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2024 proxy voting season themes and voting patterns

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Exercising our voting rights is a core part of what we do at Royal London Asset Management. Voting on thousands of resolutions worldwide every year is an extension of our work to promote good governance and proactive, thoughtful stewardship.

Our voting always aims to be pragmatic, reflective of local best practice and evolving market insights, and in the long-term interests of our clients. Alongside voting, our engagement, research, and advocacy also help to add value and meaning to our investment decisions. Engagements may not apply to any specific Royal London Asset Management fund or strategy, as each will have different investment objectives. Please check your prospectus for details on specific product objectives.

This report provides an overview of voting themes during the 2024 proxy voting season and voting patterns over the 12 months to 30 June 2024.

A general guide to how we vote

We seek to support the boards of our investee companies that act in the long-term interests of shareholders and stakeholders.

FOR: We support resolutions that align with our voting guidelines, local market best practice and shareholders' long-term interests.

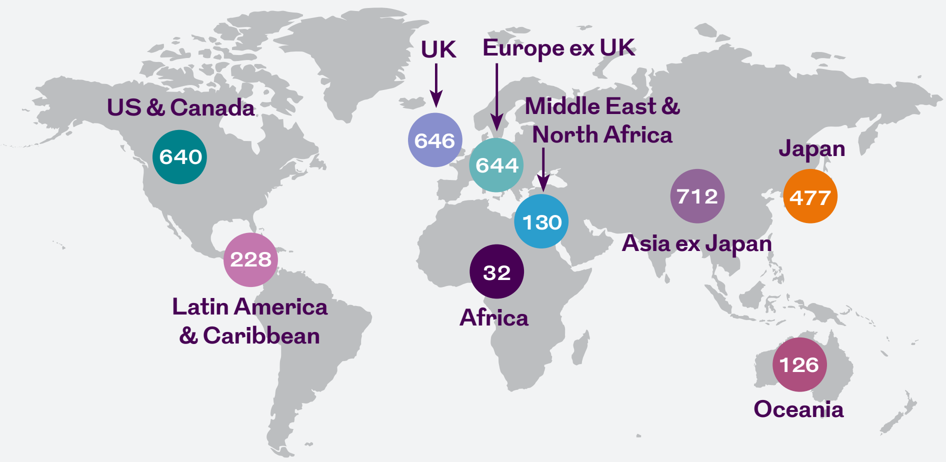
AGAINST: We oppose resolutions that are not aligned with our voting guidelines, do not follow best practice, or are not deemed to be in the best long-term interests of our clients.

ABSTAIN: We use this option when resolutions fall short of best practice but are not material, to signal initial concerns, or when issues are material but not fundamental and we have yet to raise them with the company. Although a *for* or *against* vote sends a more direct message to a board, we appreciate that not all issues are clear cut. We use an *abstain* to signal our initial concerns and invite a dialogue.

Exercising our voting rights, 12 months to 30 June 2024

3,635
Total number of meetings voted

45,041
Total number of resolutions voted



Trends by market

United Kingdom

Key trend: After a relatively quiet 2023, controversy over executive pay resumed in 2024. Companies aimed to counteract the limitations imposed during the Covid-19 years and wrestled with the necessity for competitive global pay structures.

- **Pre-emption rights**
  These are rights for existing shareholders to have first refusal on the issue of new shares by a company. Companies continue to seek approval for issuing shares without pre-emptive rights up to 20%. Royal London Asset Management continued to vote *against* most of these requests due to concerns with dilution.
- **Parker Review**
  We voted *against* the Chair of the board at 11 companies[1] due to non-compliance with the Parker Review's target for FTSE 250 companies to have at least one member on the board from an ethnic minority background. However, compliance amongst the FTSE 250 increased significantly against previous years.
- **Banker's bonus cap**
  UK banks faced increased attention after the 'bonus cap', which had limited variable pay following the financial crisis, was removed. No significant votes or changes occurred during the voting season due to the timing of the announcement. At least one bank has subsequently stated that they are lifting the cap during 2024 for internal staff[2], but any major policy changes for executives will require a shareholder vote.

AstraZeneca plc

We engaged with AstraZeneca in October 2023 on changes to the remuneration policy, which were to be voted on in 2024. At the time we expressed reservations about the scale of the proposals. Additionally, in 2021 we had previously expressed concern with large increases to the remuneration policy, but at the time chose to *abstain* given the substantial role the company was playing in fighting the Covid-19 pandemic and in recognition of an acquisition. That vote on the remuneration policy received a 39% vote *against*.

The changes for 2024 included an increase in bonus opportunity from 250% to 300% of salary and long-term incentive opportunity from 650% to 850% of salary. Other elements of the policy remained broadly unchanged. In total, maximum variable pay for the CEO was proposed to increase from 680% to 1,150% of salary in five years, unprecedented in a UK context.

The company has performed well, and incentive vesting levels have been high in previous years. The rationale for the changes were the company's significant growth and increased complexity. The company also cited increasing competition for talent and the need to compete with a global peer group. However, despite higher pay at some US peers, we did not believe the CEO is materially underpaid relative to a global peer group.

Approval of Remuneration Policy → Against

Engagement efforts will continue with the company on this matter.

- **Windfall gains**
  Concerns over "windfall gains" (unexpected large financial gains stemming from fortunate circumstance) from long-term incentive awards granted during low share prices persisted. One *abstain*[3] vote was cast due to concerns over grant levels, despite the company's stated intent to address potential windfall gains in the future.
- **Remuneration**
  The focus this season was on increases to maximum awards in remuneration policies. We voted *abstain* or *against* on 10 occasions[4] in the UK due to concerns with unjustified increases.
- **Salary increases for the wider workforce**
  In 2023, around 84% of FTSE 350 companies gave larger salary increases to the wider workforce than to executives (an average increase of 7% vs. 4% for executives). The trend may not continue in fiscal year 2024 due to lower inflation, but many companies are still ensuring executive salary increases are at or below the wider workforce increase, supporting lower-paid staff with additional cost-of-living support.

[1] Companies include: A.G. Barr plc, Balfour Beatty plc, CLS Holdings plc, Diversified Energy Companies Plc, Empiric Student Property Plc, Frasers Group Plc, Greencoat UK Wind Plc, Hilton Food Group Plc, Indivior Plc, Sthree, TI Fluid Systems Plc.

[2] Barclays scraps EU bonus cap for senior bankers | Reuters

[3] XP Power plc

[4] Companies in question involve Sirius Real Estate Limited, Airtel Africa Plc, Ithaca Enery Plc, Keller, Kier Group plc, LondonMetric Property Plc, Norcros Plc, Premier Foods, Renishaw Plc, Safestore Holdings Plc.

US & Canada

Key trend: "Anti-ESG" sentiment continues to dominate, with shareholder proposals seeking to scale back or restrict companies from considering and reporting on ESG issues.

- **Board oversight of technology and macro risks**
  There was increased interest in board management of cyber security and Artificial Intelligence (AI) risks following 2023 the Securities and Exchange Commission (SEC) rules to increase disclosure. Royal London Asset Management *abstained*[5] on one company's audit committee chair following a cyber security incident.
- **Slowing CEO pay growth**
  Analysis by our research provider suggested a slowdown in CEO pay growth to pre-pandemic levels, as median CEO pay dropped by 13.4% in 2023[6]. Despite this Royal London Asset Management voted 170 times either *against* or *abstain* on pay due to concerns over one-off payments awarded outside regular incentive frameworks.
- **Clawback**
  A clawback allows an employer or benefactor to reclaim money that has already been paid out, sometimes with a penalty. The New York Stock Exchange and Nasdaq implemented new clawback policy requirements in December 2023. We monitored companies for policies that exceed basic requirements or those revised to meet them. We voted *against* one company[7] due to weak clawback policies.

Exxon Mobil Corp

Exxon filed a lawsuit in January 2024 to exclude a shareholder proposal from their 2024 annual general meeting (AGM). The proposal asked Exxon to set more ambitious greenhouse gas emissions reduction targets. The company argued that the proposal was similar to ones that had failed to gather sufficient support in previous years and that activist investors were abusing the process. The shareholder proposal was withdrawn in February, but Exxon didn't drop the lawsuit.

At the AGM in May, we decided that these actions were sufficiently serious to warrant votes *against* most of the board. Royal London Asset Management voted *against* the CEO, *against* all members of the environment & social committee and *against* the chair of the governance committee; as those baring ultimate responsible for climate and the decision to continue with the lawsuit. We also voted *for* shareholder resolutions on virgin plastic demand and just transition reporting but voted *against* an anti-ESG proposal.

- **Multiple Director Elections → Against**
- **Shareholder Proposal Regarding Revisiting [Removing] Pay Incentives for GHG Emissions Reductions → Against**
- **Shareholder Proposal Regarding Virgin Plastic Demand → For**
- **Shareholder Proposal Regarding Just Transition Reporting → For**

One of the investors who filed the proposal subsequently agreed not only to withdraw the proposal, but also to never file such a proposal again[8]. This led a federal judge in June 2024 to dismiss the case as moot[9]. Disappointingly this dismissal preserves the option for other companies to pursue the same route to keep ESG-related shareholder proposals off annual meeting ballots, negatively impacting shareholders rights.

- **Shareholder proposal topics**
  A change in the SEC's approach led to fewer shareholder proposals blocked by the regulator. This saw an increase in proposals on AI ethics, human capital management, lobbying and political spending, and climate change.
- **Anti-ESG shareholder proposals**
  These proposals are carefully worded; but ultimately seek to block efforts to address climate change, diversity and/or charitable giving.

[5] UnitedHealth Group Inc
[6] Glass Lewis, 2024 Proxy Season Preview – United States, page 3.
[7] Comfort Systems USA Inc
[8] Exxon's Suit Against Its Own Shareholders Threatens Valuable Bargaining.
[9] Exxon Case Dismissal Leaves Path for More Suits to Toss ESG Bids.

Europe

Key trend: A triennial remuneration policy year, remuneration committees have been reviewing quantum in a similar trend to the UK. Climate proposals have also received less support compared to previous years.

- **Say on Climate**
  There were fewer proposals after France retracted its requirement for companies to hold mandatory climate votes. Royal London Asset Management voted on climate plans at nine European companies, with four *for*, three *against*, and *abstained* two.
- **Sustainability reporting audits**
  French companies are now seeking shareholder approval for these audits, 90 of which were put to a vote this year and we voted *for*. Swiss companies are also requesting this approval for non-financial reporting, we voted *for* all 45 proposals.
- **Pay increases**
  We voted *against* or *abstained* on more than 90 occasions due to unjustified pay increases, amongst other issues.
- **2024 remuneration policy year**
  Austria, Croatia, Czechia, Denmark, Finland, the Netherlands, Poland, and Sweden amongst others revisited their remuneration policies, with shareholders voting for the second time since the introduction of this requirement under the 2020 European Shareholder Rights Directive II. Higher dissent was expected, particularly where companies haven't improved remuneration disclosures. In total we voted on 327 policies, voting *for* 150, *against* 174, and *abstained* on 3 occasions.

Trends by topic

Remuneration

Royal London Asset Management support for US pay has increased by approximately 7.5% vs last year in recognition of strong performance. Support for UK remuneration proposals has also increased slightly, partly due to an appreciation that for some, the issue of global competitiveness and rebalancing does need to be addressed.

- **Overall:** Globally, Royal London Asset Management voted *for* 64% and *against* 33% of all remuneration-related proposals.
- **Regionally:** Our support for UK remuneration reports and policies is the highest of the regions at approximately 75%. Higher support in the UK reflects the high standards of disclosure as well as our ability to engage in detail with companies prior to a vote.

Support in Europe and the Rest of the World for pay proposals is below 50%. US pay support is lowest at 34% due to significantly lower pay-for-performance linkage and the persistent payment of extensive one-off recruitment and retention awards.

Director elections

Director voting patterns remain stable year-on-year across all regions, with minor falls in our level of support in the US and Rest of the World (approximately 3% and 2% respectively) vs 2023.

- **Overall:** We voted *for* 86% and *against* 13% of director election proposals in the period. Support for election by slate (generally Italy, Brazil), where all directors are elected as a group, is much lower at around 30%. This reflects our concerns over conflicts of interest between controlling and minority shareholders and the lower availability of information about candidates.
- **Regional patterns:** Support for directors is highest in the UK at 96%, with US and Rest of the World around 84% and Europe at 79%. Lower support in the US is largely driven by the higher incidence of combined chair/CEO roles, which usually result in a vote *against* the chair. In Europe the primary reason for votes against directors is a lack of sufficient board independence.

Shareholder proposals

The overall make-up of shareholder proposals has not materially changed, with most related to governance, followed by social and environmental issues respectively. Royal London Asset Management voted in favour of 53% of shareholder resolutions this year (down from 62% last year). Anti-ESG proponents continue to put pressure on US companies with carefully worded proposals seeking to block ESG efforts.

- **Governance:** We voted *for* 43% of governance related shareholder proposals. Topics covered the call for independent chairs and/or the separation of combined chair/CEO roles, executive remuneration, the elimination of super majority vote provisions and increasing shareholders' ability to call a special meeting.
- **Environment:** We voted *for* 90% of proposals calling for increased disclosure, as well as calls to reduce emissions. We voted *against* proposals classed as 'anti-ESG' which were seeking to scale back reporting or activity related to climate change. Overall we voted *for* 65% of environmental and climate related proposals.
- **Social:** Royal London Asset Management supported 54% of social proposals; these included increased disclosure on political spending or lobbying, human rights issues and animal welfare.
- **Market Trends:** North America saw 607 shareholder proposals this year, and only three in the UK (vs six last year). The UK allows for greater investor access, the threshold to file a resolution is higher and resolutions are generally binding, leading to a much lower number of resolutions compared to the US.

Delta Air Lines, Inc

At Delta Air Lines' 2024 AGM, a shareholder proposal was submitted requesting the adoption and disclosure of a non-interference policy. This policy aimed to uphold employees' rights to freedom of association and collective bargaining, aligning with the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. The policy included commitments such as non-interference in union formation, good faith collective bargaining, upholding international human rights standards, and processes to prevent and remedy policy violations.

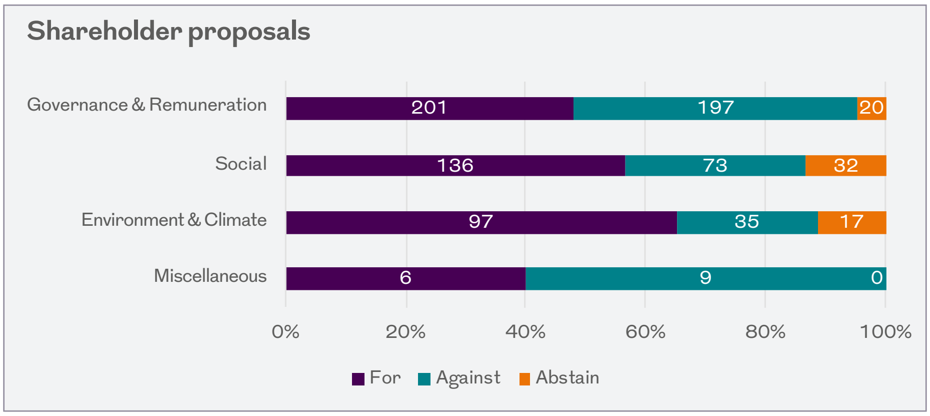
The company argued that it already respects and upholds its employees' rights and that the proposed policy would not benefit most of its employees. It believed that adopting the proposal would require the company to waive its legal rights to communicate its opinion on union representation to its US -based employees.

In 2023, Royal London Asset Management supported the same proposal, believing it could help mitigate human capital management-related risks, and the proposal received 32% of votes *for*. In 2024, we engaged with the company before the vote to discuss these issues. The company expressed concerns about the precise meaning of "non-interference" and its potential interpretations. While we appreciated the dialogue with the company, we remain supportive of the aims of the proposal.

Shareholder Proposal Regarding Policy on Freedom of Association
→ For

The proposal received only 25% of votes for this year, a decrease from the previous year but still significant support for a shareholder proposal.

We aim to continue engaging with the company on these matters.

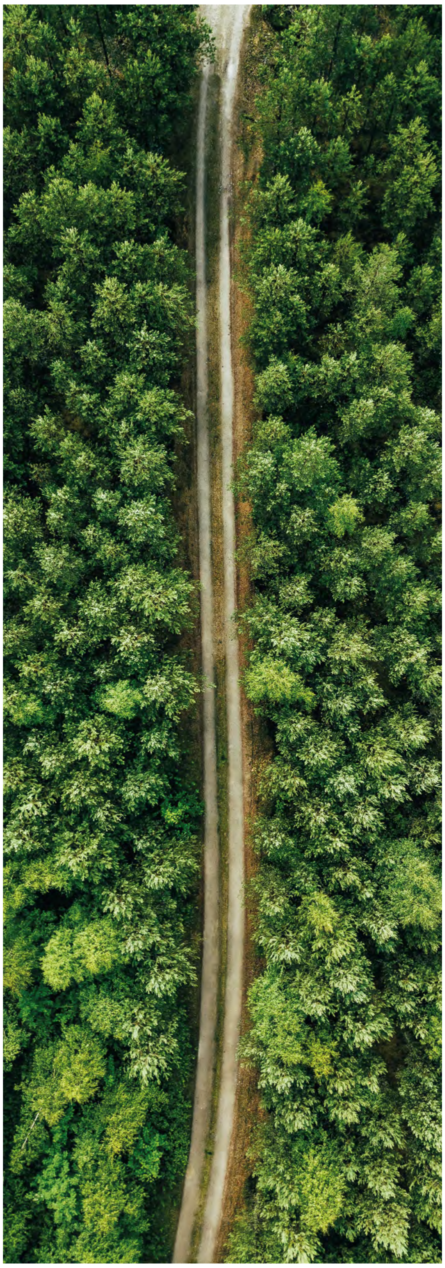


Shareholder proposals

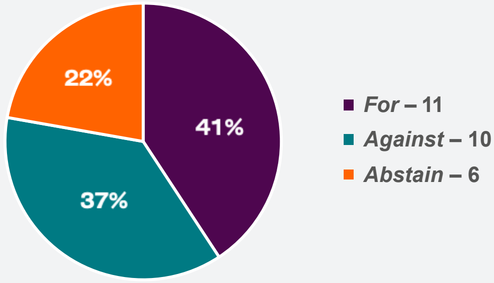
Say-on-Climate (management led climate resolutions)

We supported 41% of Say-on-Climate (SOC) resolutions this year. Our voting patterns have remained largely the same although there has been a slight decline in the number of votes vs 2023.

- **Market Trends:** Since the introduction of SOC proposals, there has been a noticeable decline in support from asset managers. SOC proposals proposed by management are more prevalent in Europe, with shareholder proposals being the primary method for raising climate concerns in North America.



Say-on-Climate



Shell plc

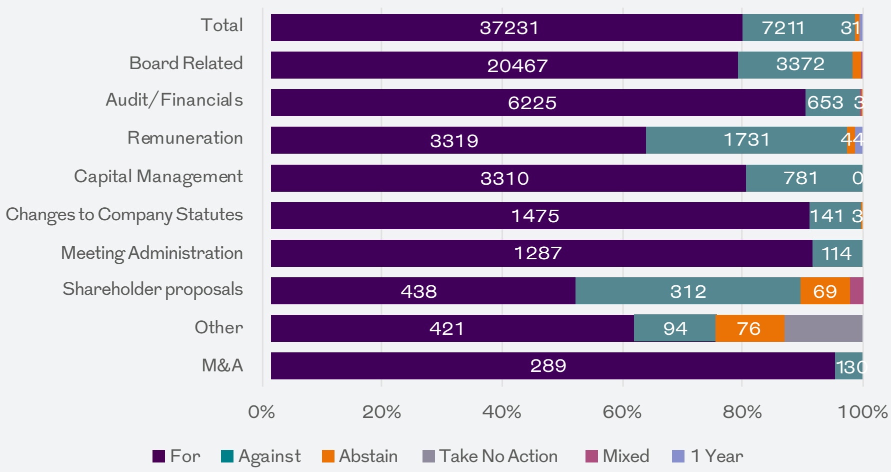
The company submitted a climate update and their climate transition strategy 2024 to a vote this year. Our position in 2023 was to vote against a similar resolution, due to the lack of observed progress against our expectations. Since then, the company has made progress on certain aspects of our asks, including increased disclosure around climate targets and the introduction of a new absolute Scope 3 emission target for the use of oil products. However, we have several remaining concerns, including continued expenditure in new exploration and are yet to see exploration plans being linked to a Paris-aligned decarbonisation pathway.

Approval of Energy Transition Update and Energy Transition Strategy 2024 → Abstain

At the time of the vote and in subsequent engagements we have urged the company to provide further clarity on this, on how carbon emissions will be reduced in the medium-term in absence of a mid-term net carbon intensity target, and also on the type and use of offsets.

We are continuing to engage with the company to address this and expect to see clear progress to avoid any future escalation of voting decisions.

Voting 12 months to 30 June 2024



Investment risks

Past performance is not a guide to future performance.

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