2023 annual

Net Zero Stewardship Programme

Issued June 2024

ROYAL LONDON
ASSET MANAGEMENT

Executive summary

As the science of climate change continues to evolve, its financial consequences are also being recognised and addressed.

Royal London Asset Management has a long history of integrating environmental factors including climate change into investment processes. In 2021, we took this a step further, making our formal net zero commitment to reduce emissions in our in-scope investments by 50% by 2030 and then achieving net zero by 2050[1]. This is a challenging target, and to support it, we have developed and implemented our own proprietary Climate Transition Assessment. This gives us a consistent framework to look at the companies we invest in and identify the areas where we can engage constructively.

A global phenomenon requires a global response from governments, investors and companies. Engagement is one of the key levers we use to support our firms purpose of 'Protecting today, investing in tomorrow. Together we are mutually responsible'. This means that rather than simply selling every energy company we own to improve our metrics, we chose to engage with those companies to seek improvements in transition planning and action.

This, our second annual report, covers our objectives, actions and outcomes in 2023. We focused our efforts on the highest emitting companies across our assets under management – generally companies in areas such as mining, oil producers and utilities. In this way, we aimed to maximise the benefit from our stewardship activities.

The outcome in the last reporting period has been mixed. Some of the companies we engaged with in 2022 showed signs of progress during our 2023 assessment; improving in areas such as investment in climate solutions, executive remuneration and offsetting disclosures. The news however was not all good; we found other companies and governments have slowed or stalled in their progress in support of the net zero goals– this is making it challenging to take decisive climate action.

However, while change can be supported by the governments and companies we engage with, it can also come from us – both as part of the wider financial services industry but also as Royal London Asset Management and the broader Royal London Group.

Engaged with 443 companies on a variety of E, S & G topics

Engaged 223 companies on climate representing 65% of our financed emissions

Strategically engaged with 36 of the largest emitters representing 52% of our financed emissions[2]

93 interactions through letters and meeting with the 36 highest emitting companies

Source: Royal London Asset Management, Scope 1, 2 and 3 financed emissions from Royal London Asset Management's AUM as of June 2023, indicators from companies' Climate Transition Assessment from 2022 and 2023.

1 See our commitments on page 5.

2 This refers to engagement carried out using our 12 net zero indicators as opposed to general climate engagement done individually or in collaboration with others.

Against this backdrop, we will continue to focus our efforts on the highest emitters in 2024. We believe that in 2024 and into 2025, there are three key trends to watch:

1. The likelihood of a disorderly transition due to regional and global geopolitical tensions
2. The pressure of increasingly volatile weather events and climate adaptation; and
3. The increasing information available to investors due to regulations, disclosures and standards.

Through all of this, transparency remains a key element in our work, partly through this report, but also ongoing updates through specific net zero articles, blog posts and research, and wider responsible investment communications. This ensures that our clients know what we are doing on their behalf and can input into those processes.

We are investing in resources to support and build out our work in this area and will continue strengthening partnerships with other asset managers and stakeholders – using our collective access and influence in a positive way.

Contents

Our climate change commitments

Royal London Asset Management recognises the science of climate change and the impact it can have on financial outcomes for our clients if not managed appropriately.

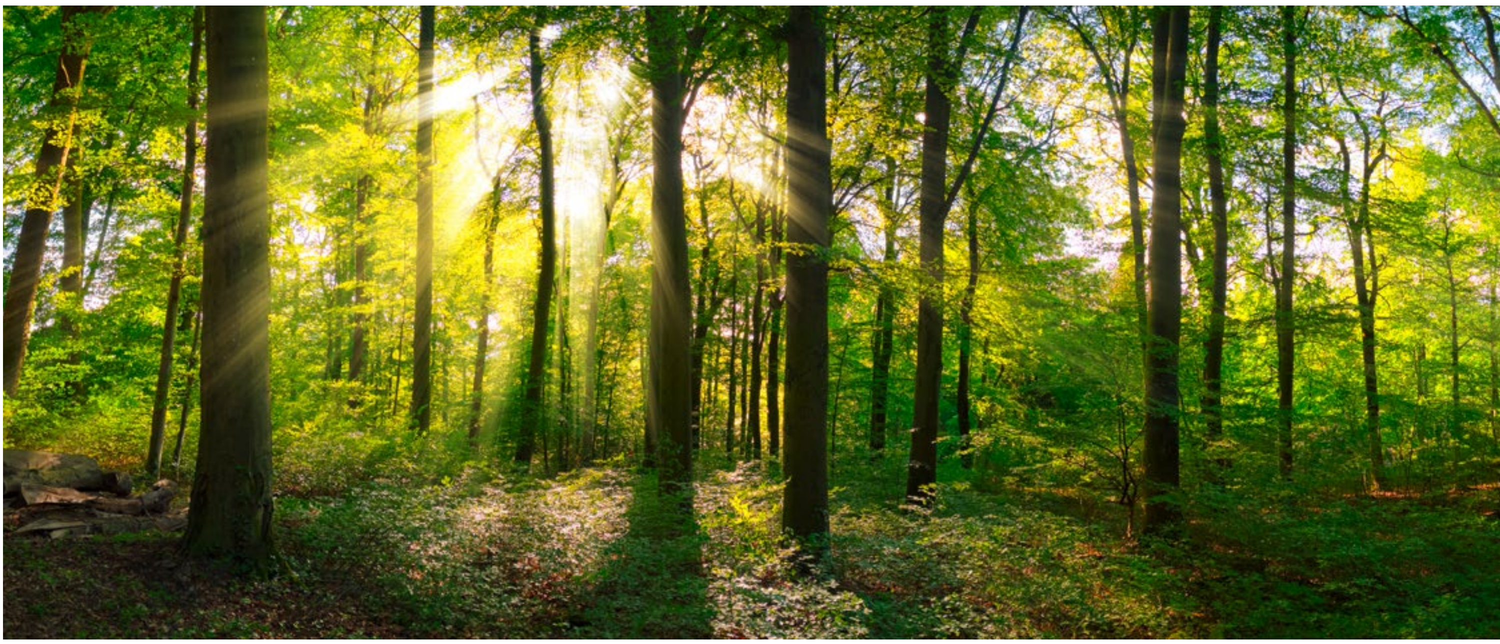
We have been engaging on climate for several years but following our net zero commitment in 2021 and joining the Net Zero Asset Managers initiative (NZAM), we further enhanced our engagement approach to help achieve our climate goals in 2022 and established our Net Zero Stewardship Programme. This report is our annual update to December 2023 – having run this programme for two years we are now beginning to observe change in companies we have engaged.

At the heart of our approach to climate change is our commitment to achieving net zero by 2050 and reducing emissions in our investments by 50% by 2030 for our in-scope assets, using 2020 as the baseline year[3].

Our objective is to evaluate and/or influence through engagement issuers representing 70% of our financed emissions by 2030, pushing for adoption of emissions reduction targets linked to science-based sector specific alignment methodologies (such as SBTi, the Science-Based Targets initiative) and climate transition plans.

Our commitment is made at the firm-level and we will report periodically and transparently on the progress we are making. This commitment does not apply to all Royal London Asset Management funds and strategies because each will have different investment objectives. Please check your prospectus for details on specific fund-level objectives.

Our efforts are focused on supporting the decarbonisation of the constituents of the companies we invest in, rather than simply decarbonising our portfolio through sales and disregarding the real economy. Our intention is to decarbonise Royal London Asset Management's in-scope assets under management in line with the real economy. We will also work closely with our segregated clients towards this goal where they have made explicit public commitments to net zero. Royal London Asset Management's efforts are focused on supporting the decarbonisation of the companies we invest in through engagement (and not decarbonising our portfolio regardless of the real economy). The commitment is based on the expectation that governments and policymakers will deliver on commitments to achieve the goals of the Paris Agreement. It also assumes this action does not contravene Royal London Asset Management's fiduciary duty to external investors.



3 The commitment is baselined on the year 2020 and is being tracked using Scope 1 and 2 carbon footprint using EVIC as an attribution factor ($tCO2e/\$m$ invested) for our in-scope corporate fixed income and equity investee companies.

Our net zero stewardship framework

What are we doing?

As part of our programme, the Responsible Investment team evaluates the progress of companies across our AUM in the delivery of decarbonisation plans to 2030 and beyond. To achieve this, we have adopted the following framework:

Figure 1. Six Pillars of our Net Zero Stewardship Programme

Research – We evaluate companies using our proprietary Responsible Investment Climate Transition Assessment, focusing on three key expectations: setting Paris Agreement-aligned targets, influencing wider net zero adoption, and demonstrating immediate action. Our 12 indicators (see Figure 2) help us assess whether companies take meaningful steps to align to net zero.

Engage – We engage with companies to enhance their climate transition plans, partnering with CA100+ and other investor networks where beneficial.

Vote – Our active in-house voting strategy progresses our net zero objectives using voting and other escalation techniques, when suitable.

Integrate – The Responsible Investment team provides Royal London Asset Management investment teams with updates on relevant climate research and engagements. The investment teams are responsible for appropriate integration of this information into their investment processes.

Advocate – We participate in collective advocacy efforts to support policies that facilitate net zero achievement.

Report – We share our progress with clients and stakeholders approximately twice a year.

How have we prioritised companies for enhanced net zero stewardship?

To establish which companies to prioritise in our engagement efforts, we:

- Assess the financed emissions data across our equities and corporate fixed income holdings across all portfolios.
- Prioritise our investee companies based on their Scope 1, 2 and 3 emissions[4], to ensure we encompass all activities and target companies with the most impact.
- Conduct annual reviews to evaluate if modifications to our target companies are needed to reflect changes in portfolio holdings weightings and/or emissions.

We do this with the intention to pursue our long-term engagement with the highest emitters we finance.

4 We favour Scope 3 estimated data, (provided by data agencies and following the GHG protocol methodology) due to the lack of issuer data and inconsistencies with report data. The Scope 3 estimation methodologies cannot follow the GHG Protocol, as it would require complete understanding of each company's entire value chain and market. Nonetheless, the methodologies are based on bottom-up company specific data when available but can also use top-down sector intensities. We note that the Scope 3 emission estimates are particularly weak for financials. This is mostly as methodologies for financials are only recently being supplemented by PCAF, disclosures are more complex and estimations involve using reference proxy portfolios and subindustry average emissions which are less accurate in nature than estimations for sectors where activities can be tracked by revenue split or assets.

What are we asking companies to do? Our Climate Transition Assessment

Our net zero engagement and voting are based on three overarching expectations, which are supported by 12 underlying net zero indicators, see Figure 2.

We systematically research companies based on our indicators and apply and disclose our expectations to each company we engage with, while considering the unique circumstances faced by sectors, geographies, and business models to reflect the latest available science and best practice.

We have a specific set of expectations and indicators for banks and other financial entities as the impact of the finance sector on climate is largely seen through their role as enablers of real economy activity, see Annex I.

We review and evolve our expectations to follow the latest available science and best practice.

Figure 2. Royal London Asset Management 12 net zero indicators used for research, engagement and voting

SET EMISSIONS REDUCTIONS TARGETS ALIGNED WITH THE PARIS AGREEMENT	BRING OTHERS TO NET ZERO	DEMONSTRATE ACTION NOW
1 Reach net zero emissions in a timeframe aligned with the Paris Agreement. **2** Include emissions from Scope 1, 2 and material Scope 3 activities in targets. **3** Only offset residual emissions following net zero-aligned offsetting principles.	**4** Commit to scaling-up technology and solutions required to achieve net zero. **5** Lobby for policies that accelerate the transition. **6** Engage with the business value-chain and communities to ensure a just transition and avoid negative impacts on nature. **7** Invest in adaptation measures to ensure resilience against climate impacts.	**8** Set and deliver short-term targets, that drive action during this decade. **9** Align the board, management, and employees' incentives to achieving net zero targets. **10** Develop an action plan with specific operational implications and business model transformation to deliver net zero. **11** Align capital expenditures and accounting practices to the delivery of net zero. **12** Disclose transparently and consult climate transition plans with stakeholders.

Research: Our Climate Transition Assessment

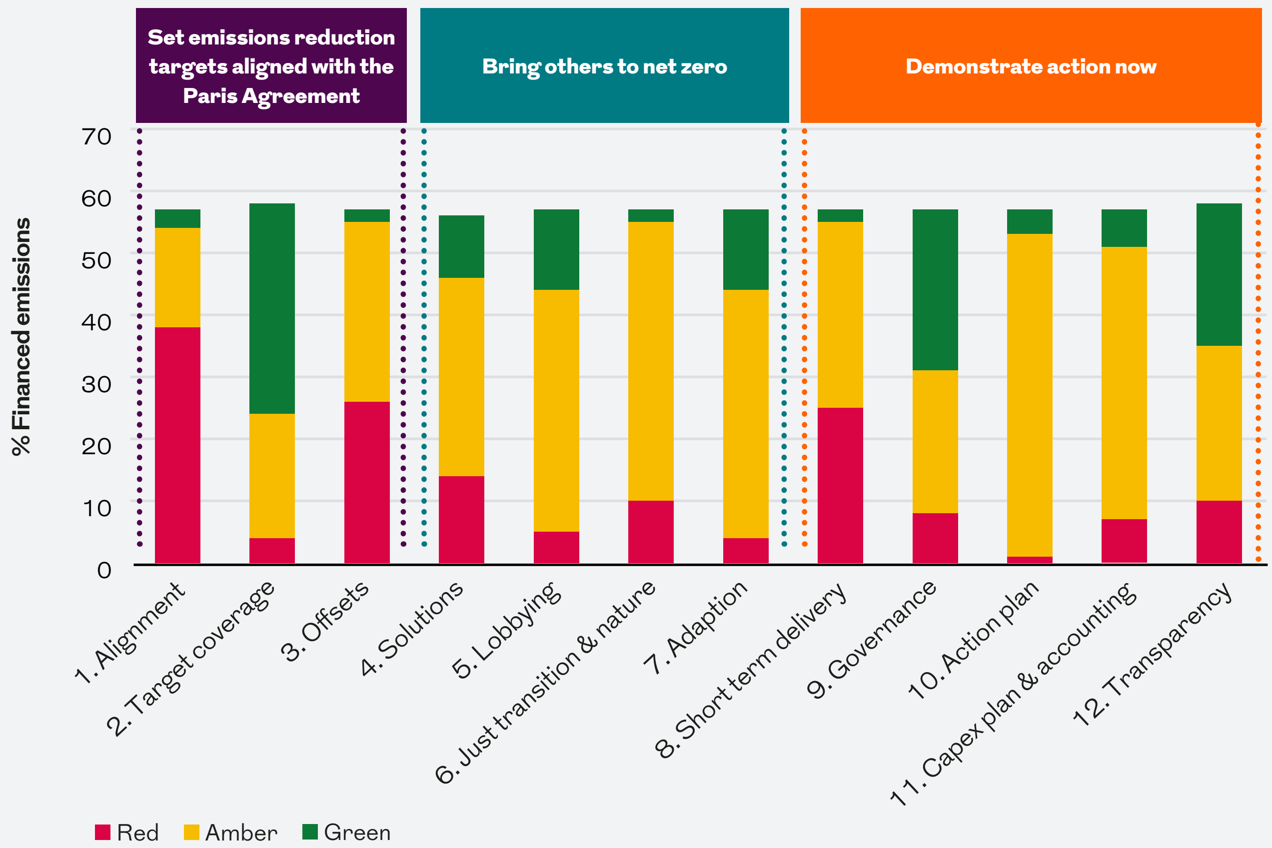
Since the Net Zero Stewardship programme's inception in 2022 the Responsible Investment team has assessed the climate disclosures and transition plans of 223 companies' against the 12 net zero indicators in our proprietary Climate Transition Assessment methodology.

Each of these indicators is assessed using a 'red, amber or green' rating based on proprietary criteria which factors in sector-specific considerations. An indicator will be rated 'red' for companies with disclosures that do not meet minimum standards. For example, for Lobbying (indicator 5), a company with recent evidence of negative lobbying would be marked as red. To be rated 'green' the company must meet our highest threshold, for example evidence of recent proactive lobbying supporting the policies needed for its sector to responsibly transition to net zero.

We use various sources of information to assess these disclosures, including information company from reports, data providers and academic research. We provide a qualitative analysis for each of our assessments and share those with our investment teams.

Figure 3 shows the most recent assessment for each company analysed. We included companies Scope 1, 2 and estimated Scope 3 emissions in our calculations across 170 companies assessed in 2022 (including those researched in a distinct project run during 2022) assessed in 2022 and 44 companies in 2023.

Figure 3. Financed emissions and rating for each 12 net zero indicators of our Climate Transition Assessment



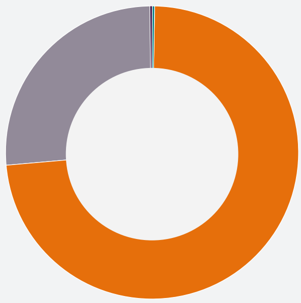
Source: Royal London Asset Management; Scope 1, 2 and 3 financed emissions from our AUM as of June 2023, indicators from companies' Climate Transition Assessment from 2022 and 2023 (170 companies assessed in 2022 and 44 companies in 2023).

The methodology followed by our Climate Transition Assessment is in line with the Climate Action 100+ (CA100+) Net Zero Company Benchmark, which can be viewed here. It allows us to build assessments compatible with the Net Zero Investment Framework (NZIF) categories of interest to our clients and classifying companies into:

- aligned and climate leaders
- aligned to a net zero pathway
- aligning towards a net zero pathway
- not aligned

While we observed some progress against our Climate Transition Assessment, further action is needed as most companies are still a long way from our expected standards. As in previous reports, we see the best relative performance in target coverage (indicator 2) with those companies who have set targets covering all Scopes of emissions. However, these targets typically remain unambitious (not aligned to the Paris Agreement, indicator 1).

Figure 4. Companies assessed against Net Zero Investment Framework alignment categories



- Aligned and climate leaders **0.5%**
- Aligned to a net zero pathway **0.5%**
- Aligning towards a net zero pathway **73%**
- Not Aligned **26%**

Source: Royal London Asset Management, as of 31 December 2023 (170 companies assessed in 2022 and 44 companies in 2023).

Complementary metrics for assessing Paris net zero alignment

As a deep dive into our approach, this section shows the various metrics and datapoints that inform our Climate Transition Assessment. This process involves a thorough analysis of each issuer's climate disclosures. We have different levels of conviction in some of these metrics but recognise that qualitative assessments are not always scalable and therefore quantitative solutions can help assess alignment of our portfolios and comparison with benchmarks. This can help extend the evaluation of portfolio alignment beyond the highest emitters covered by our climate transition assessment.

Implied Temperature Rise (ITR)

Implied temperature rise aims to measure the warming that the emissions from a company would align to by year 2100, if the whole economy had the same over- or under-shoot level of greenhouse gas emissions. It is based on the company's most recent Scope 1, 2 and 3 emissions, projecting these to the future and incorporating the company's targets. It is expressed in °C. We use ITR to track the percentage of our aggregated investment portfolio that is operating in alignment with this metric. ITR can support the clustering of issuers' future emissions around carbon budgets that limit temperature rises to 1.5°C and 2°C. As shown in Figure 5, Royal London Asset Management's overarching portfolio of fixed income and listed equities increased its proportion of aligned and aligning companies between 2022 and 2023.

Figure 5. ITR of our listed equity and corporate credit assets

Metric		2022	2023	YOY% change
Implied temperature rise below 1.5°C	% value in portfolio	28%	39%	39% better
Implied temperature rise below 2°C	% value in portfolio	59%	62%	5% better

Source: Royal London Asset Management and MCSI ESG research. Certain information ©2023 MSCI ESG Research LLC. Reproduced by permission, as of 31 December 2023

Science-Based Targets initiative (SBTi) alignment

The SBTi is a partnership between non-governmental organisations (NGOs), the Carbon Disclosure Project (CDP), the UN Global Compact (UNGC), World Resources Institute (WRI) and the Worldwide Fund for Nature (WWF). Its purpose is to create a clearly defined pathway for companies to reduce emissions. Companies can apply to SBTi to validate their emission reduction targets and determine whether their targets align to either an end of century temperature of 1.5°C or 2°C.

Our data shows that more companies are adopting climate targets in our aggregate fixed income and listed equities holdings, but fewer companies are submitting these to SBTi for review. This could be due to SBTi deleting from their databases companies that set targets but did not get their targets verified.

Figure 6. SBTi alignment of our listed equity and corporate credit assets

Metric	2022	2023	YOY% change
Companies with near term 1.5°C SBTi targets (% value of portfolio)*	17%	23%	35% better
Companies with near term 2°C SBTi targets (% value of portfolio)*	3%	4%	33% better
Companies committed to near term targets**	14%	11%	21% worse
Total near term targets coverage	35%	38%	

Source: Science Based Targets initiative. Reproduced by permission, as of 31 December 2023

* Companies with approved near-term targets in the fund that had their climate targets approved by the SBTi.

** Companies committed to set near-term science-based targets have 24 months to submit their targets to the SBTi for validation.

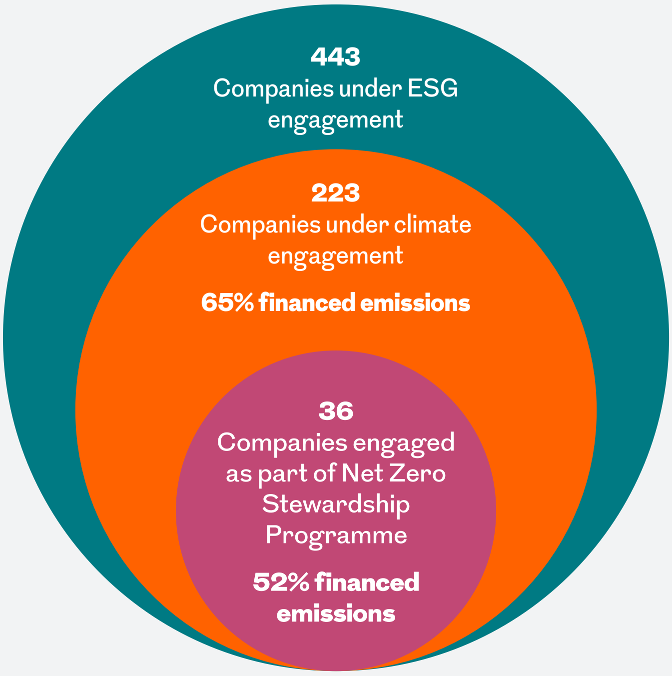
Engage: Net zero engagement progress

In 2023, Royal London Asset Management engaged with 443 companies on a variety of environment, social and governance topics. We engaged with over half of these companies on climate-related issues. We had at least one climate-related interaction[5] with 223 companies, covering 65% of financed emissions in our portfolio. These were carried out individually or through collaborative partnerships with other investors, enabling us to reach a larger number of companies.

Our Net Zero Stewardship Programme focuses on the highest emitters with an objective to engage with companies contributing to at least 50% of our financed emissions during the engagement period.
In 2023 we:

- strategically targeted 36 of the highest emitting companies (52% financed emissions) with whom we had 93 interactions.
- interacted through letters and meetings. The latter taking place with companies' Chairman, board members, CEOs and sustainability experts.
- followed up with several companies asking them to meet specific objectives which we had identified as priorities within our Climate Transition Assessment.

Figure 7. Companies engaged on climate at Royal London Asset Management

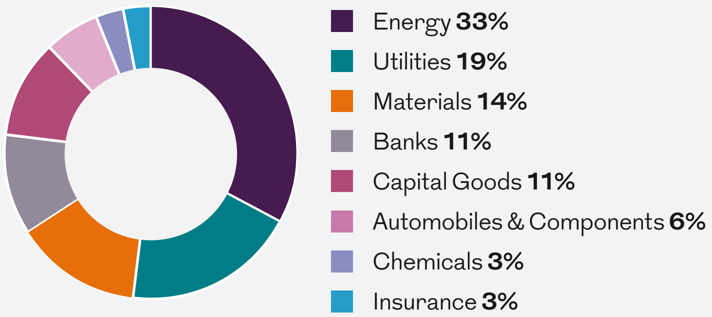


Source: Royal London Asset Management, as of 31 December 2023.

5 Interactions refer to letters sent, meetings or other focused exchanges with holdings in our portfolios.

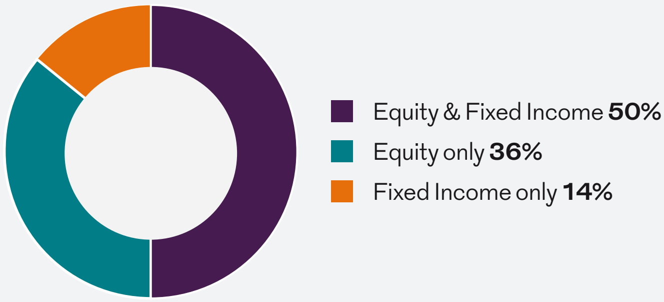
Our net zero engagement activity has been focused predominantly on companies we hold across both equity and fixed income portfolios. As we include Scope 3 emissions in our engagement prioritisation, the highest emitters we engage with are oil and gas companies, energy utilities, diversified miners, and banks.

Figure 8. Sectors engaged in 2023



Source: Royal London Asset Management, as of 31 December 2023.

Figure 9. Asset class breakdown



Source: Royal London Asset Management, as of 31 December 2023.

Measuring change: engagement data and case studies

We intensively targeted 36 of the highest emitting companies in our investment portfolio through our 2023 Net Zero stewardship programme. Of these, 22 were part of our 2022 analysis and as such we now have two years' worth of engagement insights.

When assessing those 22 companies against our Climate Transition Assessment, we have observed that there have been 46 indicator improvements, whilst 17 indicators have deteriorated. This indicates an overall improvement in the approach to net zero within our small sample of high emitting companies. Progress is non-linear, and while we are not complacent, the overall trend is net positive; for every indicator that deteriorated, three indicators improved.

Figure 10. Assessment of 22 highest emitting companies in 2022 and 2023

Improving

- 46 improving indicators
- 3 companies improved their plans to 'Aligning towards a net zero pathway'
- 7 companies scaled up their investments in climate solutions
- 8 companies integrated further climate considerations into executive remuneration
- 6 companies improved on their disclosures on offsets, limiting their use to residual emissions

Deteriorating

- 17 deteriorating indicators
- 2 companies worsened their climate plans and were reclassified to 'Not aligned'
- 3 companies' climate lobbying activities deteriorated
- 2 companies scaled back their short term targets ambition
- 2 companies deteriorated on reducing negative impact of their climate plans on nature and society

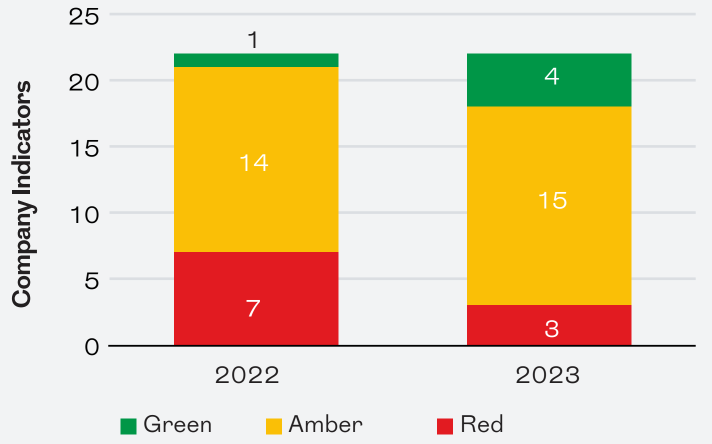
Source: Royal London Asset Management, as of 31 December 2023

Scaling of climate solutions (indicator 4)

We have seen an increase in disclosures of companies' scaling of climate solutions between 2022 and 2023. This improvement is particularly positive as successful economy-wide decarbonisation requires all companies to reduce emissions in their operations and supply chains while replacing carbon-intensive products and services with low-emissions alternatives.

We see progress in power generation, transportation and mining. For example, Safran, an aircraft equipment manufacturer, is working on the next generation of ultra-low energy engines and mining companies such as Glencore are focused on expanding the supply of transition metals.

Figure 11. Change in scaling of solutions assessment

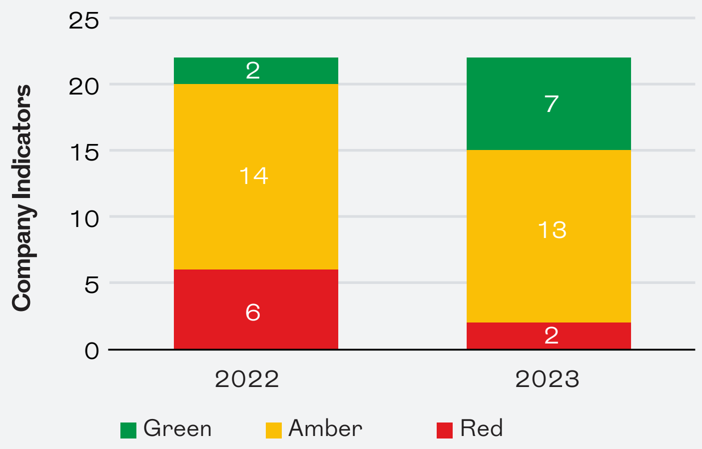


Source: Royal London Asset Management, as of 31 December 2022 and 31 December 2023.

Remuneration (indicator 9)

Increasingly the high emitting companies within our engagement programme are coalescing in their approach to integrating climate targets into incentives. We have identified improved remuneration plans, from a climate point of view, that showcased comprehensive coverage of emissions either in the short- or long-term incentive plans and saw increasing alignment with the respective company's strategy. Nonetheless, we note that targets could be more stretching and individual metrics and targets performance more transparent. For best practice, we see the Short-term Incentive Plans (STIP) or Long-term Incentive Plans (LTIP) figures cascaded to a larger proportion of employees and transparency in what metrics and/or targets are.

Figure 12. Change in governance and remuneration



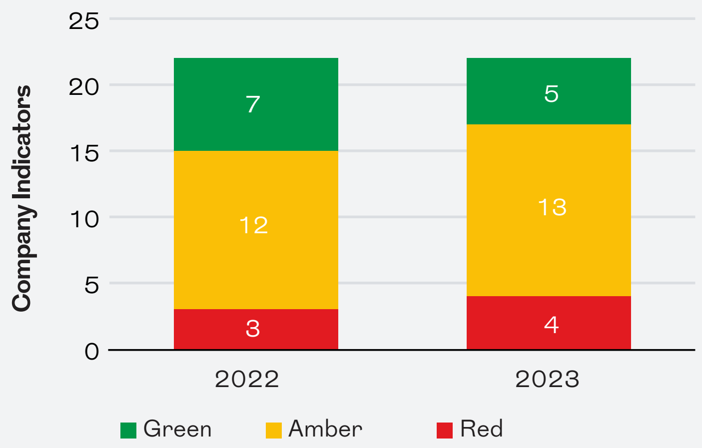
Source: Royal London Asset Management, as of 31 December 2022 and 31 December 2023.

Lobbying (indicator 5)

In the absence of further technological breakthroughs, climate change mitigation and the speed of the transition can in many ways be determined by industrial policy. There is increasing evidence that fossil fuel lobbying is influencing policy decision-making in democratic counties. This has also brought further scrutiny on corporate lobbying, for example through specialised NGO research, such as InfluenceMap which delivers research and insights for investors.

We believe most negative changes in this indicator are due to further information being available to investors, evidencing previously unknown lobbying behaviour, rather than a clear deterioration of existing lobbying practices. We see this indicator as important in assessing the coherence of a company's stated climate position against its overall business strategy.

Figure 13. Change in lobbying alignment

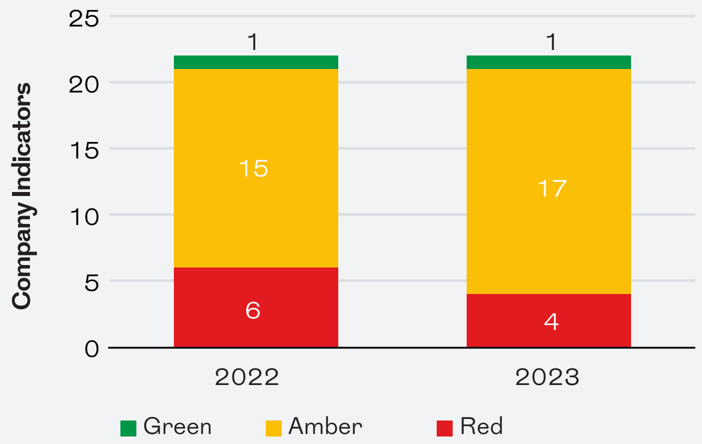


Source: Royal London Asset Management, as of 31 December 2022 and 31 December 2023.

Short-term targets (indicator 8)

Some companies are recognising that it may be more challenging/costly for them to achieve their short-term targets than anticipated. For example, two of the oil and gas majors we have engaged with, Shell and BP, showed a deterioration in their short-term targets and delivery in the last year. However, there were more companies that previously had no short-term targets who set these in 2023. Overall, we see marginal progress in this area. We think targets and ambition alone are not enough and the credibility of companies' plans and execution is important for high emitting industries to demonstrate their commitment to net zero.

Figure 14. Change in short term targets and delivery



Source: Royal London Asset Management, as of 31 December 2022 and 31 December 2023.

Spotlight on just transition and nature (indicator 6)

The successful transition to net zero depends on and is impacted by society and nature. We are observing increasing interest and agreement about the impact and dependences between climate, society and nature.[6] We believe this validates our existing approach, included in our Climate Transition Assessment since we initiated our engagement in 2022, which covers issues at the intersection of climate with social and other environmental issues.

Climate and biodiversity: Net Zero Engagement Initiative and responsible supply chains

Some companies in the energy, chemicals, and materials sectors are actively transitioning towards using bio-resources for their products and energy needs, moving away from traditional fossil fuel sources. This trend of offering products and services with lower carbon emissions could help limit global warming over time. However, if irresponsibly managed, the increased demand for bioenergy and bio-based products could lead to deforestation and biodiversity loss. Ecosystems, such as forests, play a vital role as carbon sinks and if we do not manage them responsibly the transition to net zero could become harder.

We co-lead engagements with Croda, Drax and UPM-Kymmene as part of the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Engagement Initiative (NZEI), launched in 2023. These companies are in diverse industries such as chemicals, power generation and paper production respectively but are linked by their dependency on nature to successfully execute their climate transition plans and their ability to impact the environment. From our dialogue with these companies, we believe they are all aware of the importance of this issue and are working to improve their approach. Increasing regulation supports our key ask of full traceability of bio-resources supply chains. Notably, the EU Deforestation Regulation (EUDR) came into force in 2023 and requires seven commodities[7] to be "deforestation free". Crucially, this regulation is supported by a stringent due diligence process which includes full traceability of supply chains supported by geo-tagging. UPM-Kymmene exhibits good practice in this area and is investing in technology to have an integrated recording system. We and the companies we have engaged with, all recognise that current certification programmes are not enough and will continue our engagement to encourage further leadership and engagement in the development of innovative techniques such as the use of satellite technology.

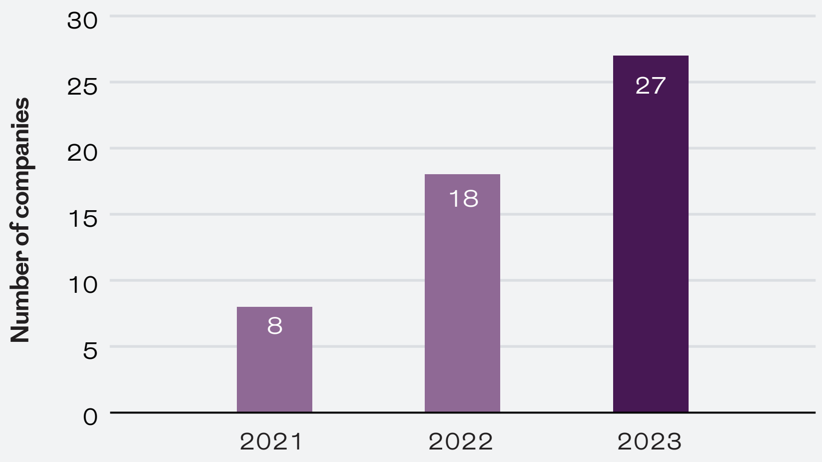
6 HMT TPT includes in its guidelines reference to just transition and nature (for example on its sector guidelines for asset managers and asset owners: Transition Plan Taskforce)
7 The commodities in scope of the EU Deforestation Regulation are palm oil, soya, wood, cocoa, coffee, cattle and rubber as of 31/12/2023. Operators and traders have 18 months to implement the new rules from 29 June 2023. Regulation - 2023/1115 - EN - EUR-Lex (europa.eu)

Just transition: Moving fairly to a sustainable world

'Moving fairly to a sustainable world' is one of Royal London's key purpose outcomes. This underpins Royal London Asset Management's extensive focus and work on just transition. Throughout 2023, the concept became more mainstream among investors and policymakers. Our experience, shown in figure 15, is consistent with some findings from academics and data providers[8] suggesting momentum on just transition is rapidly building.

Our proactive engagements reveal that – overall – companies agree that integrating a just transition approach into their climate transition strategies enhances their ability to meet their commitments. The concept of just transition in this context requires proactive human capital management and helps foster social acceptance to make the transition to net zero smoother. Since the inception of this engagement programme, we have actively engaged utilities in Europe, North America and Asia, as well as banks, housing associations, miners, and oil and gas companies. We have asked companies in these sectors to incorporate social factors into their climate plans over 2022 and 2023, and we are starting to see some tangible progress.

Figure 15. Cumulative number of companies in our net zero assessment mentioning just transition in their plans



Source: Royal London Asset Management, as of 31 December 2023 including companies which we have researched as part of our engagement efforts.

We have actively been involved in leading and contributing to various external collaborative engagement programmes:

- **World Benchmarking Alliance (WBA):** We co-led engagement with Shell and supported investor interactions with Equinor, Chevron and ExxonMobil for a just transition in the oil and gas sector.
- **Financing a Just Transition Alliance (FTJA):** We contributed to the initiative's work, methodological development and collaborative engagement partnership with other asset managers.
- **Banks:** We worked with Border to Coast Pensions Partnership and Friends Provident Foundation to continue our engagement with HSBC, NatWest, Barclays and Lloyds Banking Group on the unintended potential social impacts of the climate transition.
- **Social housing:** We collaborated with Friends Provident Foundation to release a report entitled 'Net zero social housing: a just transition through a perfect storm', which explored the challenge that net zero action could divert resources away from essential priorities of housing associations, such as building more affordable homes.
- **Energy:** We collaborated with US and UK investors to provide feedback to National Grid on their just transition plans, and we also collaborated with Border to Coast Pensions Partnership to engage with CLP Holdings, focusing on developing a just transition plan.

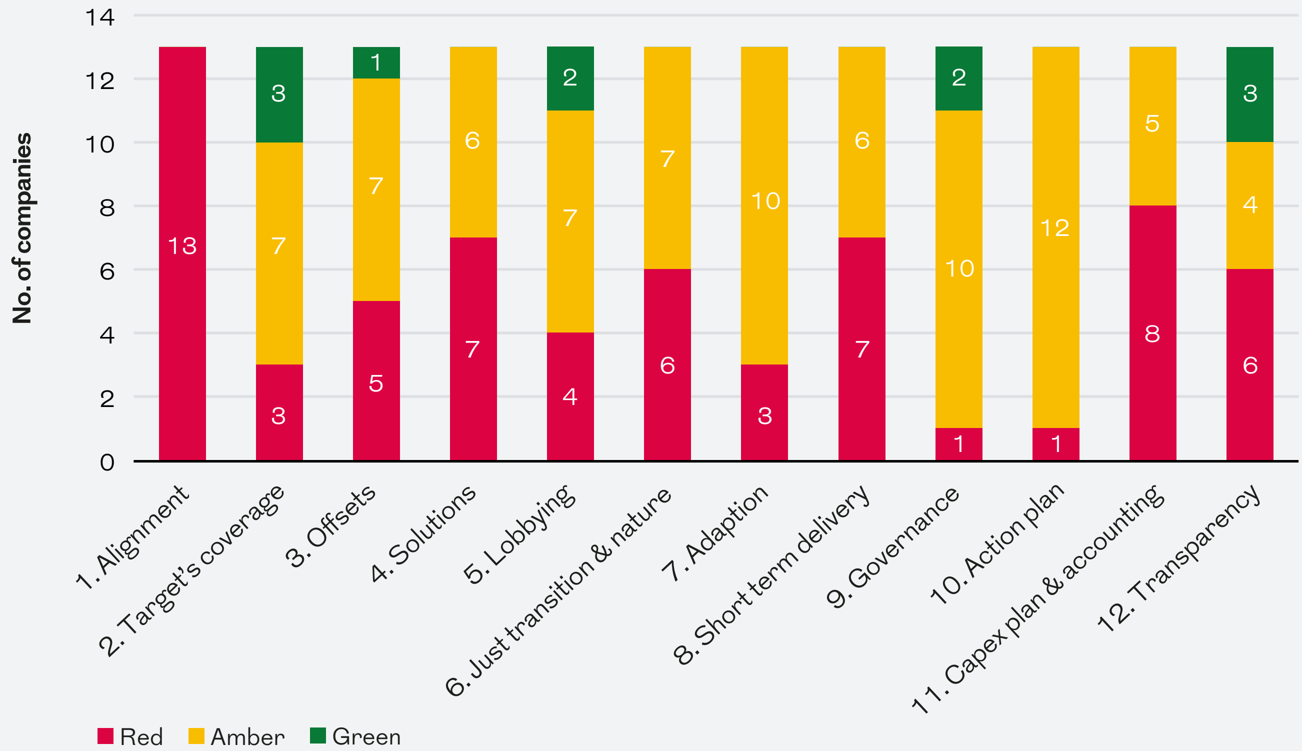
8 COP28: The irresistible rise of the just transition - Grantham Research Institute on climate change and the environment (lse.ac.uk)

Engagement case studies in key sectors

Oil and gas sector

In 2023, a number of companies in the oil and gas sector appeared to backtrack on previous climate transition commitments. We have responded with additional engagement and stronger voting positions. While progress remains mixed, we believe investor engagement can be useful to avoid further deterioration. Although 10 of the companies assessed have net zero targets only three of them have included all material categories of Scope 3 and we believe none of their targets are ambitious enough (this is shown in Figure 16 where indicator 1 (alignment) is the worst performing indicator). This sector also underperforms on its disclosures of stress testing in financial accounts and CAPEX disclosures aligned with the delivery of their targets (indicator 11).

Figure 16. Oil and gas engagement outcomes



Source: Royal London Asset Management, as of 31 December 2023

We observed the previously divergent approaches between US and European oil majors and national oil companies getting closer. While some European oil and gas companies backpedalled from previous climate commitments to 2030, they retain a transition narrative and longer-term commitment to net zero inclusive of their products. US majors were growing through merger and acquisition activity on low-cost barrels – betting on being 'the last oil company standing' and adopting some diversification through carbon capture utilisation and storage (CCUS). Some progress was made at COP28 with some additional national oil companies committing to net zero Scope 1 and 2 emissions, via methane and flaring reductions. However, we believe that the transition risk in the sector is concentrated on their Scope 3 emissions linked to the use of sold products and the decline in oil and gas demand required to meet the Paris goals. Although countries agreed at COP28 to 'transition away from fossil fuel energy systems', in the energy sector there is disagreement about the pace at which the transition should occur, underlining the complexities of future energy scenarios.

Case study: Shell

Shell is an oil and gas major whose progress we have monitored closely for several years as the firm remains a substantial holding and contributor to our financed emissions. When the company appointed a new CEO in 2023, we sought clarity on its climate transition plan. Engagement is ongoing with a focus on setting an ambitious and credible decarbonisation strategy.

Getting ready for the 2023 AGM

Following internal discussions on the progress of Shell's climate transition plans, we reiterated our requests for improvements to the company's Chairman ahead of the AGM. Although the company intends to meet its 2030 targets by a non-linear pathway, we highlighted our need for transparency. In particular, we requested more disclosure about the choice of carbon credits and absolute emissions reductions. These commitments are implied – but not explicit – in its Scope 3 emissions targets.

Vote: Powering Progress

In 2022, we *abstained* on the management proposal to approve Shell's 'Powering Progress' report. We believed it was not sufficiently ambitious to be considered aligned with with the Paris Agreement. In 2023, we escalated our concerns and voted *against* the management proposal. We observed slow progress and retained concerns over disclosures around Scope 3 emissions, offsets, and investments in new oil and gas production.

Vote: Shareholder proposal

In 2023 we *abstained* on a shareholder- proposed resolution on climate change. This was a change from 2022 when we aligned our vote with management and voted *against* the proposal.

Strategic shifts

Shell recently made several strategic changes, following the appointment of the new CEO.

Capital Markets Day: At this event in June 2023, we noted Shell's 'Powering Progress' plans would decrease investments in renewable power. Shell stated it had already achieved a 1-2% reduction in oil output through divestment of its shale business, an approach we believe does not support real-world emission reductions. Additionally, its Scope 3 targets were notably missing from distributed materials.

Engagement for change

Direct dialogue: Following the Capital Markets Day, we wrote to Shell's Chairman to reiterate requests for clear disclosures on Scope 3 emissions and offsetting policies and to explain how exploration activities align with its climate commitments. We met twice following this communication to discuss our expectations for the planned revision of its energy transition strategy, which was first published in March 2023.

Deep dive into scenario modelling: We engaged with Shell's Head of Scenario Modelling to gain insights into underlying assumptions and conditions of the climate scenarios guiding its strategy.

Lobbying alignment: We joined other investors and the not-for-profit Australasian Centre for Corporate Responsibility (ACCR) to request improvements on the company's lobbying disclosures, particularly including membership and direct lobbying in emerging markets.

Evaluating progress

Reflecting on our extensive engagement with the company and some of the changes announced at the Capital Markets Day, we re-evaluated Shell's net zero alignment. Our evaluation found it had improved in some areas but fallen back in others. We had the following observations:

- Inadequate short-term ambitions
- Planned increase in absolute emissions before 2030
- Poor disclosures on lobbying and trade association memberships
- Improved disclosure on how its transition plans will impact workers, communities, suppliers, and customers.

The Responsible Investment team revised Shell's status from 'aligning towards a net zero pathway' to 'not aligned' using its Climate Transition Assessment methodology.

Engagement continues

While Shell has yet to fully meet our requests, it is a large and strategic holding for us, so our engagement will continue. We aim to shift companies from 'not aligned' to 'aligned' within our Climate Transition Assessment.

Case study: Suncor Energy, monitoring commitment to delivery

Suncor is a Canadian integrated energy company specialising in production of crude from oil sands.

We met Suncor's VP Sustainability and Director of Investor Relations to discuss the new CEO's recently announced changes in strategy. We wanted to understand any impact on the company's climate plans, with a special focus on its short-term greenhouse gases (GHG) emission target and fossil fuel exploration plans.

The company assured us that their decarbonisation commitment remained unchanged and stated that the media had misconstrued the CEO's message of re-focusing on the core oil and gas business.

Suncor is looking at strategies to improve its short-term target disclosure as well as to provide further details on decarbonisation levers. Suncor's short-term targets include absolute reductions in emissions, however they account for Scope 4 or 'avoided' emissions with unclear baseline for the reductions. On average, around 10% of the company's capital expenditure has been directed to low-carbon activity, including for the decarbonisation of its operations.

However, the company's key carbon capture and storage (CCS) projects in Alberta are policy dependant. We requested further clarity on key milestones that we could follow on the execution of CCS and were directed to the Pathways Alliance initiative. This group consists of the six biggest oil sands companies in Canada working together to achieve net zero emissions from operations.

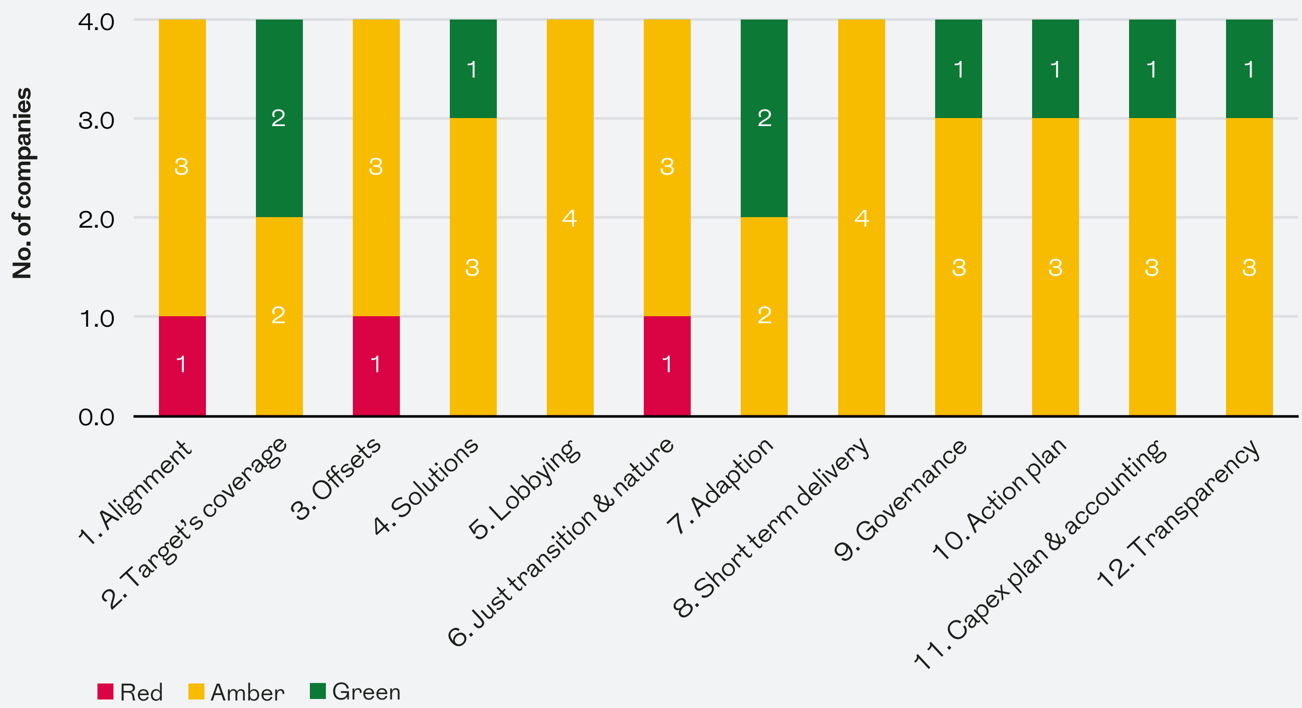
With regard to the company's extension to its oil assets, Suncor describes their production profile as 'flat' going forwards and that the few exploration extensions are consistent with their targets and commitment. With regards to Scope 3, Suncor has stated that oil sands are less subject to transition risk due to their broader use cases than low American Petroleum Institute gravity (API) oils and their lesser dependency on the diesel market shrinking.

To support our increasing understanding of unmitigated risks, we will continue encouraging Suncor to enhance their climate scenario analysis and be transparent in the assumptions outlined above.

Mining sector

In Figure 17 we show our assessment of progress across the four companies in the mining industry which we have the largest exposure to. These companies have all set emission reduction targets and in 2023 we observed a divergence in their progress against these targets.

Figure 17. Mining engagement outcomes



Source: Royal London Asset Management, as of 31 December 2023

BHP had already met their absolute 2030 Scope 1 and 2 target. However, this target can be seen as unambitious given performance to date and BHP's own assertion that their plan is not aligned with a 1.5°C degrees world. By contrast, Rio Tinto newly expressed in 2023 that its 2025 Scope 1 and 2 target could now only be achievable with the use of carbon offsets, which was previously considered a 'last resort' option. Rio Tinto's targets are arguably more ambitious than BHP's and while it is not the outcome we were hoping for, we appreciate the pragmatism and openness in lieu of changing targets.

With regard to aspects of the climate transition, we have seen progress across the sector, for example in disclosures around scaling of climate solutions and physical risk adaptation plans. Stakeholder management to ensure a just transition remains an area of priority for us. We continue to engage with Rio Tinto on its workforce engagement plan, and our Head of Responsible Investment sits on the Board of the Initiative for Responsible Mining Assurance (IRMA). This organisation seeks to set a standard verification process at mine sites that encompasses communities and workers.

Case study: BHP, responsible mine closure

Royal London Asset Management believes that the responsible wind-down and early closure of coal mines is likely to deliver more climate benefits than a standard divestment. An example of this is when in 2021 Anglo American divested high-emitting asset Thungela, which as an unintended consequence resulted in increased exploitation of coal assets and an increase in the expected long-term emissions. Whilst divestment of high-carbon assets may result in portfolio decarbonisation, the focus of our climate engagement is on real world outcomes. We recognise that reducing coal consumption and its supply over time is imperative to stabilise the climate, as established by the International Energy Agency (IEA) outlooks and Intergovernmental Panel on Climate Change (IPCC) reports and we are engaging to ensure companies focus on phasing out this highly carbon-intensive fuel from both the demand and supply side.

Our long-standing engagement with BHP continued in 2023. Back in 2021 we emphasised to BHP's CEO that from a climate point of view we prefer high carbon energy assets to be owned by responsible operators before being run down and closed. In 2022 we reiterated to BHP this sentiment specifically on decision around its Mount Arthur Coal Mine. The Mount Arthur Coal Mine is BHP's only remaining energy asset following the divestment of its oil assets in 2021. A few months later BHP announced its decision to cease mining at the Mount Arthur Coal Mine in 2030 as part of a responsible pathway to closure instead of divesting the asset. BHP remains involved in metallurgical coal production, used to produce steel, and also divested part of their metallurgical coal assets in Australia in 2023. We continue to engage BHP to improve its climate transition plan as part of our Net Zero Stewardship Programme. BHP's overall progress has led to the upgrade of our assessment of its climate plans from 'not aligned' to 'aligning towards a net zero pathway'.

Case study: Glencore, challenges in the phase-down of coal

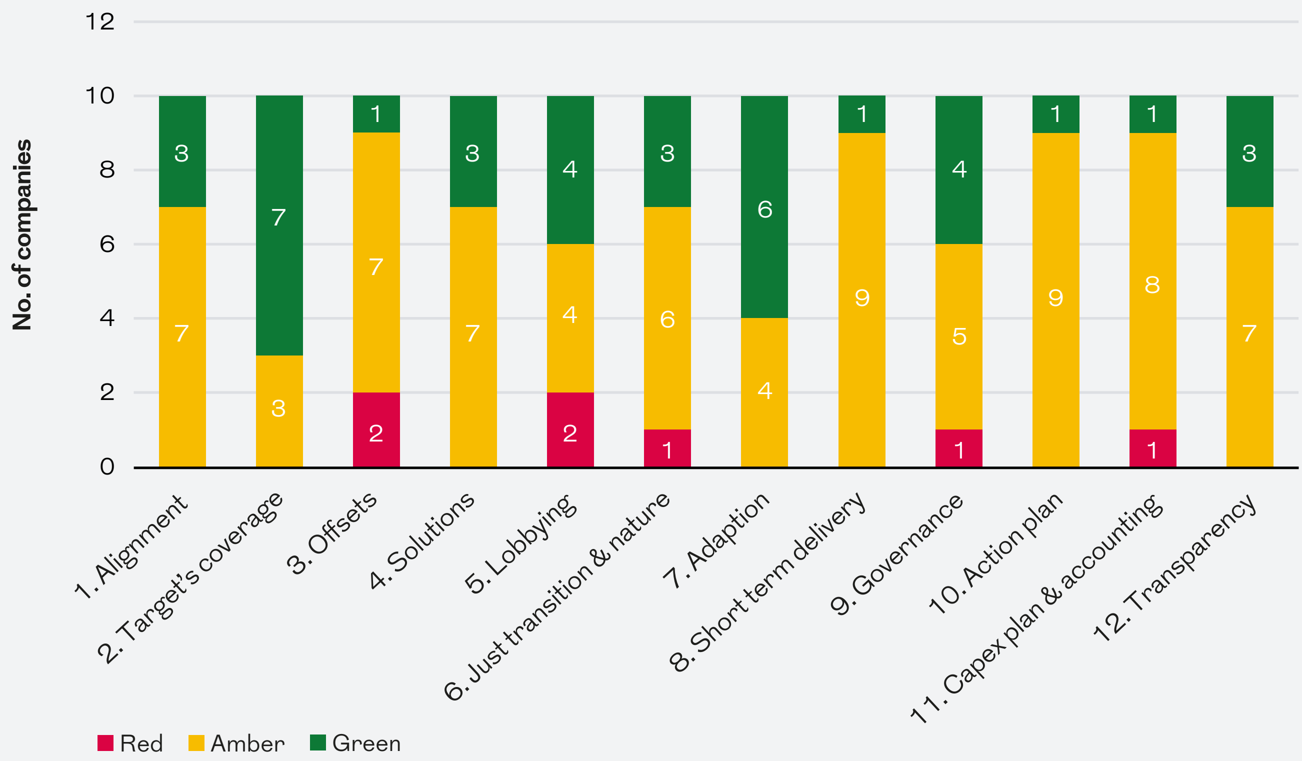
In 2023 we provided feedback on Glencore's draft Climate Transition Action Plan (CTAP) on several occasions. While we welcomed the comprehensive consultation, we requested additional disclosures to support our assessment of the company's climate targets and capital expenditure against the goals of the Paris agreement. We were particularly interested in this information in relation to the speed of the coal segment's phase-down and closure.

The company announced the acquisition of steelmaking coal assets from Canadian mining company Teck in 2023. During our conversations we explored the implications of the acquisition of new metallurgical coal assets for the company's climate plans. We believe it could be useful to have clarity of climate targets to be set over the recently acquired Teck assets, described to be 'in custody'. We will continue to engage, seeking to ensure the 2024 CTAP is in line with our expectations and aligned to the goals of the Paris Agreement.

Energy utilities sector

We are observing tangible progress against our climate transition assessment in this sector, as shown in Figure 18. The areas showing the most improvements are in comprehensive target setting, stress testing and mitigation of physical climate risk through adaptation plans.

Figure 18. Energy utilities engagement outcomes



Source: Royal London Asset Management, as of 31 December 2023

Renewable electrification is happening at pace, with electric utilities supported by incentives in Europe, US and China particularly driving the way. We co-lead CA100+ engagements with E.ON and Electricite de France (EDF), aiming to address specific gaps in their transition plans. We also lead the energy utilities working group for the Institutional Investor Group on Climate Change (IIGCC) which focuses on European companies. Given the significant shock of the Ukraine war on European energy prices and security, we believe this group's work is highly important to emphasise the long-term nature and impact of climate action. As leads of this working group, we supported other investors engaging utilities to work on climate advocacy so utilities could support high climate ambition policy development in Europe and the UK given substantial energy market reforms. We advocated for net zero by 2040 and 2035 generation targets in line with what scientific climate models suggest.

Case study: EDF, climate adaptation and mitigation strategy

The rising challenge of climate change

The summers of 2022 and 2023 marked a pivotal moment for EDF, as escalating climate risks, particularly heatwaves and storms, tested the company's adaptation strategy. These acute physical risks, including the costly impact of heatwaves and storms, required a robust response to safeguard reactor capacity and maintain operational efficiency. The industry also faces more chronic challenges including the effects of high temperatures and rising sea levels.

Improved adaptation, disclosures, and remuneration

As significant bondholders and co-leads of the CA100+ engagement with EDF, we introduced the topic of climate adaptation, encouraging EDF to publish adaptation plans alongside the various aspects of its climate strategy. The company improved adaptation disclosures, particularly for new assets and made us aware of its high score on ADEME's (the French Energy Agency) adaptation tool. EDF's remuneration practices reflect its adaptation strategy, focusing on network business reliability. The company is adopting a more systemic approach to adaptation, collaborating with the military on extreme scenarios and engaging with local communities to ensure a 'just adaptation', especially regarding shared water resources. Beyond adaptation we also engaged with the company to address specific gaps: 1) improving EDF's Scope 3 emissions targets and reduction levers, 2) improving Scope 1 emissions including expanding its renewable and nuclear plans, 3) improving offsetting, residual emissions, just transition, and CAPEX disclosures.

EDF's new emission reduction targets

EDF set new targets to reduce its Scope 1 emissions from electricity generation by 60%, 70%, and 80% by 2025, 2030, and 2035, respectively, from a 2017 baseline. The company has already halved its Scope 1 emissions between 2017 and 2022. EDF also clarified its net zero by 2050 target, confirming that it includes Scope 3 emissions (almost 80% of its current emissions) and entails reducing emissions by at least 90%, with the remaining 10% abated through quality carbon removal projects after 2030.

Despite re-nationalisation, as bondholders we will continue to monitor that the adaptation and decarbonisation plans of the company are credible and are adequately mitigating risk.

Case study: CLP Holdings, just transition in emerging markets

We continued our positive engagement with CLP Holdings on coal phase-out, scenario analysis and just transition. The company considers just transition in certain actions already taken, such as their ongoing decommissioning of the Yallourn coal plant in Australia, and to a degree the consideration of four key stakeholder groups. However, thus far these actions are not brought together through a just transition plan. A challenge for the company is the diverse geographies and regimes they operate in (e.g., India, Hong Kong, China, Australia), and its different levels of operational control. For example, CLP Holdings is a minority investor in their coal power plants in China, meaning it has limited input in those operational decisions, while the tariffs they can charge in Hong Kong are set by the regulator. Nevertheless, the company agrees that having just transition principles agreed throughout the business might aid the company in making informed and strategic decisions in their transition. The company was grateful for our suggestions as they are seeking to publish an updated climate transition plan and is intending to integrate just transition in it. We will continue to monitor progress of the company's disclosures, and share useful resources, guides and examples to integrating just transition.

Banks: Financing a just transition

Understanding the role of capital

As key providers of capital, banks play a crucial role in supporting the transition to sustainable low-carbon economy. But their climate commitments could create unintended social impacts. For example, decarbonising mortgage lending portfolios could lead to higher interest rates and re-mortgaging challenges for customers if not managed thoughtfully.

Picking up from previous years

In 2022, we attended the AGMs of, and met with, major UK banks – Barclays, Lloyds, NatWest, and HSBC – advocating for the integration of a just transition into their climate plans. We reiterated the opportunities banks could capitalise on from financing net zero.

Maintaining momentum

In 2023, we continued our engagement efforts to request that banks fully integrate a just transition into their climate transition plans, with clear evidence of implementation across products, sectors and regions.

We led a collaborative group in meeting, including Friends Provident Foundation, Border to Coast Pensions Partnership and Financing the Just Transition Alliance members. These discussions leveraged lessons from our previous work on just transition and insights from the Transition Pathway Taskforce and the International Labour Organization and London School of Economics Grantham Institute just transition finance tool.

Emerging best practices

Barclays incorporated just transition into its client Transition Framework for corporate client reviews. We also saw tangible improvements in its approach to residential real estate, with new targets and a forward-looking role in financing the social housing sector.

In a second meeting with NatWest in 2023, we were offered the opportunity to discuss their approach to human rights and specifically provide feedback on their Salient Human Rights document. We suggested the inclusion of climate change as a salient issue for their business and were pleased to see it was included in the final report. Acknowledging the social and human right challenges which climate change may present is key to managing the risks and capitalising on the opportunities.

Vote: Climate at companies' annual general meetings

During 2023, we voted on 28 management proposals and 131 shareholder proposals on climate. For more information, please see our proxy voting records.

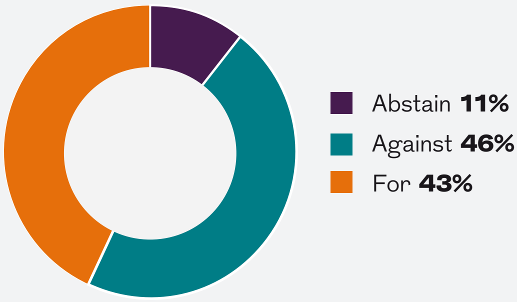
In the last few years, alongside shareholder resolutions on climate issues, we have observed a growing number of companies proposing votes on climate transition plans ('say on climate' votes). Climate transition plans are a useful tool for showcasing a company's activities and we acknowledge that they are becoming mandatory disclosures for certain companies and investors in the UK and Europe.

How did we vote in 2023?

In 2023, our support for climate-related resolutions put forward by management increased. This marks a departure from the previous year when we chose to *abstain* on a larger number of occasions. On balance, we welcome the increasing ambition and progress demonstrated by companies, particularly in their efforts to reduce emissions. We opposed management proposals for several reasons, such as unclear offset usage, capital expenditure not aligning with Paris Agreement goals, or lack of detail in decarbonisation plans, as shown in Figure 19.

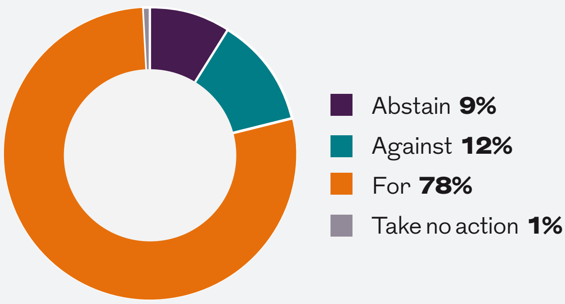
In terms of climate-related shareholder resolutions, see Figure 20, we voted in favour of a majority of these votes which are usually advisory and non-binding. Many shareholder proposals requested increased transparency and disclosure which we typically support. On the limited occasions we voted *against* or *abstained* on a shareholder proposal, it was typically because we believed that further engagement with the company on their current strategy would provide more valuable results. In the event that the shareholder resolution was binding and there were significant concerns with the wording or the timeframe proposed, we would also consider voting against.

Figure 19. Climate-related management resolutions 2023



Source: Royal London Asset Management, as of 31 December 2023.

Figure 20. Climate-related shareholder resolutions 2023



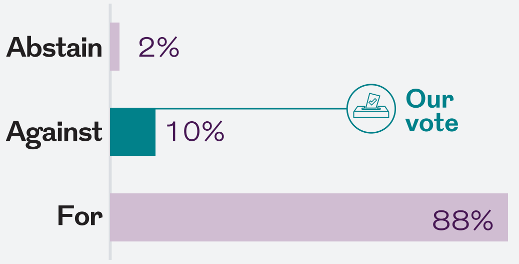
Source: Royal London Asset Management, as of 31 December 2023.

Pennon Group

Vote type: Management approval of TCFD report

Our vote: *against*

While supportive of the company's intention to disclose in line with the Task Force on Climate-Related Financial Disclosures (TCFD) requirements, the overreliance on offsets and the lack of disclosed information mean we decided to vote *against* the management's proposal.



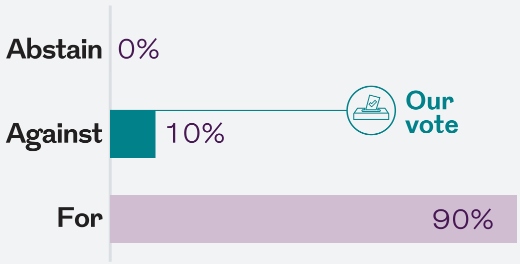
Source: Royal London Asset Management and Pennon group as of 20 July 2023.

BP

Vote type: Re-election of Chair

Our vote: *against*

In March 2023 the company released an update on its net zero ambition progress. We were concerned that the company did not consult with shareholders on the changes of the climate policy, which we viewed as signficant. Following a discussion with BP's CEO and Company Secretary, we decided to vote *against* the re-election of the Chair.



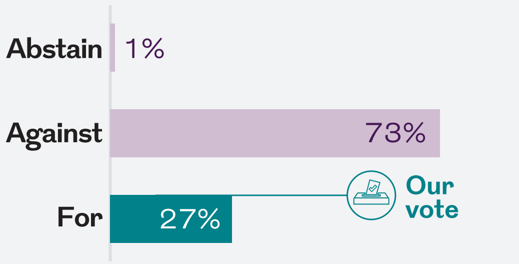
Source: Royal London Asset Management and BP as of 27 April 2023.

Berkshire Hathaway

Vote type: Shareholder proposal on climate report

Our vote: *for*

We voted for this resolution, as we believe current company reporting is inadequate. Disclosure regarding the physical and transition risks and opportunities a company faces is important to help us understand whether they are being appropriately managed.



Source: Royal London Asset Management and Berkshire Hathaway as of 6 May 2023.

Advocate: Partnering to shape policy

A coordinated policy response is needed to address the most serious impacts of climate change. Market forces alone cannot fix the problem. We believe that public policy intervention is capable of 'levelling the playing field' in a systematic way. Embarking on public sector advocacy forms a core component of any comprehensive net zero engagement strategy.

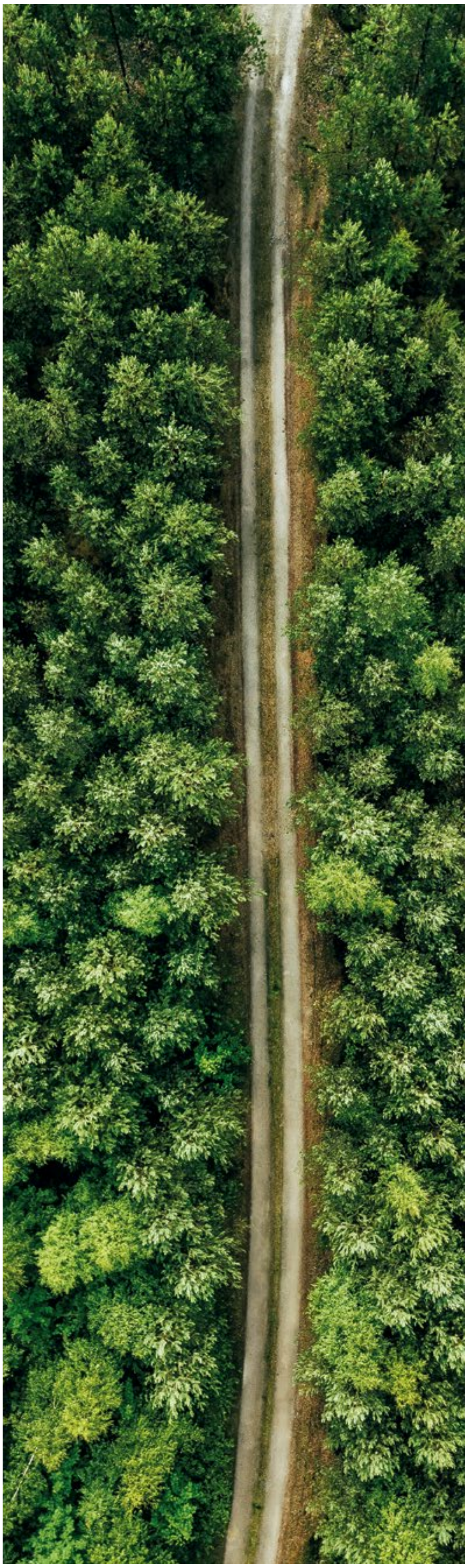
In 2023, our activity on this area is done mostly through our membership in industry initiatives. You can see a full list of the initiatives we are associated within our Stewardship and Responsible Investment report, through the latest report here.

Further notable action in 2023 included:

- **UK government Transition Plan Taskforce (TPT):** we were invited to join Transition Plan Taskforce working groups that helped develop guidelines for asset managers and just transition. Those represented sector-specific guidelines for climate transition plan for asset managers and a thematic framework to embed just transition into the general framework for climate transition plans and into all sector guidelines.
- **United Nations Environment Programme – International Labour Organization:** we were the only financial institution invited to join the advisory working group developing the first roadmap for banking and insurance implementing just transition published at COP28.
- **Climate Financial Risk Forum (CFRF)**, as a member of the forum in 2023, we supported this group's work and connected it with the development of the TPT's guidelines for asset managers and asset owners.

In our work as co-leads of the energy utilities working group for CA100+ companies in Europe, we signed advocacy letters with other investors related to the energy utility sector, such as:

- Letters to European energy utilities companies requesting them to re-commit to Paris Aligned pathways and lobby government for decisive action for energy security and transition to net zero.
- Letter to the Italian Ministry of Economy and Finance asking the Italian government to continue Enel's strategy when electing a new CEO, as the governance arrangements gave the Energy Ministry the power to appoint the CEO.
- Letter to the UK's Secretary of State of the Department for Energy Security and Net Zero to support the intention to reform Ofgem's mandate to include the delivery of net zero goals.



Reporting: our commitment to transparency

Keeping you informed

We are committed to being transparent and open about our approach to responsible investment. You can read about this in detail in our annual Stewardship and Responsible Investment report. In addition to this, we have committed to report approximately twice per year on our net zero stewardship strategy, covering corporate engagement, voting and public policy advocacy.

This is the latest issue of our reporting series, which you can find here.

We have published the Taskforce on Climate-Related Financial Disclosures (TCFD) reports since 2021, showcasing how we think about climate risk and opportunities. In June 2023 we published our first UK FCA-mandated climate report following the recommendations of the TCFD at both the legal entity and product level. This document set out our initial thoughts on our climate transition plans and activities to support our net zero ambitions. We are carefully monitoring emerging best practice standards and regulatory requirements. While we await further guidance, we are committed to updating our clients and key stakeholders regularly on our progress against our ambitions.

In 2024 we will publish a Group-wide climate report in partnership with Royal London Group.

Looking forward

While we have seen that progress is slow and the current rate of change may not be enough to achieve global net zero targets, it is important to continue applying pressure through engagement, voting, and advocacy to encourage the shift towards a low-carbon economy. Our Climate Transition Assessment analyzes companies' climate disclosures, focusing not only on their ambition but also on the credibility of their plans and actions. This involves examining key issues such as reliance on offsets, capital expenditure, and the scaling of climate solutions. We will continue to engage on these points with companies to promote best practice.

Looking towards 2025, we see three main drivers influencing investor and corporate engagement on climate:

1. **Technology and policy disruption:** Geopolitical tensions and renewable energy impacts could lead to a potentially disorderly transition. The gap between developed and emerging markets remains a key challenge.
2. **Increased pressure for climate adaptation:** With climate risks becoming more apparent, especially with the 'El Niño' cycle (associated with heavy rains, floods and droughts), we expect the focus on adaptation to grow. Despite having received less attention than mitigation so far, we believe that action on climate adaptation offers clear financial benefits.
3. **New data, new standards, new regulation:** The financial markets are being challenged by disclosures under ISSB standards, new taxonomies, and labelling regulations. Success will depend on the widespread adoption and effective use of these new frameworks.

By engaging with both the supply and demand aspects of energy and natural systems, we strive to identify and understand the obstacles to decarbonisation. We cannot overcome these on our own and we will continue to partner and advocate to attempt to tackle these challenges and make systemic change happen faster. Through our periodic reporting on our Net Zero Stewardship Programme, we aim to be transparent on our efforts and any progress we observe.

Annex I. Royal London Asset Management expectations on credible climate transition plans for banks and financials

SET EMISSIONS REDUCTIONS TARGETS ALIGNED WITH THE PARIS AGREEMENT

1 Reach net zero emissions for operations and financed emissions in a timeframe aligned with the Paris Agreement.

2 Sets targets encompassing all financing across different asset classes and sectors, including lending, investment, and underwriting activities.

3 Explicitly renounce offsetting of financed emissions and encourage clients to only offset residual emissions following net zero aligned offsetting principles.

BRING OTHERS TO NET ZERO

4 Commit to financing the scaling-up of technology and solutions required to achieve net zero and to adapt to locked-in climate impacts.

5 Lobby for policies that accelerate the transition to net zero.

6 Consider and address through financing activities and engagement with clients the social and biodiversity impacts of net zero to ensure a just transition.

7 Engage with financed clients to implement net zero commitments and encourage good practice; where the client is not showing demonstrable evidence of transitioning consider withdrawal of finance.

DEMONSTRATE ACTION NOW

8 Set and deliver short-term targets and consider halting financing for new fossil exploration and production.

9 Align the board, management, and employees' incentives to achieving net zero targets.

10 Develop an action plan to implement targets with specific operational implications to deliver net zero, including policy updates on fossil fuels.

11 Conduct climate scenario stress-testing and align accounting practices to what is required to deliver net zero.

12 Disclose transparently and consult climate transition plans with stakeholders.

Annex II. Climate transition assessment for the 36 companies engaged in 2023

Red: Does not meet the minimum standards
Amber: On track
Green: Meets the highest standards

Oil & Gas:

Of the 36 high emitting companies, 12 were from the oil and gas sector and formed part of the assessments and engagement outcomes made on or before 31 December 2023. Seven of these were also part of our 2022 net zero programme providing a view of their year-on-year progress at a glance.

BP

In March 2023, BP updated its climate plans, revealing mixed progress. We observed improvements in line with our engagement requests. These included a comprehensive Scope 3 emissions baseline disclosure, enhancing its target coverage (relevant for our indicator 2) and reducing reliance on divestment as a decarbonisation strategy (which improved our assessment of indicator 4, climate solutions). However, we believe that BP scaled back its short-term absolute Scope 3 emissions reduction targets. As a consequence of the company's plans to expand production until 2025 and pursue new offshore opportunities, we downgraded our views for 'short-term delivery' and 'CAPEX and accounting'. We engaged with the company on climate seven times during 2023 and continue to engage on our three priorities for progress for BP, namely;

- disclosures on 'responsible divestment' and low carbon CAPEX impacts on emission reduction
- a clearer definition of what constitutes new versus 'infrastructure led' exploration; and
- tests of the financial implications of BP's apparent reduced climate ambition against Paris aligned scenarios.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Not aligned												
2022	Not aligned												

EnQuest

We sent a letter to obtain more information and discuss the company's plans on climate transition, however, we did not receive a response. We have assessed the company based on publicly available information and will continue to reach.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Not Aligned												

Exxon Mobil

In our engagement we re-iterated our priorities, which are:

- to restate the company's Scope 1 and 2 reduction plans as targets aligned with the Paris Agreement's goals
- to consider targets for its Scope 3 emissions
- to disclose climate risk assumptions considered in the approval of new projects; and
- to ensure its lobbying activity aligns with the goals of the Paris Agreement.

Exxon has made some progress, notably around its disclosures and climate solutions, it remains 'not aligned' in our assessment due to its lack of Paris aligned targets and to its production expansion plans.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Not Aligned												
2022	Not Aligned												

Ithaca Energy

Ithaca was generally open to our feedback and key priorities for progress including:

- disclosure of Scope 3 emissions
- enhanced scenario analysis; and
- further detail on its current Scope 1 and 2 decarbonisation plans.

However, Ithaca remains committed to new oil field expansion and exploration with limited alternatives to expand its reserves' life. This could expose the company to UK policy and market transition risk and links its strategy to potential further increasing global emissions and negative contributions to climate change.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Not Aligned												

MEG Energy

We met with MEG twice in 2023, with the CEO and CFO and then with the sustainability team. We communicated our priorities for progress including:

- disclosure of Scope 3 emissions; and
- further detail on its current Scope 1 and 2 decarbonisation plans.

Concerns remain in areas such as the potential for continual increase of Scope 1 and 2 emissions up to 2030 under current targets, the political feasibility of the CCS project of the Pathways Alliance, the lack of Scope 3 disclosures and potential capex for brownfield expansion.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Not Aligned												

Range Resources

We sent a letter to obtain more information and discuss the company's plans on climate transition, however, we did not receive a response. We have assessed the company based on publicly available information and will continue to reach out to the company.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Not Aligned												
2022	Not Aligned												

Shell

As a result of our engagement with Shell, we decided to vote against the company's climate transition plan at its AGM in 2023. We found Shell's climate plan to be insufficiently transparent to establish its ambition and alignment with the Paris agreement. We found the plan relies on carbon credits, does not include absolute emissions reduction targets, and shows continuous investment in new oil and gas projects, all of which appear counter to the latest science models for Paris alignment. Shell's strategic direction changed after a new CEO took over in 2023, this resulted in a reduced focus on renewable energy. We downgraded Shell's status from 'aligning towards a net zero pathway' to 'not aligned', based on its near-term commitments and projected increase in absolute emissions. We had numerous constructive engagements during the year, focused on Scope 3 targets, new frontier exploration, just transition and lobbying disclosures.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Not Aligned												
2022	Aligning												

Suncor

We met with Suncor's VP Sustainability and Director of Investor Relations to discuss the new CEO's vision, the observed changes in the company's strategy and their impact on the company's climate plans. The company assured that their decarbonisation commitment remained unchanged and is looking at strategies to improve its short-term target disclosure. We communicated in our engagement our priorities for progress which include:

- measurable short-term targets broken down into Scope 1, 2 and 3 following the GHG protocol
- a clearly articulated decarbonisation strategy; and
- an analysis of the compatibility of the company's approach to production expansion with its 2050 net zero objective.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Not Aligned												

Sunoco

We sent a letter to obtain more information and discuss the company's plans on climate transition, however, we did not receive a response. We have assessed the company based on publicly available information and will continue to reach out to the company.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Not Aligned												
2022	Not Aligned												

Talos Production

Talos was open to our feedback and key priorities for progress including:

- disclosure of Scope 3 emissions
- enhanced scenario analysis; and
- development of a just transition plan.

However, Talos remains committed to new oil field expansion and exploration. This could expose the company to policy and market transition risk and links its strategy to potential further increasing global emissions and negative contributions to climate change.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Not Aligned												
2022	Aligning												

TotalEnergies

We sent a letter communicating our priorities for progress which include:

- disclosing analysis of alignment of exploration activities with the company's climate goals; and
- the development of a comprehensive just transition plan.

We received a written response from the CEO and met the investor relations team. The company was open to feedback on just transition. The level of investment in renewables, electricity and 'new molecules' such as biofuels is encouraging.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												
2022	Aligning												

Valero Energy Corp													
We sent a letter to obtain more information and discuss the company's plans on climate transition, however, meeting with the company is planned for quarter one 2024. We have assessed the company based on publicly available information and will continue to reach out.													
12 net zero indicators		**Set targets aligned with the Paris Agreement**			**Bring others to net zero**				**Demonstrate action now**				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Not Aligned												

Electric Utilities & Multi Utilities:

Of the 36 high emitting companies we engaged with in 2023, seven were in the Electric Utilities & Multi Utilities sector. Six of these were also part of our 2022 net zero programme providing a view of their year-on-year progress at a glance.

Centrica													
Centrica is unlike other utilities in that its biggest exposure to climate transition risk is through distribution and selling of gas to customers. The company has faced challenges in improving their disclosures to quantify impacts noting that too many uncertainties still exist. The focus of it remains the reduction of Scope 3 emissions, related to the selling of gas for heating to its clients. They also have plans for carbon Capture and storage and hydrogen storage that also require granularity in the midterm. It has improved some of its CAPEX disclosures, estimating £100mn anual CAPEX on low carbon and transition assets from 2020 to 2025. We have encouraged it to provide further granularity on policy dependencies to the transition away from gas heated networks from the UK government.													
12 net zero indicators		**Set targets aligned with the Paris Agreement**			**Bring others to net zero**				**Demonstrate action now**				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												
2022	Aligning												

CLP Holdings

We continued our positive engagement with CLP Holdings on coal phase-out, scenario analysis and just transition. The company faces challenges due to diverse geographies and regimes but was grateful for our suggestions and was seeking to publish an updated climate transition plan that integrates just transition principles. We will monitor the company's progress, and useful resources have been shared to aid in their transition.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												
2022	Not Aligned												

Drax

We co-lead engagement on Drax as part of the Net Zero Engagement Initiative (NZEI). Our priorities for progress include:

- sustainable biomass sourcing;
- enhancements to Drax's climate transition plan that include further details of its plans to meet its 2030 targets; and
- alignment of its capital expenditure to Drax's climate goals.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												

E.ON
We co-lead the CA100+ engagement with E.ON. As E.ON no longer operates electricity generation facilities, only transmission and distribution assets, it does not believe its business is comparable with the broader utilities sector, which will be expected to have larger Scope 1-emitting assets. During our engagement, the company pointed to the need to address a fragmented European policy landscape on heating as a key requirement to support its Scope 3 emissions reductions. Our key asks have been related to: • the company's solutions for Scope 3 • improving just transition disclosures; and • having a clearer proactive policy advocacy stance.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												
2022	Aligning												

EDF
We are a bondholder and co-lead of the CA100+ initiative for EDF. Through this engagement we encouraged the company to publish its climate adaptation and decarbonisation plans. EDF set new targets to reduce its Scope 1 emissions from electricity generation by 60%, 70%, and 80% by 2025, 2030, and 2035, respectively, from a 2017 baseline. The company also provided details regarding its net zero by 2050 target, confirming that it includes Scope 3 emissions (almost 80% of its current emissions) and entails reducing emissions by at least 90%, with the remaining 10% abated through quality carbon removal projects after 2030. The company improved other aspects of its plans such as adaptation, remuneration and just transition.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												
2022	Aligning												

National Grid

We met National Grid's Chief Sustainability Officer after the publication of its Responsible Business Charter, the company's overarching sustainability commitments document, to provide feedback and request further improvements on its climate transition plans. The company welcomed most of our feedback and requested further guidance on their just transition plans. We gave positive feedback on their enhanced emissions reduction target and new focus on biodiversity. The company's deterioration on climate lobbying practices was due to additional information about their disclosures and action.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												
2022	Aligning												

SSE

We met with the CEO and CFO in 2023 and discussed the changed business environment and potential barriers to the delivery of their ambitious net zero strategy and scaling up of climate solutions. We challenged assumptions around the life of thermal assets and reliance on CCS and Hydrogen. We continued our close engagement on just transition and will focus on KPIs for measuring progress on the delivery of its goals.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												
2022	Aligning												

Diversified metals & mining:

Of the 36 high emitting companies we engaged with in 2023, four were from the diversified metals & mining sector. These four were also part of our 2022 net zero programme providing a view of their year-on-year progress at a glance.

Anglo American

The Chair of the Board provided a detailed response to our engagement letter, noting progress on our three engagement priorities for progress, namely:

- the inclusion of Scope 3 activities in the company's remuneration policy
- the publication of a comprehensive just transition plan; and
- disclosures on how the company's metals and minerals contribute to decarbonisation solutions.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												
2022	Aligning												

BHP

In 2022 we urged BHP to manage and close its high carbon energy assets responsibly. In 2023 BHP announced the end of mining at the Mt Arthur Coal Mine by 2030 and the sale of some of its metallurgical coal assets in Australia. Royal London Asset Management continues to engage with BHP to support improvements to its climate transition plan, including with regard to the ambition of its short-term Scope 1 and 2 targets. We noted improvements in the company's approach which resulted in an improvement of our assessment from 'not aligned' to 'aligning towards a net zero pathway'.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		19.903 mm	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												
2022	Not Aligned												

Glencore

In 2023, we participated in several rounds of feedback on Glencore's draft 2024 climate transition action plan (CTAP), along with other key stakeholders. We requested further disclosures to support our assessment of alignment between the goals of the Paris agreement and the company's climate targets and capital expenditure.
The company announced the acquisition of steelmaking coal assets from Canadian mining company Teck in 2023. We discussed the implications of this acquisition and encouraged the company to have clear climate targets for the newly acquired Teck assets, which are described as 'in custody'.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												
2022	Not Aligned												

Rio Tinto

We met with Rio Tinto's Chief Advisor on Climate Change and Investor Relations to discuss the progress in decarbonising their operations. The meeting focused on our priorities for progress, namely:

- setting a quantifiable Scope 3 target
- publication of a comprehensive just transition plan; and
- a commitment to follow net zero aligned carbon offsetting principles.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												
2022	Aligning												

Financials:

Of the 36 high emitting companies we engaged with in 2023, five were from the financial sector.

Barclays

We met with Barclays' Group Head of Sustainability and Global Head of Sustainable Finance. We received additional clarity around the scenarios used in sector emissions reduction targets which meant we could better understand that the benchmarks used are aligned with 1.5°C pathways. The company's newly implemented Climate Transition Framework supports the Barclay's engagement with corporate clients and it includes just transition considerations. We have identified areas of improvement in relation to the company's green financing targets of US$1tn, which is a noticeable achievement but could benefit froma additional clarity on the proportion of financing through balance sheet against capital markets.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												
2022	Aligning												

HSBC Holdings

We sent a letter to HSBC to share our expectations on climate transition plans for banks, which include incorporating climate target in the company's capital market activity as well as expanding its just transition approach, however, a meeting with the company is planned for quarter one 2024.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2022	Aligning												

Legal & General

We met with Legal & General to provide comments on its climate transition plan. The company was receptive to our feedback which focused on the inclusion of just transition and climate adaptation consideration amongst other topics.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2022	Aligning												

NatWest

We met with NatWest's Head of Climate Change and Head of Rating Agency Relations to discuss the company's net zero plan and specifically the approach to just transition. In the residential mortgage space, the bank believed that it has a key opportunity to educate its customers around energy efficiency, which may then have a positive knock-on effect on the demand for retrofitting products.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2022	Aligning												

Lloyds Banking Group

We met with Lloyds' Director of Environmental Sustainability and Head of Group Environmental Sustainability Strategic Programme to discuss the company's net zero plan and specifically just transition. We identified the bank's approach to regional development as noteworthy, with its use of internal regional 'ambassadors' a good method to leverage its expertise and connections in response to climate change impacts.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2022	Aligning												

Other:

Of the 36 high emitting companies, eight were from a variety of other sectors, forming part of the assessments and engagement outcomes made on or before 31 December 2023. Three were also part of our 2022 net zero programme providing a view of their year-on-year progress at a glance.

Croda International (Speciality Chemicals)

Croda's strengths include its action on climate solutions including its transition away from petrochemical feedstocks to bio-based materials. The company's disclosure did not address its physical climate risk and we believe there is a risk to physical climate impact both through its manufacturing sites and its supply chain. We engaged with Croda as co-lead of the Net Zero Engagement Initiative (NZEI) group. Our key asks focus on:

- sustainable sourcing of palm oil
- a quantified decarbonisation plan; and
- inclusion of just transition considerations in its climate plans.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												

Ferguson (Industrial Distributor)

While Ferguson is committed to improving its climate-related targets and disclosures, its general climate ambitions appear limited against our expectations. We found improvements in the company's climate governance with the inclusion of Scope 1 and 2 targets in its executive remuneration. Our priorities for progress for this company are focused on:

- the publication of material Scope 3 emissions
- the development of targets that cover all emission Scopes
- the company's general alignment with the goals of the Paris agreement; and
- the expansion of the Environmental Product Strategy to support scaling of climate solutions.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												
2022	Aligning												

General Electric (Industrial Conglomerates)													
We sent a letter to General Electric Co for the second year to obtain more information and discuss the company's plans on climate transition, however, we have not yet received a response. We have assessed it based on publicly available information and will continue to reach out to the company.													
12 net zero indicators		**Set targets aligned with the Paris Agreement**			**Bring others to net zero**				**Demonstrate action now**				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Not aligned												
2022	Not aligned												

Rolls-Royce (Aerospace & Defence)													
We sent a letter to obtain more information and discuss the company's plans on climate transition, however, we did not receive a response. We have assessed it based on publicly available information and will continue to reach out to the company.													
12 net zero indicators		**Set targets aligned with the Paris Agreement**			**Bring others to net zero**				**Demonstrate action now**				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												

Safran (Aerospace & Defence)

We met with Safran's Group Energy Strategy Coordinator and Investor Relations. Its RISE engine, due to be tested in 2026, promises a 20% improvement in fuel efficiency. Our key priorities for progress focus on:

- climate scenario analysis
- lower carbon solutions; and
- just transition.

Safran develops engines for aircraft, but the company considers it has limited control or ability to increase the adoption rate and timescale of adoption. Its RISE engine, due to be tested in 2026, promises a 20% improvement in fuel efficiency.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												

Thor Industries (Automobile Manufacturers)

We met with the Chief Operations Officer and Investor Relations during the year and discussed our priorities for progress which include:

- disclosing Scope 3 emissions
- improving offsetting disclosures; and
- a continued focus by the Company on scaling electrified Recreational Vehicles (RVs).

Thor has since our meeting published material Scope 3 emissions and set an SBTi target covering Scope 1, 2 and 3.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5°C	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Not aligned												

UPM-Kymmene (Paper Products)

UPM-Kymmene covers all of its material emissions in their 2030 decarbonisation targets. However, we found recent evidences of negative biodiversity impacts from water discharges related to their operations in Uruguay. We engaged with UPM-Kymmene as co-lead of the Net Zero Engagement Initiative (NZEI) group. Our key asks focus on:

- the sustainable sourcing of wood; and
- a 2050 net zero commitment.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5ºC	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Aligning												

Volkswagen (Automobile Manufacturers)

We met with Volkswagen's representatives to discuss our views on the company's progress and our assessment of their latest disclosures. We focused on the areas where we saw opportunities for improvement, including the company's CAPEX alignment with the Paris agreement and the observed rise in Volkswagen's absolute emissions. Volkswagen provided links to the data and mentioned their investment in plug-in hybrids. We also inquired about employee's incentives to support management targets. We will be seeking further clarity with this regards and remuneration will be discussed at the AGM in 2024. During our conversations we also discussed when the company expected its year-on-year emissions to peak and to start consistently falling. We feel we could get further clarity with this regards and this area will remain of engagement focus. Lastly, we sought clarification about the compliance of companies in Volkswagen's supply chain with its targets. We had a separate meeting to discuss progress on just transition, workforce reskilling and human rights risks in supply chain and will continue engaging on this topic as well.

12 net zero indicators		Set targets aligned with the Paris Agreement			Bring others to net zero				Demonstrate action now				
		1	2	3	4	5	6	7	8	9	10	11	12
		Net Zero 1.5ºC	Targets	Offsets	Solutions	Lobbying	Just transition	Adaptation	Short term delivery	Governance	Action plan	CAPEX plan	Transparency
2023	Not aligned												
2022	Not aligned												

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