC Brewin Dolphin Stewardship Committee since 2022. Tom was previously Head of Sustainability at Brewin Dolphin plc, leading the team responsible for defining and overseeing the implementation of Brewin Dolphin's approach to sustainability and responsible investment. He started his career at strategy consultancy Monitor, where he was a founding member of the Inclusive Markets practice. From 2013 to 2016, he lived in India where he co-led the FSG Mumbai office and joined Brewin Dolphin from the B Corp SYSTEMIQ. He has cross-sectoral expertise across FMCG, retail, technology, energy and transportation sectors. Tom has an undergraduate degree in modern languages from Cambridge and an MPA from Harvard.

Davina Rich has over twenty-five years' experience in the investment management industry as an analyst, global equity portfolio manager and private client investment manager. She has been instrumental in the development of innovative investment propositions and has a deep understanding of ESG and Stewardship matters, including how these apply to our research processes and how they can be implemented in portfolios to meet the needs of clients. Davina's work as Head of Research centres on providing excellent client outcomes, which is supported through our stewardship activities.

Diana Kanyicska is the Head of Investment Compliance Advisory at RBC Brewin Dolphin supporting the various business stakeholders, including the Stewardship Committee to deliver good client outcomes for our client base and to ensure compliance with the applicable laws and regulations. With 17 years of Compliance experience, Diana has worked in different fields of financial and capital markets before she joined RBC Brewin Dolphin in 2006, including retail brokerage, investment banking, private banking, asset and wealth management at large multinational companies such as KBC Securities, Bayren LB, Lloyds Bank and Goldman Sachs. She has an LLM Master of Laws degree.

Marc Wilkinson is Head of Investments, based in our Edinburgh office but spending much of his time in London. He oversees our investment strategy and Central Investment Solutions teams, as well as managing our equity and fund analysts in the research team. Marc is also accountable for the governance function, chairing our Wealth Governance Committee and sitting on the Sustainable Investment Committee. While most of his role is around internal management and leadership, he does still enjoy interacting with clients. He has his Chartered Institute for Securities & Investment (CISI) Diploma and is a Chartered Fellow of the CISI. He also completed his MBA at Edinburgh University.

Guy Foster leads RBC Brewin Dolphin's Investment Solutions team working to align our investment capabilities with the needs of clients. He provides recommendations on tactical investment strategy to our investment managers and strategic recommendations to the group's Asset Allocation Committee. Guy has a Masters in Finance from London Business School. He is also a CFA charterholder, holds the CISI Diploma, and is a member of the Society of Business Economists.

BDM5901
Issue date: April 20245