RATHBONES

WHAT WE DID IN 2024

RESPONSIBLE INVESTMENT

CONTENTS

What is responsible investment?

'Responsible investment' means incorporating environmental, social and governance (ESG) issues into our investment decisions.

— 'Environmental' relates to the quality and functioning of the natural environment.

— 'Social' covers the rights, well-being and interests of people and communities.

— 'Governance' includes the system of rules, practices and processes in place to manage and control a company.

It also means thinking about ESG questions as an owner of shares and other assets on our clients' behalf — as a shareholder at annual general meetings (AGMs), for example.

Every year, we publish a report to show some of our responsible investment highlights over the past year.

This time round, to illustrate our range we've picked one social, one governance and two environmental issues — although we see the twin environmental topics of climate change and nature as tightly intertwined.

We also include numbers for our engagement with companies and our votes at their shareholder meetings. These show the wide span of our responsible investment activities – in 2024 we engaged on more than 50 topics. Sometimes that was just once — for anti-microbial resistance or succession planning, for example. But we returned to other topics over and over again.

We hope that you enjoy this report. If you'd like to discuss anything in it that piques your interest, please speak to your usual Rathbones contact or get in touch by visiting rathbones.com/contact-rathbones.

Cover image: a salt marsh on Cape Cod, Massachusetts. Salt marshes help mitigate climate change by storing carbon. They can also reduce flooding, which climate change makes more frequent. Moreover, salt marshes are good habitats for nature, including wading birds.

FOREWORD FROM OUR GROUP CHIEF EXECUTIVE OFFICER

Plain common sense

Our combination with Investec Wealth & Investment (UK), approved by regulators in 2023, establishes an organisation of significant scale and capability.

Alongside our ever-present commitment to providing a high-quality level of service to our clients, it also adds to our approach to investing responsibly, integrating ESG issues into our active investment process and taking our ownership responsibilities seriously.

In 2024, we were delighted to be able to benefit from the IW&I (UK) stewardship team's work on issues such as the governance of investment trusts. This will be one of our six engagement priorities for 2025.

We are, of course, aware how hotly contested the term 'ESG' is becoming. The debate was heated up by the long US election campaign. The new administration was cynical about the importance of many ESG issues – particularly climate change, which continues to challenge the thinking of all governments. This heat was reflected in the many polarised views on the speed of achieving net zero carbon emissions that emerged during last year's UK election campaign.

But while these noisy debates rage, lawmakers the world over are quietly tightening the rules on the disclosures of non-financial issues by the companies we invest in on our clients' behalf (see page 10). They're also making sure that investors like us walk the talk on ESG issues. So, for example, UK regulators are calling out 'greenwashing', where companies claim their products and services are greener than reality. That includes how investment companies like us promote our services.

Keeping a level head

In this atmosphere, we believe that our heads must be kept firmly level, and our eyes tightly focused, on the key underlying challenges that remain present for investors. At a time of resurgent ESG scepticism in public life, we continue to incorporate ESG issues into our investment and ownership. Why?

Firstly, because ESG risks affect individual investments. For example, when we engage with companies and vote at their AGMs, we oppose performance-related pay packages for top executives that aren't sufficiently stretching. It's not in shareholders' interests for CEOs to be paid extra for mediocre performance (see page 12). We also look for companies to treat their workers fairly – and to monitor their supply chains to check people are treated well in every link of their supply chain too. Allowing the opposite to happen can wreck a business's reputation and attractiveness to investors (see page 10).

Secondly, ESG issues such as climate change affect the overall health of economies around the world – and therefore the earnings and assets of companies in which we hold shares (see page 6). We can't say that the gigantic fires that started in California in January 2025 were definitely caused by climate change, but we can say that climate change appears to be making the state more at risk of such fires. These fires are, above everything else, a human tragedy. But they're also damaging to economies and businesses, including insurers.

These examples show how we concentrate on challenges that are relevant to the investments held by you, as our clients. In other words, we consider ESG issues in order to protect your assets from long-term risks. This involves maintaining a high level of engagement on ESG issues not just with companies but, where appropriate, with regulators and government departments too. Please read our annual engagement plan for more details.

In this summary report of our responsible investment activity, we showcase not only our work and highlights from 2024, but also our unified approach across the business. We're bringing strength in depth from our stewardship team, our sustainable investment specialists at Greenbank and our ESG integration experts. Moreover, as we combine with IW&I (UK), we're combining our governance committees too.

To us, responsible investment isn't a political or ideological issue – or worse still, even a weapon in some culture war. It's plain common sense – and we take a straightforward approach to applying it.

Paul Stockton

OUR APPROACH TO RESPONSIBLE INVESTMENT

AS AN INVESTOR THAT HOLDS BILLIONS OF POUNDS-WORTH OF ASSETS ON BEHALF OF CLIENTS, WE BASE OUR APPROACH TO RESPONSIBLE INVESTMENT ON FOUR CORE PRINCIPLES:

ESG INTEGRATION

We consider ESG factors in the evaluation of investments to help identify opportunities and risks.

ENGAGEMENT WITH CONSEQUENCES

We prioritise engagement where we can help make a difference in addressing systemic ESG challenges. We are prepared to escalate our engagement activity or reduce our holdings in companies that continue to present an ongoing ESG risk.

VOTING WITH PURPOSE

We actively vote in a manner that allows us to focus our resources where we believe we can make the most difference. This may involve voting against management to help drive positive change.

TRANSPARENCY

We are committed to being transparent about our approach to responsible investment. We will actively report on the progress of our responsible investment activities to our clients, shareholders and other stakeholders.

ENGAGEMENT AND VOTING

The year in numbers

How we voted

When voting at the meetings of companies in 2024, we supported management more than 90% of the time.

This reflects the care we take in analysing companies before we invest in them. If we had serious misgivings about many aspects of the way a company was managed and its performance, we would be unlikely to invest in the company in the first place.

Instead, our votes against management usually reflect short-term problems or very particular issues at companies in which we retain fundamental confidence in the long term.

How we engaged

Rathbones Group (excluding IW&I (UK)) engaged with companies 743 times on 53 issues. Each time, we often raised more than one issue. Compared with last year, we ramped up the number of our engagements on modern slavery (see page 10).

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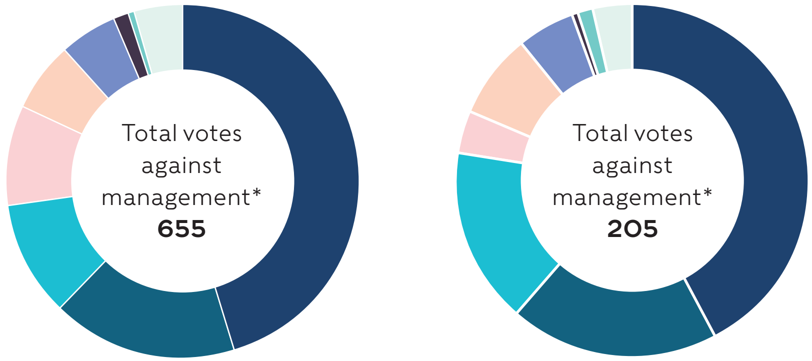
* Includes 'withhold', a way of showing opposition to the election of director when a vote against isn't possible under a company's governance structure.
The voting data in the graphics on this page includes votes on holdings both on and outside the Group's centrally coordinated voting list.

VOTES AGAINST MANAGEMENT

Rathbones (excluding IW&I (UK)) | **IW&I (UK)**

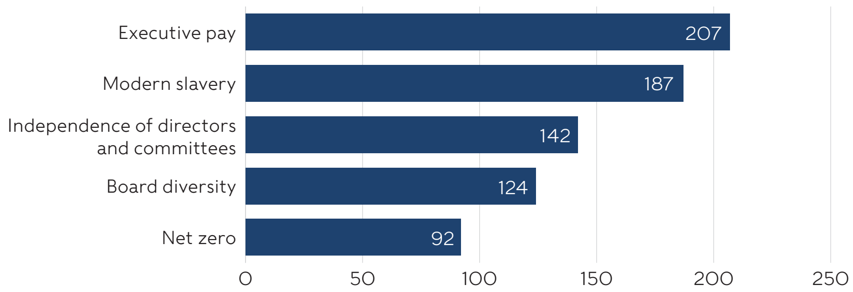


Rathbones (excluding IW&I (UK))	Category	IW&I (UK)
297	Directors	87
112	Executive pay	39
69	Social issues	33
59	Capital structures/shareholder rights	8
43	Environmental	16
34	Other governance	11
9	Mergers, acquisitions and takeovers	1
4	Audit	3
28	Other	7

Rathbones (excluding IW&I (UK))	IW&I (UK)
Meetings: **870**	Meetings: **449**
Resolutions voted on: **11,615**	Resolutions voted on: **5,930**
Votes against: **5.6%**	Votes against: **3.5%**

Top five engagement issues

Number of times issue raised



ENVIRONMENT

Climate change

What's the problem?

Scientists are warning that human activities are harming the climate. The United Nations Intergovernmental Panel on Climate Change (IPCC) restated, in its most recent report, that our burning of fossil fuels is increasing the emissions of heat-trapping 'greenhouse gases', such as carbon dioxide. This is warming the planet up.

Globally, this has already made extreme weather events – droughts, wildfires and extreme rainfall – more frequent. It has damaged habitats and the fertility of the land. Because of these effects, it has raised rates of wildlife extinction (see page 9) and created food and water scarcity. To reduce the damage of climate change, in 2015 governments negotiated the Paris Agreement. The 195 signatories committed to keeping the rise in global surface temperatures to well below 2°C – and preferably to 1.5°C – above pre-industrial levels.

Core to this goal is achieving net zero carbon emissions, where the amount of carbon we add to the atmosphere is no more than the amount removed. We'll need to overhaul our economy and society significantly to do this. Primarily, we have to transform energy production and consumption. That begins with reducing our dependency on fossil fuels – coal, oil and gas – and replacing them with renewable energy sources, including solar, wind, tidal and geothermal power. Changes in our economies and lifestyles are necessary to reduce the impact of high-emission activities such as transport, construction, manufacturing and farming. We also have to protect and regenerate 'carbon sinks', such as the ocean or forests, which remove greenhouse gases from the atmosphere.

What does this mean for investors?

Every year the World Economic Forum, a non-governmental organisation (NGO) and think-tank, surveys academia, business, government, the international community and civil society on the biggest risks to the world. In its 2025 Global Risk Report, the four most severe risks over the next 10 years all relate to climate and nature.

Businesses face physical risks because of climate change, such as natural disasters and the problems caused by more extreme weather. They also face 'transition risks', where government policy and market sentiment change in response to the shift to a carbon-neutral economy. This may disrupt established industries – to the point where some of their assets, such as fossil fuel reserves, could become redundant, or, in the jargon, 'stranded assets'. It could mean increased regulation and the risk of lawsuits against companies because of their contribution to climate change.

Investors that are aware of these risks and incorporate them into their decisions are more likely to avoid or at least mitigate their worst effects.

ENVIRONMENT: CLIMATE CHANGE
CONTINUED

But there are opportunities as well as risks. The transition to a low-carbon economy will require investment, research and innovation, new ways of production and consumption, and adjustments to the way in which we work, travel and live. Businesses that can contribute to this transformation will tempt the interest of investors.

What are we doing?

We continue to review and update our approach to incorporating climate change risk into our own operations and investment decisions.

In 2021, we announced a commitment to achieve net zero emissions by 2050 or sooner. We followed this in 2022 with near-term emissions reduction targets for the journey there. An organisation called the Science Based Targets initiative (SBTi) validated that our targets were sufficiently rigorous and rooted in science.

Our near-term targets include a 42% cut in our operational and supply chain emissions by 2030. They also encompass a target that at least 57% of the companies in which we invest will set their own SBTi-aligned targets or commit to doing so.

Our Greenbank business has set a target of net zero emissions by 2040.

During 2024, following our combination with IW&I (UK), we turned our attention to making an updated emissions inventory, where we work out the emissions of the enlarged Rathbones Group. This has supported the analysis necessary to reset our net zero targets for this more sizeable business.

Our commitment is supported by governance and responsible investment processes. These ensure that climate considerations are carefully integrated into all aspects of our business. Every year since 2022, we've published a disclosure as recommended by the international Taskforce on Climate-related Financial Disclosures (TCFD). It sets out in greater detail how climate change is incorporated into our risk management framework. This is overseen by our Group Audit Committee. In 2024, we developed the capability to give interested clients a snapshot of carbon metrics specific to their own portfolios. This included numbers such as the portfolio's carbon footprint. For further details, see Climate reporting | Rathbones.

Our Responsible Business Committee periodically reviews the business's progress towards its net zero commitment. Our Responsible Investment Committee, chaired by Elizabeth Savage, Co-Chief Investment Officer of Rathbones Investment Management, looks at the investment aspects of our climate strategy. It brings together financial, ESG integration and stewardship analysts and investment experts from across the business. This committee is supported by various other structures within Rathbones. That includes sub-committees looking specifically at ESG integration, engagement and voting, committees for particular parts of Rathbones Group, and a Climate and Nature Working Group.

Our approach to managing climate risk is incorporated into our investment research. For each investment, where information is available, our analysts and investment managers have access to ESG data for investments from specialist data providers and information about portfolio companies' strategies for managing climate change. This includes whether companies have independently validated net zero targets, just as our targets are.

Climate change doesn't drive our investment decisions. But by incorporating its analysis into our research, we're supporting investment managers in making informed decisions about the long-term risks and opportunities, related to the climate, for each potential investment. They can then select the right investments to fit client preferences and mandates. Meanwhile, our investment and governance committees regularly see information about our holdings' environmental performance, such as our own ESG ratings for them. This helps them to confirm the thoroughness of our analysis as well as monitor trends over time.

Once we've invested in a company, when needed we'll engage with it to ensure that it has a robust climate strategy and net zero targets — or has plans for this. We also look for evidence of progress in meeting existing targets.

Getting engaged

At the start of every year, our engagement specialists propose an engagement action plan, approved by our Engagement and Responsible Investment Committees. In 2024, our plans emphasised the importance of dialogue on net zero with companies that generated the bulks of emissions associated with our clients' portfolios. We assess the companies we engage with based on the criteria set out in our net zero engagement strategy.

We recognise that climate change is a 'systemic challenge'. This means both that it requires changes to the way that society and the global economy operate, and that its effects are

"Once we've invested in a company, when needed we'll engage with it to ensure that it has a robust climate strategy and net zero targets

ENVIRONMENT: CLIMATE CHANGE
CONTINUED

extremely wide-reaching. We therefore have to take a systemic approach. For that reason, we've liaised with regulators, policymakers and NGOs (such as the Institutional Investors Group on Climate Change) on the best ways to reform the UK energy market. It also means that dialogue with companies on nature and biodiversity (a measure of the variety rather than quantity of life) is one of our engagement priorities. This is intrinsically linked to climate change as a threat to the planet (see next page).

Our processes and governance help us achieve our climate risk management ambitions. For example, because we want to support the global economy's transition to net zero, we've established a thoughtful approach to investing in fossil fuels.

We recognise that climate change mitigation will involve some difficult decisions. Where our engagement is unlikely to yield the desired outcome and the climate risk is unmanageable, we may stop buying stakes in certain companies. We may also choose to sell existing holdings.

We also understand that a transition to net zero emissions requires system-wide change. In 2025, our net zero engagement will include dialogue with financial institutions that invest in or insure thermal coal projects. We'll encourage them to disclose more clearly their financial involvement in this activity, so that our analysts can better understand our exposures and the long-term transition risk they create.

> **Our ESG integration analysts also screen for any investments in companies that are expanding their capacity for mining or generating power from thermal coal**

ENVIRONMENT

Nature and biodiversity

What's the problem?

Nature is fundamental to economic stability and development because it supports all systems of life. So, too, is biodiversity, which refers to the variety of life on Earth.

Yet nature is being degraded at an alarming rate. Worldwide, more than 46,000 species are threatened with extinction, according to the International Union for Conservation of Nature. That includes, for example, 26% of mammals, 41% of amphibians and 44% of reef corals – and the trend is getting worse for all three.

There are several causes of nature loss, including habitat destruction, overexploitation and pollution – sometimes by listed companies.

Another culprit is climate change. The nature and climate crises are, in fact, tightly interconnected – and taken together, they pose an existential threat to society. For example, extreme weather events, such as more frequent severe storms and bushfires, harm 'ecosystems', communities of organisms that live in and interact with each other in an environment. And the destruction of nature exacerbates climate deterioration. For instance, deforestation doesn't just destroy habitats, it also reduces the planet's ability to reduce climate change by soaking up carbon.

What does this mean for investors?

Nature and biodiversity are important to businesses – and to the financial services companies that invest in them. For example, insects pollinate crops, making them critical to farming and food companies. The value to economies and societies of 'ecosystem services' like this has been put at €172 billion in the European Union alone. Strong plant biodiversity is useful for the pharmaceutical industry; as a case in point, many anti-cancer treatments originate from plants. The financial research and data company S&P Global calculates that 85% of the world's largest companies depend on nature. So the depletion of nature and biodiversity is bad for businesses. Moreover, companies face transition risks, including fines and import bans, if they fail to adapt their business models and reform their practices to allow for policy changes designed to protect nature.

In 2022, the UN Biodiversity Conference (COP15) secured agreement on the Global Biodiversity Framework, which set out an overarching goal to halt and reverse biodiversity loss by 2030. This includes targets for business. One of these is a requirement to assess, disclose and reduce biodiversity-related risks and negative impacts. This has given added impetus to initiatives such as the international Taskforce on Nature-related Financial Disclosures, which build on existing rules.

What are we doing?

We recognise our role in mitigating nature loss and biodiversity degradation through our investment decisions and engagement with companies. We have a duty to minimise nature-related risks for our clients.

In 2024, nature was one of Rathbones Group's priority topics for engagement. As well as companies, we engage with policymakers and the organisations that set influential standards for how businesses should protect nature and biodiversity. For example, Greenbank was part of the finance delegation at COP15. It has also been a longstanding member of the Finance for Biodiversity initiative.

In 2024, we expanded our Climate Working Group, made up of experts from across the business, to include nature. This seeks to consolidate our knowledge and our efforts to address climate and nature-related risks and opportunities.

Human rights

What's the problem?

The S in ESG can sometimes seem like the poor relation when discussing responsible investment – squeezed between the E and the G. Environmental factors capture the imagination – and can also be more easily captured by numbers. Companies can estimate how much carbon they're emitting, for example. Governance, meanwhile, benefits because it's been taken seriously for many years.

Social factors can seem, to some investors, more nebulous and harder to integrate into investment management and ownership practices. For example, although it's in companies' interests to protect human rights in their supply chains, it can be hard to quantify the degree to which human rights are ignored or looked after by suppliers.

However, the S is no less relevant to our clients' interests. That includes social factors related to particular businesses we invest in. It also includes social issues that affect the wider community.

For investors, one important social issue is human rights. Businesses can affect human rights for good or ill through their employment practices, but also through their supply chains. It's in the latter where the issues often arise – responsibility for dealing with the issues can be blurry as modern global supply chains are frequently very complex and span many different countries.

However, interest in the topic is only increasing, as advanced economies legislate to make companies responsible for the appropriate management of human rights risks. This is known as 'human rights due diligence' (HRDD). In May 2024, EU member states approved the Corporate Sustainability Due Diligence Directive, which aims to harmonise HRDD requirements across the EU.

So far we've directed our efforts to the economic crime of modern slavery. Engaging with companies on this also helps unlock discussions with companies about useful solutions that can support a far wider range of rights.

What does this mean for investors?

We often talk about 'culture' as one of the most important factors when deciding to invest in a business. It's also a word used by many management teams, who cite it as an essential foundation for any well-functioning company. A good culture is all the more important for a growing company. This can potentially drive better shareholder returns, compared with companies that neglect corporate culture.

But what do we mean by culture? To many investors, it's largely about how a company manages its own people inside the business and the supply chain of people outside it.

We often find that a strong corporate culture can lead to sustained growth over a number of years. That means treating employees well, and understanding and tracking operating conditions in the supply chain. It means transparently reporting problems and risks so that they can be resolved appropriately. It also requires a strong system of oversight and accountability. Many of the more capable management teams we meet clearly understand this and work tirelessly to preserve the culture.

Allowing the opposite to happen can be devastating to a business's reputation and its appeal to investors. Moreover, it can take years to fix these issues and build back investors' trust.

With this in mind, talking about human rights is a critical part of our strategy when we meet management teams. And we want to understand how human rights, in a company and its supply chain, informs business decisions and risk management. It's important in many investment decisions we make. For example, if a particular company has many more reports of human rights violations in its supply chain than its peers, this could raise questions about the quality of its risk management. That might make us more reluctant to invest in it. We're still on a journey in terms of global standards of reporting and the availability of data – but we've seen strong progress in the past five years.

SOCIETY: HUMAN RIGHTS
CONTINUED

What are we doing?

In 2024, we continued our work on 'Votes Against Slavery', a coalition of investors set up by Rathbones to encourage UK companies to comply with the country's landmark 2015 Modern Slavery Act. Investors press each company to carry out its legal responsibility to publish a statement setting out steps taken to ensure modern slavery isn't in its business or supply chain. Votes Against Slavery calls on the coalition's members – 154 by 2024 – to vote against a company's report and accounts if it doesn't do this. For more detail, please see our Votes Against Slavery report.

But our work on human rights is much broader than just this project.

We support shareholder resolutions addressing various human rights topics. In 2024, we backed calls for the responsible deployment of generative artificial intelligence (AI), asking for impact assessments of how targeted advertising had affected human rights. Generative AI learns from vast quantities of data, such as online text and images, to generate new content that feels like it's been made by a human. We wrote to a consumer brand experiencing human rights problems in its supply chains, advocating for it to create stronger controls. We supported a resolution for a major clothing brand to self-assess and externally audit how successful its efforts to pursue human rights commitments had been.

More generally, we support a major collaborative engagement called 'Advance', devised by the Principles for Responsible Investment, a body backed by the United Nations that encourages progress in investing responsibly. To use the official wording, Advance aims to "protect and enhance risk-adjusted returns by advancing progress on human rights through investor stewardship". To do so, this investor group engages with many companies, asking them to do three things:

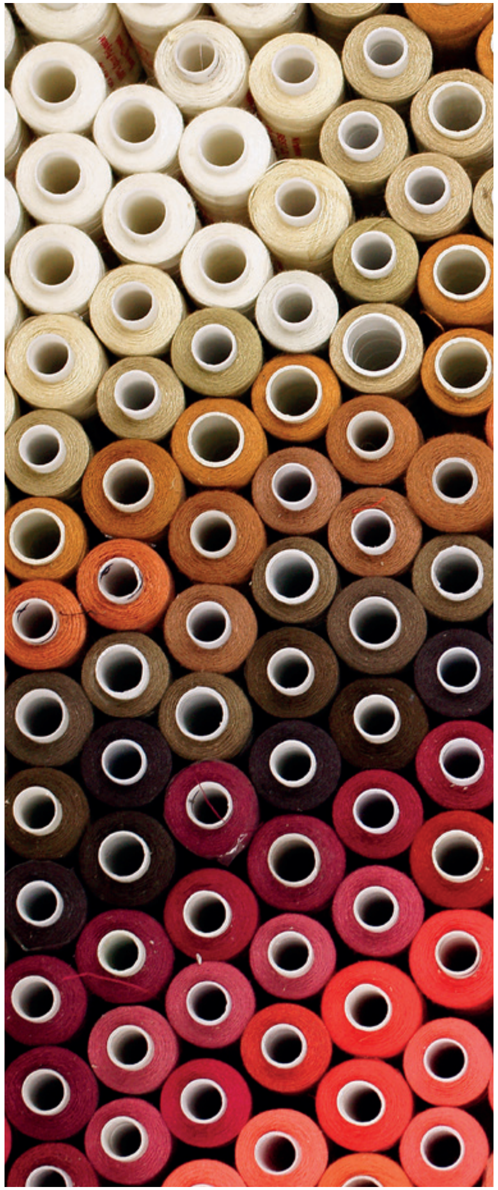
1. Implement the United Nations Guiding Principles on Business and Human Rights (UNGPs) – a guardrail for corporate conduct on human rights. They're built around a framework developed in the last decade, "Protect, Respect, Remedy." States – signatories to international treaties – have set out their obligations to protect human rights. Companies have a duty to respect human rights in their operations. And both states and companies have a duty to provide the opportunity for a remedy for those affected by human rights abuses.
2. Align businesses' political engagement with their responsibility to respect human rights.
3. Deepen progress in addressing the most severe human rights issues in their operations and across their value chains.

In 2024, advancing human rights at work was one of our nine engagement priorities for the year.

Every year, the World Benchmarking Alliance (WBA) assesses the quality of the human rights reporting and disclosure of major companies in particular sectors, under its Corporate Human Rights Benchmark assessment. In November 2023, the WBA published its scores for 110 companies in two sectors: apparel and extractives (companies that drill and mine for natural resources).

We wrote to 12 companies in the benchmark in which we hold shares. These businesses had both scored poorly. They'd also failed to respond to the WBA's offer to discuss their scores in detail. We used our position as shareholders in these companies to try to fill in any information gaps. We also encouraged the 12 companies to address shortcomings highlighted by the WBA.

> **In 2024, advancing human rights at work was one of our nine engagement priorities for the year**



GOVERNANCE

Executive pay

What's the problem?

The pay of companies' top executives has often prompted public controversy, divided opinion and generated newsworthy statistics. Research from the High Pay Centre, a think tank, has found the average CEO in the FTSE 100 index of the largest listed UK companies is paid 113 times the average UK worker. And in absolute terms, CEO pay had risen to a record high (judged by the median FTSE 100 boss).

But across the pond, the gap was even greater. For companies in the S&P 500 index, the corresponding number was 268.

The gap between the US and the UK – and between the US and other countries too – has created unease in boardrooms about their ability to retain top talent.

This all presents boards with a delicate balancing act. Living costs have risen sharply in recent years, stoking resentment at high-earning people. Against this background, how much should companies pay their top executives?

If companies pay what society sees as too much, judged by the performance delivered, they risk damaging workforce morale and attracting unwanted scrutiny from shareholders and public. Pay too poorly, and companies could face the disruptive effects of poorer-quality leadership or simply of the change in leadership in itself.

What does this mean for investors?

As shareholders, in most countries we can typically vote every year on how much the top executives get paid, and how their bonuses and long-term incentive awards are structured. Long-term incentive awards reward executives – usually with shares or options to buy shares – for reaching specific goals that increase shareholder value. These votes might only be advisory – company boards don't have to accept them. But in some cases they're binding.

Executives are paid out of shareholder funds – the assets of a company that belong to shareholders, after subtracting liabilities. Every million pounds more a CEO is paid is a million pounds less to allocate to something else that's good for shareholders. That might be investing back in the business. It might mean rewarding shareholders directly through dividends or share buybacks.

We believe deciding executive pay plans (sometimes called 'remuneration plans') should be treated no differently to any other decisions on allocating capital that a company makes – with discipline, focus and an eye on creating shareholder value.

With this in mind, we expect boards to have a clear and compelling rationale not only for raising executives' base salary. We also want them to show how bonuses and longer-term share-based incentives support company strategy, creating value for shareholders. We'll often question whether the vesting conditions associated with bonuses and other share schemes – the targets that have to be met before they're paid – are sufficiently stretching.

What are we doing?

What makes us vote to approve the arrangements set out by companies for executive pay? We want them to be well-measured and broadly aligned with our experience as a shareholder. In other words, we expect to see executive pay higher when we're seeing strong returns from our shares, and lower when we're not. Our analysts and investment managers must have a strong conviction that business outperformance is down to the quality of company management. When this isn't the case, we believe we have a responsibility to push back.

We're active in pressing companies on executive pay. In 2024, about 15% of our stewardship team's dialogue with companies covered this topic. Of all of the governance issues we raised with companies last year, close to half of all engagements involved executive pay, highlighting just how seriously we take the issue. In 2024, we voted against 112 executive pay proposals.

In the UK market, some of the most controversial pay votes centred on the transatlantic CEO pay gap. The boards of several companies we invest in expressed concerns over their ability to attract and retain talent based on their current pay policies. They proposed hefty increases to address this. We assessed all these votes, engaging in detailed discussion both with our investment managers internally, but also with the companies themselves. This helped us come to a voting decision that we thought was in the best interests of our clients. In some instances, this did involve voting against the pay arrangements.

In 2024 we also voted many times in favour of UK Plcs' remuneration proposals at their AGMs, but suggested changes for future years to incentivise senior management to deliver

> "In the UK market, some of the most controversial pay votes centred on the transatlantic CEO pay gap

GOVERNANCE: EXECUTIVE PAY CONTINUED

better on the company strategy. For example, when considering payouts for investment company executives based on the performance of their shareholdings, we advocated stretching targets. In several cases our stewardship team and fund managers enjoyed productive conversations with the chairs of remuneration committees over these points.

We've also challenged a few US-listed companies over their executive pay, but often for reasons quite different to those we raised with boards at UK-listed companies. Compensation packages for C-Suite executives at US companies (Chief Executive Officer, Chief Financial Officer, etc.) are many times higher than in the UK. This is partly because companies in the S&P 500 are significantly larger than for most businesses listed in London, judged by market value (number of shares times share price).

There were also times when a CEO at a US company actually delivered strong corporate performance, but we still opposed their pay package. This was because we questioned whether the scale of the share-based awards would encourage them to continue the risk-taking that had made them so successful up until then.

We encourage all companies we invest in to seek the sweet spot when devising executive remuneration plans: high enough – but with sufficiently strict conditions too – to motivate the executive in the corner office. But not so excessively high that it demotivates the ordinary workers.

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